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**MMG LIMITED**  
**五礦資源有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(STOCK CODE: 1208)**

## CONNECTED TRANSACTION

### OPTION AND JOINT VENTURE AGREEMENT

#### **THE OPTION AND JOINT VENTURE AGREEMENT**

On 23 January 2015, MMG Exploration and Abra Mining signed the Option and Joint Venture Agreement granting MMG Exploration the Joint Venture Option to form an unincorporated joint venture with Abra Mining in relation to the Abra Project located in Western Australia.

Under the Option and Joint Venture Agreement, Abra Mining also grants MMG Exploration the Mining Lease Option.

#### **LISTING RULES IMPLICATIONS**

Abra Mining is a wholly owned subsidiary of Hunan Non-Ferrous Metals, which is an indirectly owned subsidiary of CMC, the ultimate controlling shareholder of the Company. As Abra Mining is an associate of CMC it is therefore a connected person of the Company under the Listing Rules. As a result, the Option and Joint Venture Agreement constitutes a connected transaction for MMG.

As all of the relevant percentage ratios in respect of the Option and Joint Venture Agreement are less than 5%, it constitutes a connected transaction which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE OPTION AND JOINT VENTURE AGREEMENT**

On 23 January 2015, MMG Exploration and Abra Mining signed the Option and Joint Venture Agreement granting MMG Exploration the Joint Venture Option to form an incorporated joint venture with Abra Mining in relation to the Abra Project.

The Abra Project is located approximately 1,000 kilometres north-east of Perth in Western Australia and comprises two sub-projects, the Mulgul and Jillawarra tenements. MMG intends to conduct exploration for zinc, lead and copper on the tenements in accordance with the terms of the Option and Joint Venture Agreement.

Under the Option and Joint Venture Agreement, Abra Mining also grants MMG Exploration the Mining Lease Option.

### **The Joint Venture Option**

Pursuant to the Option and Joint Venture Agreement, MMG Exploration may exercise the Joint Venture Option on the earlier of (i) the date on which MMG Exploration incurs A\$2.0 million (equivalent to HK\$12.54 million) in expenditure on the tenements (including expenditure required to keep the tenements in good standing) and (ii) the date which is two years from the Satisfaction Date (Option Stage). The Joint Venture Option will lapse if MMG Exploration does not incur A\$2.0 million (equivalent to HK\$12.54 million) within two years from the Satisfaction Date.

If the Joint Venture Option is exercised by MMG Exploration, MMG Exploration and Abra Mining will form the Joint Venture.

During the Option Stage, MMG has the exclusive right to carry out exploration on the tenements at its sole discretion in compliance with the Mining Act 1978 of Western Australia and all other applicable laws and has the obligation to, among other things, keep the tenements in good standing. It is estimated that the minimum expenditure to maintain the tenements in good standing will be approximately A\$1.18 million (equivalent to approximately HK\$7.40 million) per year.

### **Conditions Precedent**

The Option and Joint Venture Agreement is conditional upon satisfaction or waiver of certain conditions precedent including, but not limited to, all relevant permits and other regulatory approvals being obtained by MMG Exploration; and MMG Exploration completing due diligence on the tenements and being satisfied with the results of its due diligence enquiries. If the conditions precedent are not satisfied or waived by 28 February 2015, either party may terminate the Option and Joint Venture Agreement.

### **Exercise of the Joint Venture Option**

MMG Exploration may exercise the Joint Venture Option after the expiry of the Option Stage. The Joint Venture Option will lapse if MMG Exploration does not incur A\$2.0 million (equivalent to HK\$12.54 million) in expenditure within two years from the Satisfaction Date.

## **Stages of the Joint Venture**

Upon exercise of the Joint Venture Option by MMG Exploration, the Joint Venture will be formed and effective immediately. At this stage the participating interests of MMG Exploration and Abra Mining will be 0% and 100% respectively.

Stage 1 will commence upon the formation of the Joint Venture and end on the earlier of the date on which MMG Exploration has incurred A\$6 million (equivalent to HK\$37.62 million) in expenditure or the date that is five years from the Satisfaction Date. At the end of Stage 1, the participating interests of MMG Exploration and Abra Mining will be 60% and 40% respectively.

Stage 2 will commence upon completion of Stage 1 and end on the earlier of the date on which MMG Exploration has completed a pre-feasibility study or the date that is ten years from the Satisfaction Date. At the end of Stage 2, the participating interests of MMG Exploration and Abra Mining will be 85% and 15% respectively.

Either party can elect to dilute after Stage 2. Within 60 days of Abra Mining's participating interest being diluted to 10%, Abra Mining must elect to either contribute its 10% share of expenditure or convert its 10% share to a 1% net smelter royalty.

MMG Exploration may withdraw from the Option Stage or Joint Venture at any time by giving Abra Mining 30 days written notice.

MMG and Abra Mining agree that the aggregate amount of (i) expenditure by MMG Exploration, and (ii) amounts payable to Abra Mining in each case, pursuant to the terms of the Option and Joint Venture Agreement, shall not exceed the lesser of (i) A\$50 million (equivalent to HK\$313.5 million) and (ii) an amount in Australian currency which is not greater than an amount equivalent to 4.99% of the total average closing price of the ordinary shares in Hunan Non-Ferrous Metals, as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the day on which the Option and Joint Venture Agreement is signed, multiplied by the total number of issued shares of Hunan Non-Ferrous Metals then in issue (Cap).

In the event that the aggregate amount of expenditure by MMG Exploration, and the amounts payable to Abra Mining in each case, pursuant to the terms of the Option and Joint Venture Agreement, would exceed the lesser of either limb of the Cap, MMG Exploration and Abra Mining shall negotiate in good faith to enter into a supplemental agreement agreeing to the new thresholds, which shall be subject to the obtaining of necessary shareholders' approval by Hunan Non-Ferrous Metals and/or MMG, as the case may be.

## **The Mining Lease Option**

Under the Option and Joint Venture Agreement, Abra Mining also grants MMG Exploration the Mining Lease Option to acquire the Mining Lease from Abra Mining at a price agreed between Abra Mining and MMG Exploration and failing agreement, at a price determined by an independent third party valuation.

MMG Exploration may exercise the Mining Lease Option at any time during the term of the Option and Joint Venture Agreement by giving written notice of exercise to Abra Mining.

## **REASONS FOR AND BENEFITS OF THE OPTION AND JOINT VENTURE AGREEMENT**

The Abra Project represents a regional tenement package located in the Proterozoic Edmund basin in Western Australia that is prospective for sediment-hosted zinc, lead and copper deposits. The tenements cover an area around and to the west of the existing deposit that contains lead-silver and copper-gold mineralisation. In addition, a number of base metal prospects are identified on the tenements. Both the style of mineralisation and the project location fit well with MMG's exploration strategy and the project is a valuable addition to the current exploration portfolio.

### **GENERAL**

The Directors (including the independent non-executive Directors) are of the view that the Option and Joint Venture Agreement is on normal commercial terms, and is fair and reasonable and in the interests of the shareholders of MMG as a whole. No Director has any material interest in the transaction contemplated under the Option and Joint Venture Agreement which prohibits him from voting on the resolution of the Board to approve the Option and Joint Venture Agreement and no Director has abstained from approving such Board resolution.

### **LISTING RULES IMPLICATIONS**

Abra Mining is a wholly owned subsidiary of Hunan Non-Ferrous Metals, which is an indirectly owned subsidiary of CMC, the ultimate controlling shareholder of the Company. As Abra Mining is an associate of CMC it is therefore a connected person of the Company under the Listing Rules. As a result, the Option and Joint Venture Agreement constitutes a connected transaction for MMG.

As all of the relevant percentage ratios in respect of the Option and Joint Venture Agreement are less than 5%, it constitutes a connected transaction which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **INFORMATION ABOUT THE GROUP**

The Group is engaged in the exploration, development and mining of zinc, copper, gold, silver and lead deposits around the world.

### **INFORMATION ABOUT ABRA MINING**

Abra Mining is a wholly owned subsidiary of Hunan Non-Ferrous Metals. Abra Mining is a base metals exploration and development company. Abra Mining's key asset is a 100% interest in the lead-silver-(zinc)-copper-gold deposit located within the Mulgul Project in central Western Australia.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

Abra Mining	Abra Mining Pty Limited, a company incorporated in Australia, a wholly owned subsidiary of Hunan Non-Ferrous Metals
Board	the board of directors of the Company
Cap	the lesser of (i) A\$50 million (equivalent to HK\$313.5 million) and (ii) an amount in Australian currency which is not greater than an amount equivalent to 4.99% of the total average closing price of the ordinary shares in Hunan Non-Ferrous Metals, as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the day on which the Option and Joint Venture Agreement is signed, multiplied by the total number of issued shares of Hunan Non-Ferrous Metals then in issue
CMC	中國五礦集團公司 (China Minmetals Corporation), formerly known as 中國五金礦產進出口總公司 (China National Metals and Minerals Import and Export Corporation), a state-owned enterprise incorporated on 7 April 1950 under the laws of the PRC and the ultimate controlling shareholder of MMG
Company	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, the shares of which are listed and traded on the main board of the Stock Exchange
Director(s)	the director(s) of MMG
Group	the Company and its subsidiaries from time to time
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hunan Non-Ferrous Metals	Hunan Non-Ferrous Metals Corporation Ltd., a joint stock limited company incorporated in the PRC with limited liability, an indirectly owned subsidiary of CMC, the shares of which are listed and traded on the main board of the Stock Exchange

Joint Venture	an unincorporated joint venture to be formed between MMG and Abra Mining pursuant to the terms of the Option and Joint Venture Agreement
Joint Venture Option	the irrevocable option granted by Abra Mining to MMG Exploration to form an unincorporated joint venture with Abra Mining in relation to the Abra Project pursuant to the Option and Joint Venture Agreement
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Mining Lease	mining lease 52/776 granted pursuant to the Mining Act 1978 of Western Australia and any tenement granted in substitution, renewal or replacement (whether in whole or in part) of that mining lease
Mining Lease Option	the irrevocable option granted by Abra Mining to MMG Exploration to acquire the Mining Lease pursuant to the Option and Joint Venture Agreement
MMG	has the same meaning as the Company
MMG Exploration	MMG Exploration Pty Ltd, a company incorporated in Australia, a wholly owned subsidiary of MMG
Option and Joint Venture Agreement	the option and joint venture agreement dated 23 January 2015 entered into between MMG Exploration and Abra Mining
Option Stage	the period commencing on the Satisfaction Date and ending on the earlier of (i) the date on which MMG Exploration incurs A\$2.0 million (equivalent to HK\$12.54 million) in expenditure on the tenements (including expenditure required to keep the tenements in good standing) and (ii) the date which is two years from the Satisfaction Date
PRC	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan)

Satisfaction Date                      the date on which notice is given by MMG Exploration or Abra Mining to the other in respect of all the conditions precedent to the Option and Joint Venture Agreement being satisfied or waived

Stock Exchange                         The Stock Exchange of Hong Kong Limited

*Unless otherwise specified, conversion of A\$ into HK\$ in this announcement is based on the exchange rate of A\$1.00 = HK\$6.27 for the purpose of illustration only. No representation is made and there is no assurance that A\$ or HK\$ can be purchased or sold at such rate.*

By order of the Board  
**MMG Limited**  
**Andrew Gordon Michelmore**  
*CEO and Executive Director*

Hong Kong, 23 January 2015

*As at the date of this announcement, the Board comprises nine directors, of which three are executive directors, namely Mr Andrew Gordon Michelmore, Mr David Mark Lamont and Mr Xu Jiqing; three are non-executive directors, namely Mr Jiao Jian (Chairman), Mr Wang Lixin and Mr Gao Xiaoyu; and three are independent non-executive directors, namely Dr Peter William Cassidy, Mr Anthony Charles Larkin and Mr Leung Cheuk Yan.*