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**MMG LIMITED**  
**五礦資源有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(STOCK CODE: 1208)**

**DISCLOSEABLE TRANSACTIONS**  
**(1) EPC CONTRACT**  
**(2) CONSTRUCTION CAMP CONTRACT**

On 16 May 2013, MMG Dugald River entered into the EPC Contract with Forge Group Minerals & Resources in relation to the engineering, procurement and construction of the processing facility for the Dugald River project by Forge Group Minerals & Resources.

On 14 January 2013, MMG Dugald River entered into the Construction Camp Contract with Forge Group Construction, in relation to the design and construction of a temporary construction camp for the Dugald River project by Forge Group Construction.

Since Forge Group Minerals & Resources and Forge Group Construction are both wholly owned subsidiaries of Forge Group Ltd, the transaction value under the EPC Contract shall be aggregated with the transaction value under the Construction Camp Contract pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Contracts (when calculated on an aggregated basis) are more than 5% but less than 25%, the Contracts constitute a discloseable transaction for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**EPC CONTRACT**

On 16 May 2013, MMG Dugald River entered into the EPC Contract with Forge Group Minerals & Resources in relation to the engineering, procurement and construction of the processing facility for the Dugald River project by Forge Group Minerals & Resources. The principal terms of the EPC Contract are set out below.

- Parties : (1) MMG Dugald River (Principal)  
(2) Forge Group Minerals & Resources (Contractor)
- Description of the works : The EPC Contract sets out the terms and conditions on which Forge Group Minerals & Resources agrees to:
- (i) engineer, procure, construct, test and wet commission a processing facility to process run of mine ore from the Dugald River project to produce lead and zinc sulphide concentrates; and
  - (ii) manage the procurement of plant and equipment purchased by MMG Dugald River (and which is 'free-issued' to Forge Group Minerals & Resources by MMG Dugald River under the EPC Contract) for incorporation by Forge Group Minerals & Resources into the processing facility.
- EPC Contract Consideration : Approximately A\$294.1 million (equivalent to approximately HK\$2,261.6 million) as may be adjusted in accordance with the EPC Contract.
- The EPC Contract Consideration is comprised of a lump sum component and provisional sum component.
- Variations and other price adjustment events : Forge Group Minerals & Resources may be entitled to an increase in the EPC Contract Consideration in certain circumstances, including, among others where:
- (i) the work or services under the EPC Contract is/are varied by MMG Dugald River;
  - (ii) provisional sum work items exceed the allowances included in the EPC Contract Consideration for those work items;
  - (iii) errors or deficiency in any data provided by the vendors of the materials that have been 'free issued' by MMG Dugald River to Forge Group Minerals & Resources; and
  - (iv) there is a direction from MMG Dugald River to accelerate or re-sequence the work.
- Commencement date : The EPC Contract commences on the date on which all the conditions precedent have been satisfied or waived by MMG Dugald River.
- The conditions precedent must be satisfied or waived before the date which is 20 business days after the execution of the EPC Contract or such later date as notified by MMG Dugald River in writing.
- Conditions precedent : The conditions precedent include, among other things, MMG Dugald River obtaining all relevant approvals for the Dugald River project and the provision of security by Forge Group Minerals & Resources.
- Practical completion date : 3 June 2015, as may be extended in accordance with the EPC Contract.

Security : Forge Group Minerals & Resources must provide security to MMG Dugald River in the form of a bank guarantee or insurance bond for an amount equal to 10% of the EPC Contract Consideration.

Forge Group Minerals & Resources must also procure a parent company guarantee from Forge Group Ltd in favour of MMG Dugald River.

Defects liability period : The defects liability period commences on the practical completion date and expires on the later of:

- (i) the earlier of:
  - 12 months after the performance guarantees are achieved; and
  - 18 months after the practical completion date; and
- (ii) rectification of all:
  - defects existing at practical completion; and
  - defects notified by MMG Dugald River prior to 18 months after the practical completion date.

A separate defects liability period for rectification works will apply until the later of the end of the original defects liability period and 12 months after the rectification work is completed.

Termination : In addition to usual rights of termination, MMG Dugald River may terminate the EPC Contract in its sole and absolute discretion at any time without cause and for any reason by giving at least five business days' (if terminated before 31 December 2013) or 20 business days' (if terminated after 1 January 2014) written notice to Forge Group Minerals & Resources.

If MMG Dugald River terminates the EPC Contract in this way at any time prior to 31 December 2013 then Forge Group Minerals & Resources' sole entitlement will be a termination payment which includes the value of that proportion of the works completed and already paid for by MMG Dugald River to Forge Group Minerals & Resources prior to the termination date. A maximum amount to which Forge Group Minerals & Resources will be entitled has been agreed for each month from April 2013 to December 2013, and is ultimately capped at US\$108.7 million for the month of December 2013.

If MMG Dugald River terminates the EPC Contract in this way at any time after 1 January 2014, Forge Group Minerals & Resources' sole entitlement will be payment of:

- (i) the value of that proportion of the works completed but not paid for by MMG Dugald River to Forge Group Minerals & Resources when the EPC Contract was terminated (including a reasonable allowance for profit on that amount);
- (ii) the cost of materials and equipment properly ordered for the works for which Forge Group Minerals & Resources has paid or is legally bound to pay (including a reasonable allowance for profit

- on that amount), provided that the value of the materials and equipment is not included in the amount payable pursuant to the paragraph above (title in the materials and equipment will have already vested in MMG Dugald River will vest in MMG Dugald River upon payment); and
- (iii) the reasonable costs of demobilising from the site, provided that Forge Group Minerals & Resources has done all things reasonably necessary to mitigate its loss arising from such termination.

## **EPC CONTRACT CONSIDERATION**

The EPC Contract Consideration shall be payable by MMG Dugald River to Forge Group Minerals & Resources on a monthly basis based on the value of the work performed by Forge Group Minerals & Resources.

Forge Group Minerals & Resources was invited by MMG Dugald River to submit a sole source proposal due to Forge Group Minerals & Resources' successful delivery of a fixed lump sum engineering, procurement and construction contract delivery model for a similar plant for another Australian mining company and its involvement in another project which was similar to the Dugald River project. Following a review by MMG Dugald River of the proposal submitted, Forge Group Minerals & Resources was then selected as a preferred contractor for further negotiations.

Forge Group Minerals & Resources was selected for the EPC Contract based on the potential savings to MMG Dugald River in changing the delivery strategy from an engineering, procurement, construction and management contract model to an engineering, procurement and construction model, and greater certainty in terms of cost and schedule. The EPC Contract Consideration was arrived at after arm's length negotiations between MMG Dugald River and Forge Group Minerals & Resources.

## **CONSTRUCTION CAMP CONTRACT**

On 14 January 2013, MMG Dugald River entered into the Construction Camp Contract with Forge Group Construction in relation to the design and construction of the temporary construction camp for the Dugald River project by Forge Group Construction. The principal terms of the Construction Camp Contract are set out below.

Parties : (1) MMG Dugald River (Principal)  
(2) Forge Group Construction (Contractor)

Description of works : The design and construction of a temporary construction camp and associated facilities in the Knapdale Ranges for the Dugald River project.

Construction Camp Contract Consideration : Approximately A\$4.85 million (equivalent to approximately HK\$37.3 million) as may be adjusted in accordance with the Construction Camp Contract.

The Construction Camp Contract Consideration is an estimated price and comprises lump sum components and components that are compensated on a reimbursable basis.

Variations and other price adjustment events : Forge Group Construction may be entitled to an increase in the Construction Camp Contract Consideration in certain circumstances, including, among others where:

- (i) the work or services under the Construction Camp Contract are varied by MMG Dugald River;
- (ii) reimbursable work items exceed the allowances included in the Construction Camp Contract Consideration for those work items; and
- (iii) there is a direction from MMG Dugald River to accelerate or re-sequence the work.

Commencement date : The Construction Camp Contract commences on the date on which MMG Dugald River issues a written notice confirming that the conditions precedent have been satisfied or waived in writing by MMG Dugald River.

Conditions precedent : The conditions precedent include, among other things, the final investment decision for the Dugald River project having been made by the Board and MMG Dugald River obtaining all relevant approvals for the Dugald River project.

Practical completion date : 1 June 2013, as may be extended in accordance with the Construction Camp Contract.

Security : Forge Group Construction must provide security to MMG Dugald River in the form of a bank guarantee for an amount equal to 5% of the Construction Camp Contract Consideration.

Defects liability period : The defects liability period commences on the practical completion date and expires on the later of:

- (i) 12 months after the practical completion date; and
- (ii) rectification of all:
  - defects existing at practical completion; and
  - defects notified by MMG Dugald River prior to 12 months after the practical completion date.

A separate defects liability period for rectification works will apply until the later of the end of the original defects liability period and 12 months after the rectification work is completed.

Termination : In addition to usual rights of termination, MMG Dugald River may terminate the Construction Camp Contract in its sole and absolute discretion at any time without cause and for any reason by giving 20 business days' written notice to Forge Group Construction.

If MMG Dugald River terminates the Construction Camp Contract in this way, Forge Group Construction's sole entitlement will be payment of:

- (i) the value of that proportion of the works completed but not paid for by MMG Dugald River to Forge Group Construction when the Construction Camp Contract was terminated;
- (ii) the cost of materials and equipment properly ordered for the works for which Forge Group Construction has paid or is legally bound to pay (including a reasonable allowance for profit on that amount), provided that the value of the materials and equipment is not included in the amount payable pursuant to the paragraph above (title in the materials and equipment will have already vested in MMG Dugald River or will vest in MMG Dugald River upon payment); and
- (iii) the reasonable costs of demobilising from the site, provided that Forge Group Construction has done all things reasonably necessary to mitigate its loss arising from such termination.

### **CONSTRUCTION CAMP CONTRACT CONSIDERATION**

The Construction Camp Contract Consideration shall be payable by MMG Dugald River to Forge Group Construction on a monthly basis based on the value of the work performed by Forge Group Construction.

Forge Group Construction was selected as preferred contractor for the Construction Camp Contract at the completion of a negotiated tender process conducted by MMG Dugald River. Forge Group Construction was selected based on its capability to provide a 'low-risk' solution for the execution of the works. The Construction Camp Contract Consideration was arrived at after arm's length negotiations between MMG Dugald River and Forge Group Construction.

### **REASONS FOR AND BENEFITS OF THE CONTRACTS**

The Dugald River project is one of the world's largest and highest grade known undeveloped zinc-lead-silver deposits with an estimated resource of 53 million tonnes at 12.5% zinc, 1.9% lead and 36g/t silver. Dugald River is located in north-west Queensland, Australia, approximately 65 kilometres north-west of Cloncurry.

Dugald River is expected to process an average 2.0 million tonnes of ore to initially produce 200,000 to 220,000 tonnes of zinc in concentrate, 27,000 to 30,000 tonnes of lead in concentrate and 0.9 million ounces of silver in concentrate per year.

In December 2012, the Board endorsed the development and construction of the Dugald River project subject to final financing arrangements. In March 2013, MMG announced that it had received an indicative non-binding commitment from China Development Bank Corporation (CDB) to arrange and underwrite the financing of the Dugald River project for an amount of up to US\$1 billion and for a term of 13 years, subject to further negotiation and execution of a definitive loan agreement on terms satisfactory to CDB and MMG.

Entry into: (i) the EPC Contract has the benefit of providing an ore process facility with a guaranteed throughput at a competitive price; and (ii) the Construction Camp Contract has the benefit of providing high quality temporary accommodation for the Dugald River project at a competitive price and without delaying planned construction activities with respect to the entire Dugald River project.

## **GENERAL**

The Directors are of the view that the terms of the Contracts are on normal commercial terms, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

No Director has any material interest in the transactions contemplated under the Contracts.

## **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 MMG DUGALD RIVER**

MMG Dugald River is a wholly owned subsidiary of the Company which operates the Dugald River project, located in north-west Queensland, Australia, approximately 65 kilometres north-west of Cloncurry.

## **INFORMATION ABOUT FORGE GROUP**

Forge Group Ltd (ASX: FGE) is a multidisciplinary Engineering, Procurement and Construction (EPC) and Operations and Maintenance (O&M) service provider delivering end-to-end EPC turnkey solutions to the power and infrastructure, minerals and resources, and oil and gas sectors in Australasia and Africa. Forge Group Ltd has four fully-integrated business units, including Forge Group Minerals & Resources and Forge Group Construction, which are both wholly owned subsidiaries of Forge Group Ltd.

Forge Group Minerals & Resources provides specialist engineering, process design, project management services (including feasibility studies, front-end engineering design and EPC contract execution), and turnkey project solutions.

Forge Group Construction provides a full range of multidiscipline construction and engineering solutions, including civil and concrete, structural, mechanical, piping and tanks, electrical and instrumentation, and building services.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Forge Group Minerals & Resources and Forge Group Construction and their respective ultimate beneficial owners are third parties independent of the Company and its connected person(s) (as defined under the Listing Rules).

## **IMPLICATIONS UNDER THE LISTING RULES**

Since Forge Group Minerals & Resources and Forge Group Construction are both wholly owned subsidiaries of Forge Group Ltd, the transaction value under the EPC Contract shall be aggregated with the transaction value under the Construction Camp Contract pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Contracts (when calculated on aggregated basis) are more than 5% but less than 25%, the Contracts constitute a discloseable transaction for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

<b>A\$</b>	Australian dollars
<b>Board</b>	the board of directors of the Company
<b>Construction Camp Contract</b>	the contract dated 14 January 2013 entered into between MMG Dugald River and Forge Group Construction in relation to the design and construction of the temporary construction camp for the Dugald River project by Forge Group Construction
<b>Construction Camp Contract Consideration</b>	approximately A\$4.85 million (equivalent to approximately HK\$37.3 million), subject to adjustments in accordance with the Construction Camp Contract, payable by MMG Dugald River to Forge Group Construction pursuant to the Construction Camp Contract
<b>Company</b>	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 operated by the Stock Exchange
<b>Contracts</b>	each of the Construction Camp Contract and the EPC Contract
<b>Director(s)</b>	the director(s) of the Company
<b>EPC Contract</b>	the contract dated 16 May 2013 entered into between MMG Dugald River and Forge Group Minerals & Resources in relation to the engineering, procurement and construction of the process facility for the Dugald River project by Forge Group Minerals & Resources
<b>EPC Contract Consideration</b>	approximately A\$294.1 million (equivalent to approximately HK\$2,261.6 million), subject to adjustments in accordance with the EPC Contract, payable by MMG Dugald River to Forge Group Minerals & Resources pursuant to the EPC Contract
<b>Forge Group Construction</b>	Forge Group Construction Pty Ltd, a company incorporated on 22 June 2005 in Australia with limited liability
<b>Forge Group Ltd</b>	Forge Group Ltd, a company incorporated on 30 June 1994 in Australia with limited liability, the shares of which are listed on the Australian Stock Exchange
<b>Forge Group Minerals &amp; Resources</b>	Forge Group Minerals & Resources Limited, a company incorporated on 8 April 2005 in Australia with limited liability



<b>Group</b>	the Company and its subsidiaries from time to time
<b>Hong Kong</b>	the Hong Kong Special Administrative Region of the People's Republic of China
<b>Listing Rules</b>	The Rules Governing the Listing of Securities on The Stock Exchange
<b>MMG Dugald River</b>	MMG Dugald River Pty Ltd, a company incorporated on 15 July 1998 in Australia with limited liability and a wholly-owned subsidiary of the Company
<b>Stock Exchange</b>	The Stock Exchange of Hong Kong Limited
<b>%</b>	percentage

*Unless otherwise specified, conversion of A\$ into HK\$ in this announcement is based on the exchange rate of A\$1.00 = HK\$7.69 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, 16 May 2013

*As at the date of this announcement, the Board comprises nine Directors, of which two are executive Directors, namely Mr. Andrew Gordon Michelmore and Mr. David Mark Lamont, four are non-executive Directors, namely Mr. Wang Lixin (Chairman), Mr. Jiao Jian, Mr. Xu Jiqing 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.*