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MMG LIMITED
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)
(HKEX STOCK CODE: 1208)
(ASX STOCK CODE: MMG)

DISCLOSEABLE TRANSACTION

**CONDITIONAL DISPOSAL OF ASSETS
ASSOCIATED WITH THE GOLDEN GROVE MINE**

On 30 December 2016, Album Investment Private Limited (Album Investment), a wholly owned subsidiary of MMG Limited (Company), entered into the conditional Share Sale Agreement with EMR Golden Grove Holdings Pty Ltd (EMR BidCo) to transfer Album Investment's 100% equity interest in MMG Golden Grove Pty Ltd (MMG Golden Grove) to EMR BidCo (Share Sale).

The Share Sale Agreement is subject to the approval of the directors of both Album Investment and the Company.

The parties to the Share Sale Agreement also agreed that MMG Australia Limited (MMG Australia), a wholly owned subsidiary of the Company, will enter into the Transitional Services Agreement with EMR BidCo and MMG Golden Grove to provide transitional services to MMG Golden Grove for an agreed period after the completion of the Share Sale.

IMPLICATIONS UNDER THE LISTING RULES

Album Investment and MMG Australia are wholly owned subsidiaries of the Company. The Share Sale Agreement and its associated arrangements together constitute a "transaction" pursuant to Listing Rule 14.04(1) (Notifiable Transaction).

As at least one of the applicable percentage ratios under Listing Rule 14.07 in respect of the Notifiable Transaction is more than 5% but all are less than 25%, the Notifiable Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

SHARE SALE AGREEMENT

On 30 December 2016, Album Investment entered into the Share Sale Agreement with EMR BidCo.

The principal terms of the Share Sale Agreement are set out below.

- Parties:**
- (1) Seller: Album Investment
 - (2) Buyer: EMR BidCo
- Shares to be transferred:**
- 100% equity interest in MMG Golden Grove (Shares)
- Conditions precedent:**
- The Share Sale Agreement shall become effective upon the following conditions precedent being satisfied:
- (1) the directors of the Company and Album Investment approving the transaction; and
 - (2) Album Investment obtaining necessary consents from each financier which has provided debt financing to the Group which Album Investment requires in order to perform its obligations under the Share Sale Agreement, in a form acceptable to Album Investment acting reasonably.
- If the conditions precedent are not satisfied or waived by 31 January 2017, EMR BidCo is entitled to terminate the Share Sale Agreement.
- If the conditions precedent are not satisfied or waived by 31 March 2017, either party is entitled to terminate the Share Sale Agreement.
- Consideration:**
- The consideration payable by EMR BidCo is US\$210,000,000 (equivalent to approximately HK\$1,638,000,000) (Initial Purchase Price) which is to be adjusted as set out below. The consideration shall be satisfied by EMR BidCo from its internal resources.
- The consideration shall be payable as follows:
- (1) Immediately after the execution of the Share Sale Agreement, EMR BidCo must pay a US\$15,000,000 (equivalent to approximately HK\$117,000,000) deposit (Deposit) to a designated escrow agent;
 - (2) On completion of the Share Sale (Completion), Album Investment is entitled to the Deposit. If Album Investment repudiates the Share Sale Agreement before Completion or if the Share Sale Agreement is terminated other than due to buyer default, EMR BidCo is entitled to the Deposit;

- (3) On Completion, EMR BidCo must pay the balance of the Initial Purchase Price to Album Investment;
- (4) If the Golden Grove mine's working capital amount (as at 11:59pm (in Melbourne, Australia) on 31 December 2016) exceeds the working capital target amount (US\$19,438,725 (equivalent to approximately HK\$151,622,055)), the Initial Purchase Price will be adjusted up by the amount by which the working capital amount exceeds the working capital target amount;
- (5) If the Golden Grove mine's working capital amount (as at 11:59pm (in Melbourne, Australia) on 31 December 2016) is less than the working capital target amount (US\$19,438,725 (equivalent to approximately HK\$151,622,055)), the Initial Purchase Price will be adjusted down by the amount by which the working capital amount is less than the working capital target amount;
- (6) If MMG Golden Grove's net debt at Completion exceeds its net debt at 11:59pm (in Melbourne, Australia) on 31 December 2016, the Initial Purchase Price will be adjusted up by the amount by which MMG Golden Grove's net debt (particularly, intercompany loans between MMG Golden Grove and members of the Group) at Completion exceeds its net debt at 11:59pm (in Melbourne, Australia) on 31 December 2016 (to reflect economic risk and benefit of the Golden Grove mine passing to EMR BidCo from 1 January 2017);
- (7) If MMG Golden Grove's net debt at Completion is less than its net debt at 11:59pm (in Melbourne, Australia) on 31 December 2016, the Initial Purchase Price will be adjusted down by the amount by which MMG Golden Grove's net debt (particularly, intercompany loans between MMG Golden Grove and members of the Group) at Completion is less than its net debt at 11:59pm (in Melbourne, Australia) on 31 December 2016 (to reflect economic risk and benefit of the Golden Grove mine passing to EMR BidCo from 1 January 2017); and
- (8) On the date which is five Business Days after the date on which Golden Grove mine's working capital amount is determined (or any other date agreed between Album Investment and EMR BidCo), EMR BidCo must pay to Album Investment the amount of the increase in the Initial Purchase Price or Album Investment must pay to EMR BidCo the amount of the decrease in the Initial Purchase Price.

The Initial Purchase Price as adjusted will not exceed an amount which is equivalent to 24.9% of the market capitalisation of the Company as at the date of Completion.

Provided that Completion occurs, economic risk and benefit of the Golden Grove mine will pass to EMR BidCo from 1 January 2017.

Completion: Completion will take place on the later of 28 February 2017 and 12 business days after satisfaction or waiver of the conditions precedent. Upon Completion, Album Investment will cease to have any interest in MMG Golden Grove and MMG Golden Grove will cease to be a subsidiary of the Company.

Material Adverse Event termination right: Prior to Completion, if there has been a Material Adverse Event and Album Investment does not remedy such Material Adverse Event, EMR BidCo may terminate the Share Sale Agreement.

Transitional Services Agreement: The principal terms of the Transitional Services Agreement will be as set out below.

- Parties:**
- (1) MMG Australia
 - (2) EMR BidCo
 - (3) MMG Golden Grove

Term: The Transitional Services Agreement will be effective from the date of Completion and end four months from the date of Completion (subject to, where applicable, extensions of time to be agreed by the parties, up to a maximum extension of three months in aggregate).

Undertakings: MMG Australia or one or more of its related entities (Supplier) must provide certain transitional services to MMG Golden Grove for agreed periods of up to four months including: (i) people services including payroll services, reporting and analytics services; (ii) financial services including accounting, reconciliation and maintenance of data and systems management; and (iii) procurement services including processing of purchasing and payment services and management of procurement master data (together, the Transitional Services).

The Supplier must ensure that the Transitional Services provided are materially consistent with and at least to the standard of which such services were provided to MMG Golden Grove prior to Completion.

Consideration: MMG Golden Grove agrees to pay the Supplier all the costs and expenses the Supplier incurs in providing the Transitional Services, including remuneration, contractor fees and employee and contractor costs. The parties' intention is that the Supplier does not make a profit or suffer a loss out of providing the Transitional Services.

Each invoice for the Transitional Services will set out the costs and expenses incurred on a monthly basis for the relevant month. MMG Golden Grove must pay each invoice within 30 days from the date of receipt of the invoice.

The monthly costs and expenses will be capped at approximately US\$180,000 (equivalent to approximately HK\$1,404,000) for the first three months after Completion, and US\$400,000 (equivalent to approximately HK\$3,120,000) for the remaining period of the Transitional Services Agreement.

Potential guarantee arrangements: Album Resources is a party to the Share Sale Agreement for the purposes of the potential guarantee arrangements only.

If the net assets of Album Investment, as shown in Album Investment's audited financial statements, for any of: (i) the financial year ending on 31 December 2016; (ii) the financial year ending on 31 December 2017; or (iii) the half financial year ending on 30 June 2018, is less than US\$100,000,000 (equivalent to approximately HK\$780,000,000), then Album Resources must either:

- (1) increase the value of Album Investment's assets or decrease the value of Album Investment's liabilities (or a combination of both) such that its net assets exceed US\$100,000,000 (equivalent to approximately HK\$780,000,000); or
- (2) procure that EMR BidCo is provided with a guarantee from a related entity of Album Resources which has net assets at least equal to US\$100,000,000 (equivalent to approximately HK\$780,000,000) in respect of Album Investment's obligations under the Share Sale Agreement, for a term of guarantee ending on 30 June 2018, and provide an auditor letter verifying that the related entity has the relevant net assets.

REASONS FOR AND BENEFITS OF THE CONDITIONAL NOTIFIABLE TRANSACTION

As previously disclosed, the Group has undertaken a sale process and engaged with a number of potential interested buyers of the Golden Grove mine. The Company has been considering the Golden Grove mine's role in its broader mining asset portfolio. The Share Sale, if approved, would form part of the Company's wider plan to optimise its mining asset portfolio. The Board expects to complete its final review of, and reach a decision as to its approval in respect of, the Share Sale on or before 31 January 2017.

The book value of the Golden Grove business was approximately US\$188,300,000 (equivalent to approximately HK\$1,468,740,000) as at 30 June 2016.

As a result of the Share Sale, an estimated net profit before tax, based on the expected sales proceeds and estimated net assets position of the Golden Grove mine as at the date of Completion, in the range of US\$10,000,000 (equivalent to approximately HK\$78,000,000) to US\$30,000,000 (equivalent to approximately HK\$234,000,000), is expected to be recognised in the Company's 2017 Financial Year.

The Company intends to use the proceeds from the disposal of the Golden Grove mine towards repayment of amounts outstanding under the term debt facility between China Development Bank Corporation, Bank of China Limited (Sydney Branch), Album Resources Private Limited and MMG Management Pty Ltd, which matures in June 2017.

GENERAL

Taking into account (among other things) the fact that the Share Sale remains subject to the approval of the directors of the Company and Album Investment, the Directors are of the view that the terms of the Notifiable Transaction 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 Notifiable Transaction.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the EMR Group and their ultimate beneficial owner, are third parties independent of the Company and its connected persons.

The terms of and consideration in respect of the Notifiable Transaction were arrived at after arm's length negotiation between the Group and EMR BidCo.

The Group has engaged Goldman Sachs as its financial adviser in relation to the Notifiable Transaction.

INFORMATION ABOUT THE GOLDEN GROVE BUSINESS

The Golden Grove mine is a medium-scale zinc-copper-precious metals mine located in Western Australia. In the three quarters to 30 September 2016, the mine produced 24,169 tonnes of zinc in zinc concentrate and 8,093 tonnes of copper in copper concentrate. The Golden Grove mine is wholly owned by MMG Golden Grove, which is wholly owned by Album Investment.

The net loss before taxation and extraordinary items attributable to the Golden Grove mine for the Company's 2015 and 2014 Financial Years were US\$30,968,000 (equivalent to a net loss of approximately HK\$241,550,400) and US\$21,005,000 (equivalent to a net loss of approximately HK\$163,839,000), respectively.

The net loss after taxation and extraordinary items attributable to the Golden Grove mine for the Company's 2015 and 2014 Financial Years were US\$21,691,375 (equivalent to a net loss of approximately HK\$169,192,725) and US\$14,701,276 (equivalent to a net loss of approximately HK\$114,669,952), respectively.

IMPLICATIONS UNDER THE LISTING RULES

Album Investment, Album Resources and MMG Australia are wholly owned subsidiaries of the Company. The Share Sale Agreement and its associated arrangements together constitute a "transaction" pursuant to Listing Rule 14.04(1).

As at least one of the applicable percentage ratios under Listing Rule 14.07 in respect of the Notifiable Transaction is more than 5% but all are less than 25%, the Notifiable Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ABOUT THE GROUP

The Group is a leader in international metals and mining with a vision of being valued as one of the world's top mid-tier miners by 2020. The Company holds interests in five operating mines and one development project, which are located across four continents. The Company primarily produces copper and zinc and also produces smaller quantities of gold, silver and lead.

Album Investment, a wholly owned subsidiary of Album Resources, is a company that holds a portfolio of mining assets and companies including MMG Golden Grove. Album Resources is a wholly owned subsidiary of the Company.

MMG Australia, a wholly owned subsidiary of the Company, owns mining assets and provides technical and administrative support services to the other members of the Group.

INFORMATION ABOUT EMR CAPITAL

EMR BidCo is ultimately owned by a fund managed by EMR Capital. The fund which holds interests in EMR BidCo is EMR Capital Resources Fund II, of which EMR Capital GP II is the general partner and manager.

The firm EMR Capital was founded in 2011 and is an investment management firm with offices in Melbourne, Sydney and the Cayman Islands.

DEFINITIONS

In this announcement, the following expression has the meaning set out below unless the context requires otherwise.

Album Investment	Album Investment Private Limited, a company incorporated in Singapore and a wholly owned subsidiary of Album Resources
Album Resources	Album Resources Private Limited, a company incorporated in Singapore and a wholly owned subsidiary of the Company

Business Day	a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in all of the following locations: (1) Perth, Australia; (2) Melbourne, Australia; (3) New York, United States of America; and (4) Hong Kong, People's Republic of China
Company	MMG Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited and the Australian Securities Exchange
Completion	completion of the Share Sale
Deposit	US\$15,000,000 (equivalent to approximately HK\$117,000,000) which is immediately payable by EMR BidCo to a designated escrow agent after the execution of the Share Sale Agreement
Directors	the directors of the Company
EMR BidCo	EMR Golden Grove Holdings Pty Ltd, a company incorporated in Australia
EMR Capital	the investment management firm consisting of EMR Capital Holdings Pty Ltd, a company incorporated in Australia, and its subsidiaries which include EMR Capital GP II
EMR Group	EMR BidCo and its related entities
Financial Year	annual accounting period ending on 31 December in each calendar year
Group	the Company and its subsidiaries
Initial Purchase Price	US\$210,000,000 (equivalent to approximately HK\$1,638,000,000) payable by EMR BidCo to Album Investment pursuant to the Share Sale Agreement
Material Adverse Event	an event which will or will reasonably likely result in damage to: (i) any asset exceeding a value of US\$500,000 (equivalent to approximately HK\$3,900,000), owned or used by MMG Golden Grove for purposes of the Golden Grove mine operations; or (ii) any other material infrastructure relating to the Golden Grove mine operations, provided that the adverse effect of that damage on MMG Golden Grove is US\$20,000,000 (equivalent to approximately HK\$156,000,000) or more, subject to exceptions including events generally affecting the mining industry or events resulting from a change in general economic conditions

MMG Australia	MMG Australia Limited, a company incorporated in Australia and a wholly owned subsidiary of the Company
MMG Golden Grove	MMG Golden Grove Pty Ltd, a company incorporated in Australia and a wholly owned subsidiary of the Company
Notifiable Transaction	the transaction contemplated by the Share Sale Agreement and its associated arrangements
Shares	100% equity interest in MMG Golden Grove
Share Sale	the transfer of 100% equity interest in MMG Golden Grove by Album Investment to EMR BidCo
Supplier	MMG Australia or one or more of its related entities which will provide services to MMG Golden Grove pursuant to the Transitional Services Agreement
Transitional Services Agreement	the agreement to be entered into for transitional services to be provided by a Supplier to MMG Golden Grove including people services, financial services and procurement services

Unless otherwise specified, conversion of US\$ into HK\$ in this announcement is based on the exchange rate of US\$1.00 = HK\$7.80 for the purpose of illustration only. No representation is made and there is no assurance that US\$ 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, 30 December 2016

As at the date of this announcement, the Board comprises eight directors, of which two are executive directors, namely Mr Andrew Gordon Michelmore and Mr Xu Jiqing; two are non-executive directors, namely Mr Jiao Jian (Chairman) and Mr Gao Xiaoyu; and four are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan, Ms Jennifer Anne Seabrook and Professor Pei Ker Wei.