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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)**

## CONNECTED TRANSACTION KINSEVERE EXPANSION PROJECT FEASIBILITY STUDY AGREEMENT

### **Feasibility Study Agreement**

MMG continues to evaluate options for developing the full potential of the Kinsevere mine in the DRC. The Kinsevere Expansion Project is now advancing through the feasibility study phase, where detailed engineering will be completed on the option of adding a sulphide ore processing circuit along with expanding processing capabilities to also include cobalt production.

On 29 August 2018, MMG Kinsevere and MCC, entered into the Feasibility Study Agreement for the delivery of a copper sulphide feasibility study. On 4 June 2019, the parties entered into the Amendment Agreement to include the delivery of a cobalt feasibility study.

### **Listing Rules Implications**

MCC is a wholly owned subsidiary of CMC, the controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Feasibility Study Agreement as amended by the Amendment Agreement constitutes a connected transaction for the Company.

As one or more of the relevant percentage ratios in respect of the Feasibility Study Agreement as amended by the Amendment Agreement are more than 0.1% and all of them are less than 5%, such connected transaction is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## FEASIBILITY STUDY AGREEMENT AND AMENDMENT AGREEMENT

The Feasibility Study Agreement provides for the supply of a copper sulphide feasibility study by MCC in relation to the Kinsevere Expansion Project. It has now been determined that the Company will also engage MCC for the provision of a cobalt feasibility study at the Kinsevere mine.

The principal terms of the Feasibility Study Agreement as amended by the Amendment Agreement are set out below.

- Parties : (1) MMG Kinsevere  
(2) MCC
- Term : Approximately 11 months from the date of execution of the Feasibility Study Agreement, subject to MMG Kinsevere notifying MCC of the completion of the services to their satisfaction (with the target date for completion being 31 July 2019).
- Scope : To prepare a copper sulphide and cobalt feasibility study, to allow the Company to develop an investment proposal to determine whether to proceed with the Kinsevere Expansion Project.

The feasibility studies will consider the design, engineering, drafting and associated study management functions required for the completion and delivery of the Kinsevere Expansion Project.

The feasibility studies will also consider the development of a fully functional facility for the receipt of ore from mine trucks, crushing, materials handling of streams and stockpiling, milling, classifying, roasting, acid and oxygen generation, distribution of required services, liquids and slurries, reporting to the existing copper oxide circuit including control systems and utilities.

MMG Kinsevere will retain rights of involvement, review and approval of design documents throughout the feasibility studies.

A framework agreement for the construction of the copper sulphide processing plant was negotiated with MCC at the time of award of the Feasibility Agreement; however, MMG Kinsevere is not obliged to proceed with, or enter into, any agreement with MCC in relation to the implementation of such construction works in the future.

- Consideration : Up to approximately US\$3.7m, with up to approximately US\$2.6m attributable to the copper sulphide feasibility study and up to approximately US\$1.1m attributable to the cobalt feasibility study, with the cost calculated in accordance with agreed hourly rates for labour time charges and reimbursable expenses (as agreed with MMG Kinsevere on terms at least as favourable to MMG Kinsevere as those available from the other independent parties taking part in the competitive tender process as part of the mandate process).

Payment terms : All payments in respect of services provided must be made within 30 days of the end of the month following the month in which an invoice issued is agreed by MMG Kinsevere. The payment of the purchase price shall be satisfied by MMG Kinsevere from its internal resources.

In order to determine whether to award the Feasibility Study Agreement, MMG Kinsevere considered a number of suppliers and assessed both their technical and commercial elements in determining the best outcome for MMG Kinsevere. MCC was selected as the preferred supplier at the completion of a competitive tender process conducted by MMG Kinsevere. MMG Kinsevere assessed that the terms agreed with MCC are reasonable, commercial and at least as favourable to MMG Kinsevere as those of other independent parties taking part in the competitive tender process, and that it is in the best interests of the Company, when compared with alternative suppliers as demonstrated through its competitive tender process, to award the Feasibility Study Agreement, and to proceed with the Amendment Agreement, on the agreed terms, with MCC.

The terms of the Feasibility Study Agreement and the Amendment Agreement were arrived at after arm's length negotiations between the parties.

#### **REASONS FOR AND BENEFITS OF THE FEASIBILITY STUDY AGREEMENT AND AMENDMENT AGREEMENT**

The entering into of the Feasibility Study Agreement and the Amendment Agreement has the benefit of delivery of services necessary for assessing the feasibility of the expansion of the life of the Kinsevere mine through the mining and processing of copper sulphides and cobalt, which are on terms that are in the commercial interests of the Group.

The Feasibility Study Agreement and Amendment Agreement have been reviewed and approved by the Directors (including the independent non-executive Directors but excluding the Interested Directors), who are of the view that the terms of the Feasibility Study Agreement and the Amendment Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Interested Directors, each holding position(s) at CMC and/or CMN, have abstained from voting on the Board resolution approving the Amendment Agreement in order to avoid any possible conflicts of interest.

#### **LISTING RULES IMPLICATIONS**

MCC is a wholly owned subsidiary of CMC, the controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Feasibility Study Agreement (as amended by the Amendment Agreement) constitutes a connected transaction for the Company.

Pursuant to Rule 14A.76(2) of the Listing Rules, as one or more of the relevant percentage ratios in respect of the Feasibility Study Agreement (as amended by the Amendment Agreement) are more than 0.1% and all of them are less than 5%, such connected transaction is subject to the reporting, annual review 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 exploration, development and mining of zinc, copper, gold, silver and lead deposits around the world.

## **INFORMATION ABOUT MCC**

MCC is a wholly owned subsidiary of CMC, the controlling shareholder of the Company. MCC primarily supplies engineering services to mining and other industries.

## **DEFINITIONS**

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

Amendment Agreement	the agreement dated 4 June 2019 between MMG Kinsevere and MCC amending the Feasibility Study Agreement to provide for the additional cobalt feasibility study
Board	the board of Directors
CMC	中國五礦集團有限公司 (China Minmetals Corporation), a state-owned enterprise incorporated under the laws of the PRC and the ultimate controlling shareholder of the Company
CMN	五礦有色金屬股份有限公司 (China Minmetals Non-ferrous Metals Company Limited), a company incorporated under the laws of the PRC and the controlling shareholder of the Company
Company or MMG	MMG Limited, a company incorporated in Hong Kong, the securities of which are listed and traded on the main board of the stock exchange operated by the Stock Exchange and the Australian Securities Exchange
connected person	has the meaning ascribed to it under the Listing Rules
controlling shareholder	has the meaning ascribed to it under the Listing Rules
Director(s)	the director(s) of the Company
DRC	the Democratic Republic of Congo
Feasibility Study Agreement	the agreement dated 29 August 2018 between MMG Kinsevere and MCC for the development of the Kinsevere Expansion Project copper sulphide feasibility study
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
Interested Directors	means Guo Wenqing, Zhang Shuqiang, Gao Xiaoyu, Jiao Jian and Xu Jiqing
Kinsevere Expansion Project	the assessment of expansion options for the Kinsevere mine in the DRC including the potential processing of copper sulphides and cobalt
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
MCC	MCC International Incorporation Limited, a company incorporated in the PRC and a wholly owned subsidiary of CMC
MMG Kinsevere	MMG Kinsevere SARL, a company incorporated in the DRC and a wholly owned subsidiary of the Company
PRC	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
%	per cent.

By order of the Board  
**MMG Limited**  
**Gao Xiaoyu**  
*CEO and Executive Director*

Hong Kong, 4 June 2019

*As at the date of this announcement, the Board comprises nine directors, of which two are executive directors, namely Mr Gao Xiaoyu and Mr Xu Jiqing; three are non-executive directors, namely Mr Guo Wenqing (Chairman), Mr Jiao Jian and Mr Zhang Shuqiang; 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.*