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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)

**CONTINUING CONNECTED TRANSACTION
EXERCISE OF OPTION TO EXTEND
AUSTRALIAN OPERATIONS GRINDING MEDIA SUPPLY AGREEMENT**

Australian Operations Grinding Media Supply Agreement

On 13 July 2017 (Hong Kong time), the Company announced that MMG Australia and Minmetals Australia entered into the Australian Operations Grinding Media Supply Agreement for MMG's Australian operations for an initial term of 24 months.

On 8 July 2019, MMG Australia elected to exercise its first option to extend the Australian Operations Grinding Media Supply Agreement for a further period of 12 months.

Listing Rules Implications

As at least one of the relevant percentage ratios in respect of the Las Bambas Grinding Media Supply Agreement when aggregated with the Australian Operations Grinding Media Agreement, are more than 0.1%, but all are less than 5%, the transaction constitutes a continuing connected transaction which 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.

Reference is made to the 2017 Announcement.

The Australian Operations Grinding Media Supply Agreement provides for the supply of hot roll forged and hand forged steel grinding balls by Minmetals Australia for use in the production of metals concentrates at the Australian operations. The balls are introduced into rotating steel mills and are used to pulverise the ore into a more workable size that also allows for easier extraction of the metal concentrate from the ore.

The Australian Operations Grinding Media Supply Agreement was entered into for an initial term of 24 months with an option for a further period of 12 months, which could be exercised by MMG Australia in its discretion. On 8 July 2019, MMG Australia elected to exercise its option to extend the Australian Operations Grinding Media Supply Agreement for a further period of 12 months.

After the exercise of the option, the principal terms of the Australian Operations Grinding Media Supply Agreement are as set out below.

- Parties : (1) MMG Australia
(2) Minmetals Australia

- Term : Term of 12 months from 1 July 2019

- Delivery of purchase orders : Minmetals Australia makes a standing offer to supply and deliver the goods for the applicable unit price. If MMG Australia requires Minmetals Australia to supply the goods, it will deliver to Minmetals Australia a purchase order.

- Purchase price : The unit price of each good purchased is calculated based on the cost of the raw material (namely, steel), energy used in the forging process, manufacturing overheads, shipping costs, applicable duties, insurance costs and a profit margin.

The unit prices are fixed for the first quarter of supply and will be adjusted quarterly to index it to the published CRU Steel Price Indicator, using the Steel Longs Products Monitor, in order to allow for fluctuations in the manufacturer's costs. The adjustment will be calculated at the start of each quarter using the quarterly Steel Longs Products Monitor for the prior quarter minus 2 months and may result in an increase or decrease in the unit prices.

- Payment terms : All payments in respect of goods purchased must be made at the end of the month following the month in which the relevant goods are delivered. The payment of purchase price shall be satisfied by MMG Australia from its internal resources.

Minmetals Australia was selected as one of the preferred suppliers to MMG Australia at the completion of a competitive tender process. The terms of the Australian Operations Grinding Media Supply Agreement were arrived at after arm's length negotiations between the parties. In order to determine whether to award the Australian Operations Grinding Media Supply Agreement, MMG Australia considered a number of suppliers and assessed both their technical and commercial elements in determining the best outcome for MMG's Australian operations. MMG Australia has agreed to a dual supplier arrangement, one supplier arrangement with a connected person and one supplier arrangement with a non-connected person. The benefit of having dual suppliers is to enhance competition to ensure the best outcome for MMG Australia, while also avoiding reliance on any single grinding media provider. MMG Australia assessed that the terms agreed with Minmetals Australia are reasonable and commercial, and that it is in the best interests of MMG Australia, when compared with alternative suppliers as demonstrated through its competitive tender process, to award the Australian Operations Grinding Media Supply Agreement on the agreed terms.

ANNUAL CAP

The estimated expenditure included in the annual cap for each of 2017 and 2018 (as approved by the Board in July 2017) of US\$1.75 million (equivalent to approximately HK\$13.65 million) and US\$3.5 million (equivalent to approximately HK\$27.3 million) respectively, allowed sufficient headroom for MMG Australia should it determine to solely source the products from Minmetals Australia. As MMG Australia has continued to source the products from two suppliers, the total expenditure between 1 July 2017 and 31 December 2018 was approximately US\$0.9 million (equivalent to approximately HK\$7.02 million). MMG Australia intends to maintain two suppliers of grinding media. MMG Australia is therefore unlikely to exceed the value of the originally forecast cap for this extension period, and the original proposed annual caps for the year ending 31 December 2019, or for the period from 1 January to 30 June 2020, as disclosed in the 2017 Announcement, are also not proposed to be changed.

The maximum aggregate amount to be paid under the Australian Operations Grinding Media Supply Agreement will therefore be for the year ending 31 December 2019, approximately US\$3.5 million (equivalent to approximately HK\$27.3 million) and, for the period ending 30 June 2020, approximately US\$1.75 million (equivalent to approximately HK\$13.65 million).

The annual cap was determined by reference to the agreed pricing under the Australian Operations Grinding Media Supply Agreement, projected volumes required by the Australian operations, market indices for steel and potential shipping costs.

REASONS FOR AND BENEFITS OF THE EXERCISE OF THE OPTION TO EXTEND

The exercise of the option to extend the Australian Operations Grinding Media Supply Agreement has the benefit of the continuing the potential delivery of goods necessary for the operations of the Group from one of two selected suppliers, which are on terms that are in the commercial interests of the Group.

The exercise of the option to extend the Australian Operations Grinding Media Supply Agreement was considered and approved by the Directors (including the independent non-executive Directors but excluding the Interested Directors), who are of the view that the extension of the Australian Operations Grinding Media Supply Agreement and the continuation of transactions contemplated thereunder (together with the annual caps) 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 exercise of the option to extend the Australian Operations Grinding Media Supply Agreement in order to avoid any possible conflict of interest issue.

LISTING RULES IMPLICATIONS

Minmetals Australia 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 Australian Operations Grinding Media Supply Agreement constitutes a continuing connected transaction for the Company.

Pursuant to Rule 14A.76(2) of the Listing Rules, as at least one of the relevant percentage ratios in respect of the Australian Operations Grinding Media Supply Agreement, when aggregated with the Las Bambas Grinding Media Supply Agreement, are more than 0.1%, but all are less than 5%, the transaction constitutes a continuing connected transaction which 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.

The Australian Operations Grinding Media Supply Agreement also includes a provision which entitles MMG Australia to suspend or terminate the Australian Operations Grinding Media Supply Agreement or any purchase order that has been delivered to and/or accepted by Minmetals Australia should the Company be unable to satisfy any requirements of the Listing Rules having regard to the terms of the supply.

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 MINMETALS AUSTRALIA

Minmetals Australia is a wholly owned subsidiary of CMC, the controlling shareholder of the Company. Minmetals Australia primarily supplies steel products manufactured in the PRC into the South Australian market.

DEFINITIONS

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

2017 Announcement	the announcement of the Company dated 13 July 2017 in relation to the entry into the Las Bambas Grinding Media Supply Agreement and the Australian Operations Grinding Media Agreement
Australian Operations Grinding Media Supply Agreement	the agreement dated 13 July 2017 between MMG Australia and Minmetals Australia for the sale and purchase of hot roll forged and hand forged grinding media for use in the Company's Australian operations
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 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
CRU Steel Price Indicator	the steel price index developed by CRU, an independent commodities research, market analysis and reporting organisation
Director(s)	the director(s) of the Company
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
Las Bambas Grinding Media Supply Agreement	the agreement dated 12 July 2017 (13 July 2017 Hong Kong time) between Minera Las Bambas and Minmetals Peru for the sale and purchase of hot roll forged and hand forged grinding media for use at the Company's Las Bambas mine
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Minera Las Bambas	Minera Las Bambas S.A., a company incorporated in Peru and a subsidiary of the Company
Minmetals Australia	Minmetals Australia Pty Ltd, a company incorporated in Australia and a wholly owned subsidiary of CMC
Minmetals Peru	China Minmetals Nonferrous Metals Peru S.A.C., a company incorporated in Peru with the legal right to enter into contracts related to mining and a wholly owned subsidiary of CMC
MMG Australia	MMG Australia Limited, a company incorporated in Australia 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)

% Percent

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
Gao Xiaoyu
CEO and Executive Director

Hong Kong, 8 July 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.