

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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  
LAS BAMBAS GRINDING MEDIA SUPPLY AGREEMENT**

**Las Bambas Grinding Media Supply Agreement**

On 13 July 2017 (Hong Kong time), the Company announced that Minera Las Bambas and Minmetals Peru entered into the Las Bambas Grinding Media Supply Agreement for the Las Bambas operation for an initial term of 6 months. On 22 December 2017, Minera Las Bambas elected to exercise its first option to extend the Las Bambas Grinding Media Supply Agreement for a further period of 12 months.

On 31 December 2018, Minera Las Bambas elected to exercise its second option to extend the Las Bambas 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 previous announcements of the Company dated 13 July 2017 and 22 December 2017.

The Las Bambas Grinding Media Supply Agreement provides for the supply of hot roll forged and hand forged steel grinding balls by Minmetals Peru for use in the production of metals concentrates by Minera Las Bambas. 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 Las Bambas Grinding Media Supply Agreement was entered into for an initial term of 6 months with options for three further periods of 12 months, 12 months and 6 months respectively, which could be exercised by Minera Las Bambas in its discretion. On 22 December 2017, Minera Las Bambas elected to exercise its first option to extend the Las Bambas Grinding Media Supply Agreement for a further period of 12 months. On 31 December 2018, Minera Las Bambas elected to exercise its second option to extend the Las Bambas Grinding Media Supply Agreement for a further period of 12 months.

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

- Parties : (1) Minera Las Bambas  
(2) Minmetals Peru
  
- Term : Further term of 12 months effective from 1 January 2019 with option to extend at Minera Las Bambas' election for one further period of 6 months.
  
- Delivery of purchase orders : Minmetals Peru makes a standing offer to supply and deliver the goods for the applicable unit price. If Minera Las Bambas requires Minmetals Peru to supply the goods, it will deliver to Minmetals Peru 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 consumed and an invoice issued by Minmetals Peru. The payment of purchase price shall be satisfied by Minera Las Bambas from its internal resources.

Minmetals Peru was selected as one of the preferred suppliers to Minera Las Bambas at the completion of a competitive tender process. The terms of the Las Bambas Grinding Media Supply Agreement were arrived at after arm's length negotiations between the parties. In order to determine whether to award the Las Bambas Grinding Media Supply Agreement, Minera Las Bambas considered a number of suppliers and assessed both their technical and commercial elements in determining the best outcome for Minera Las Bambas. Minera Las Bambas 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 Minera Las Bambas, while also avoiding reliance on any single grinding media provider. Minera Las Bambas assessed that the terms agreed with Minmetals Peru are reasonable and commercial, and that it is in the best interests of Minera Las Bambas, when compared with alternative suppliers as demonstrated through its competitive tender process, to award the Las Bambas Grinding Media Supply Agreement on the agreed terms.

### **ANNUAL CAPS**

The estimated expenditure included in the annual cap for 2018 of US\$16.0 million (equivalent to approximately HK\$124.8 million) allowed sufficient headroom for Minera Las Bambas should it determine to solely source the products from Minmetals Peru. As Minera Las Bambas has continued to source the products from two suppliers, the total expenditure for the period is approximately US\$8.3 million (equivalent to approximately HK\$64.7 million). Given Minera Las Bambas has not yet finally assessed the goods, two suppliers of grinding media are expected to be maintained. Minera Las Bambas is therefore unlikely to exceed the value of the originally forecast cap for this extension period, and the original proposed annual cap for the year ending 31 December 2019 is also not proposed to be changed.

The maximum aggregate amount to be paid under the Las Bambas Grinding Media Supply Agreement will therefore be: (i) for the year ending 31 December 2019, approximately US\$16.0 million (equivalent to approximately HK\$124.8 million); and (ii) for the six months ending 30 June 2020, approximately US\$8.0 million (equivalent to approximately HK\$62.4 million).

The annual caps were determined by reference to the agreed pricing under the Las Bambas Grinding Media Supply Agreement, projected volumes required by the Las Bambas site, 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 Las Bambas 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 Las Bambas 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 Las Bambas 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 Las Bambas Grinding Media Supply Agreement in order to avoid any possible conflict of interest issue.

**LISTING RULES IMPLICATIONS**

Minmetals Peru 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 Las Bambas Grinding Media Supply Agreement constitutes a continuing connected transaction for the Company.

Pursuant to Chapter 14 and Rule 14A.76(2) of the Listing Rules, 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 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 Las Bambas Grinding Media Supply Agreement also includes a provision which entitles Minera Las Bambas to suspend or terminate the Las Bambas Grinding Media Supply Agreement or any purchase order that has been delivered to and/or accepted by Minmetals Peru 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 PERU**

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

**DEFINITIONS**

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

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 on 7 April 1950 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 joint stock limited company incorporated on 27 December 2001 under the laws of the PRC and the controlling shareholder of the Company
Company	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, 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
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 on 2 December 2010 in Peru, and a subsidiary of the Company
Minmetals Australia	Minmetals Australia Pty Ltd, a company incorporated on 20 October 1987 in Australia with limited liability and a wholly owned subsidiary of CMC
Minmetals Peru	China Minmetals Nonferrous Metals Peru S.A.C., a company incorporated on 16 September 2014 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 on 15 July 2005 in Australia with limited liability which is 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, 31 December 2018

*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.*