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MMG LIMITED

五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 1208)

**CONTINUING CONNECTED TRANSACTION
ROSEBERY CONCENTRATE SALES AGREEMENT
(1) EXCEEDING OF ANNUAL CAP FOR 2020
(2) REVISION OF ANNUAL CAPS FOR 2020 AND 2021**

Reference is made to the announcement of the Company dated 4 July 2019 regarding the entry by the Seller into the Rosebery Concentrate Sales Agreement with Album Trading in relation to the sale of the Product by the Seller to Album Trading.

It has come to the attention of the Company that the 2020 Transaction Amount has exceeded the Annual Cap for the financial year ending 31 December 2020, as a result of both higher than expected production levels at the Rosebery Mine and copper, gold and silver prices. For the same reasons, the Company expects that the amount payable under the Rosebery Concentrate Sales Agreement for the year ending 31 December 2021 will be higher than originally estimated. Accordingly, the Directors (including the independent non-executive Directors but excluding the Interested Directors) have (i) ratified the transactions under the Rosebery Concentrate Sales Agreement and approved the Revised Annual Cap for the financial year ending 31 December 2020 and (ii) approved the Revised Annual Cap for the year ending 31 December 2021.

Album Trading is a wholly owned subsidiary of CMC, the ultimate 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 Rosebery Concentrate Sales Agreement constitutes a continuing connected transaction for the Company.

As the 2020 Transaction Amount exceeds the Annual Cap for the financial year ending 31 December 2020, and in light of the proposed Revised Annual Caps for each of the financial years ending 31 December 2020 and 31 December 2021, pursuant to Rule 14A.54(1) of the Listing Rules the Company is required to re-comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules. As the relevant percentage ratios in respect of the Revised Annual Cap are more than 0.1% and less than 5%, the Rosebery Concentrate Sale Agreement constitutes a continuing connected transaction which is subject to the reporting, annual review and announcement requirements under Rule 14A.76 of the Listing Rules, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the 2019 Announcement regarding the entry by the Seller into the Rosebery Concentrate Sales Agreement with Album Trading in relation to the sale of the Product by the Seller to Album Trading.

EXCEEDING OF 2020 ANNUAL CAP

It has come to the attention of the Company that the 2020 Transaction Amount for the 11 months ended 30 November 2020 was approximately US\$66 million and therefore exceeds the Annual Cap of US\$50 million.

The 2020 Transaction Amount has exceeded the Annual Cap for the year ending 31 December 2020 as a result of:

- (i) higher than expected production levels of the Product at the Group's Rosebery mine. At the time of entry into the Rosebery Concentrate Sales Agreement, it was estimated that production at the Rosebery Mine would be approximately 6,000 dry metric tonnes of Product per annum. Actual production of the Product in the period from 1 January 2020 to 30 November 2020 indicated an annual production level of more than 8,000 dry metric tonnes and it is estimated that this production level will continue for the rest of 2020 and 2021. Under the terms of the Rosebery Concentrate Sales Agreement, the Seller has agreed to sell 100% of production during 2020 and 2021 to Album Trading and, accordingly, an increase in production levels has resulted in increased sales of the Product by the Seller to Album Trading; and
- (ii) the increase in copper, gold and silver prices. Under the terms of the Rosebery Concentrate Sales Agreement, the pricing of the Product is determined by reference to (among other things) copper, gold and silver prices as quoted on the London Metal Exchange (for copper) and the London Bullion Market Association (for gold and silver) averaged over an agreed quotational period less agreed treatment and refining charges and penalties. Accordingly, an increase in the quoted price of copper, gold and silver has resulted in an increase in the price of the Product.

REVISED ANNUAL CAPS

As stated in the 2019 Announcement, the Annual Cap for each of the financial years ending 31 December 2020 and 31 December 2021 was US\$50 million. The Annual Cap was determined by reference to the estimated maximum volume and assays of the Product, and estimated copper, gold and silver prices having regard to prices quoted on the London Metal Exchange and the London Bullion Market Association, and treatment and refining charges and penalties agreed between the parties as part of a commercial tender process.

In light of the 2020 Transaction Amount, the expectation of continued increased production levels at the Rosebery Mine (and accordingly increased sales of the Product by the Seller to Album Trading), the current estimated copper, gold and silver prices (having regard to prices quoted on the London Metal Exchange and the London Bullion Market Association) and the treatment and refining charges and penalties agreed between the parties as part of a commercial tender process (which remain unchanged), the Company proposes that the Revised Annual Cap for the financial year ending 31 December 2020 is US\$85 million and for the financial year ending 31 December 2021 is US\$100 million.

Accordingly, the Directors (including the independent non-executive Directors but excluding the Interested Directors) have (i) ratified the transactions under the Rosebery Concentrate Sales Agreement and approved the Revised Annual Cap for the financial year ending 31 December 2020 and (ii) approved the Revised Annual Cap for the year ending 31 December 2021.

The Rosebery Concentrate Sales Agreement was entered into on normal commercial terms and the Directors (including the independent non-executive Directors but excluding the Interested Directors) are of the view that the Revised Annual Cap is fair and reasonable and in the interests of the shareholders of the Company as a whole. The terms and conditions of the Rosebery Concentrate Sales Agreement, as detailed in the 2019 Announcement, remain unchanged.

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

LISTING RULES IMPLICATIONS

Album Trading is a wholly owned subsidiary of CMC, the ultimate 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 Rosebery Concentrate Sales Agreement constitutes a continuing connected transaction for the Company.

As the 2020 Transaction Amount exceeds the Annual Cap for the financial year ending 31 December 2020, and in light of the proposed Revised Annual Caps for each of the financial years ending 31 December 2020 and 31 December 2021, pursuant to Rule 14A.54(1) of the Listing Rules the Company is required to re-comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules. As the relevant percentage ratios in respect of the Revised Annual Cap are more than 0.1% and less than 5%, the Rosebery Concentrate Sale Agreement constitutes a continuing connected transaction which is subject to the reporting, annual review and announcement requirements under Rule 14A.76 of the Listing Rules, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MEASURES ADOPTED BY THE COMPANY FOR FUTURE COMPLIANCE

The Directors consider that the failure to re-comply with the requirements under Rule 14A.54(1) of the Listing Rules on a timely basis in respect of transactions under the Rosebery Concentrate Sales Agreement for the year ending 31 December 2020 was an inadvertent oversight and an isolated event. In order to avoid the occurrence of similar events in the future, the Company will strengthen the reporting and monitoring procedures for the annual caps of the existing continuing connected transactions entered into by the Group and improve the process and frequency of data collection and cross checking to ensure the transaction amounts do not exceed the annual caps.

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 THE CMC GROUP

The CMC Group is one of the largest state-owned enterprises in the mining sector in China. It is engaged in the exploration, development, mining, processing and sale of a wide range of non-ferrous metals including tungsten, rare earth, copper, alumina, lead and zinc.

Album Trading is engaged in the purchase and sale of a wide range of non-ferrous metals including copper, lead and zinc.

DEFINITIONS

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

2019 Announcement	the announcement of the Company dated 4 July 2019 in relation to the Rosebery Concentrate Sales Agreement
2020 Transaction Amount	the value of the sales by the Seller to Album Trading under the Rosebery Concentrate Sales Agreement for the 11 months ended 30 November 2020 in the amount of approximately US\$66 million
Album Trading	Album Trading Co., Ltd., a company incorporated under the laws of Macau, and a wholly owned subsidiary of CMC
Annual Cap	the maximum aggregate annual amount payable by Album Trading to the Seller under the Rosebery Concentrate Sales Agreement for each of the financial years ending 31 December 2020 and 31 December 2021 as set out in the 2019 Announcement
associate	has the meaning ascribed to it under the Listing Rules
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
CMC Group	CMC and its subsidiaries and associates from time to time (excluding the Group)
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	MMG Limited, a company incorporated in Hong Kong, the securities of which are listed and traded on the Main Board of the Stock 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
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	Guo Wenqing, Zhang Shuqiang, Jiao Jian, Xu Jiqing and Gao Xiaoyu
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
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)
Product	precious metals concentrates produced by the Group at the Rosebery Mine
Revised Annual Cap	the revised maximum aggregate annual amount payable by Album Trading to the Seller under the Rosebery Concentrate Sales Agreement for each of the financial years ending 31 December 2020 and 31 December 2021
Rosebery Concentrate Sales Agreement	the agreement dated 4 July 2019 between the Seller and Album Trading in relation to the sale of the Product
Rosebery Mine	the Group's Rosebery mine in Tasmania, Australia
Seller	MMG Australia Limited, a company incorporated under the laws of Australia, and a wholly owned subsidiary of the Company
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, 24 December 2020

As at the date of this announcement, the Board comprises eight directors, of which one is an executive director, namely Mr Gao Xiaoyu; four are non-executive directors, namely Mr Guo Wenqing (Chairman), Mr Jiao Jian, Mr Zhang Shuqiang and Mr Xu Jiqing; and three are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan and Mr Chan Ka Keung, Peter.