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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 TRANSACTIONS HEDGING AGENCY AGREEMENTS

Each of MLB, MMG Dugald River and MMG Finance have entered into separate Hedging Agency Agreements with Minmetals UK in relation to the provision of agency services by Minmetals UK for executing certain commodity and QP hedging transactions on the LME or with financial institutions on behalf of each respective Group subsidiary.

On 3 September 2021 MLB amended the terms of its Hedging Agency Agreement to increase the maximum amount of metal to be subject to the Relevant Transactions.

Minmetals UK 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 Hedging Agency Agreements constitute continuing connected transactions for the Company.

As at least one of the relevant percentage ratios in respect of the Hedging Agency Agreements, when aggregated, is more than 0.1%, but all are less than 5%, the transactions constitute continuing connected transactions which are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirements, under Chapter 14A of the Listing Rules.

Each of MLB, MMG Dugald River and MMG Finance have entered into separate Hedging Agency Agreements with Minmetals UK, pursuant to which each respective subsidiary of the Group has appointed Minmetals UK as its agent for executing certain commodity hedging (and, in the case of MLB, QP hedging) transactions on the LME or with financial institutions on behalf of the subsidiary. Under the agreements, Minmetals UK will also utilise its existing and established credit lines for the purpose of executing those hedging transactions.

The principal terms of the Hedging Agency Agreements are set out below.

- Parties : Appointors:
- MLB, in respect of the Las Bambas mine (executed on 30 May 2021 and amended on 3 September 2021);
 - MMG Finance, in respect of the Kinsevere mine (executed on 21 May 2021); and
 - MMG Dugald River, in respect of the Dugald River mine (executed on 16 April 2021),
- each acting severally.

Agent: Minmetals UK

- Agency services : Minmetals UK will:
- transact business in relation to derivative instruments on the LME or with financial institutions (**Relevant Transactions**), acting according to the instructions of, and as agent on behalf of, each of the Appointors; and
 - utilise its existing and established credit lines for the purpose of the Relevant Transactions.

Minmetals UK will also undertake QP hedging transactions on the LME or with financial institutions (**Relevant QP Transactions**), acting according to the instructions of, and as agent on behalf of, MLB.

- Term : The period from the date of execution of each respective agreement until such time as all obligations of the parties are fulfilled in relation to all Relevant Transactions and Relevant QP Transactions, unless terminated sooner by either party on seven days' written notice. All Relevant Transactions and Relevant QP Transactions must be entered into by no later than 30 April 2022.

- Relevant Transactions : The maximum amount of metal to be subject to the Relevant Transactions will be 230,000 tonnes of copper and 25,000 tonnes of zinc.

Any Relevant QP Transactions will be undertaken in respect of unhedged tonnes of copper produced from the Las Bambas mine.

- Service charges : **Relevant Transactions**
- Each Appointor shall pay Minmetals UK a service charge in an amount to be agreed between the parties, up to a maximum of:
- US\$20 (equivalent to approximately HK\$156) per tonne of copper; and
 - US\$10 (equivalent to approximately HK\$78) per tonne of zinc, which has been the subject of a Relevant Transaction.

Service charges (cont.)

Relevant QP Transactions

In the event of a margin call under a Relevant QP Transaction, MLB shall pay Minmetals UK a service charge at a rate of LIBOR + 1.50% per annum (prior to 31 December 2021) or a rate of SOFR plus 1.70% per annum (after 31 December 2021), in each case of the total amount of any such margin call, but which charges will not exceed, in aggregate, US\$1,000,000 (equivalent to approximately HK\$7,800,000).

MLB will also reimburse actual costs incurred by Minmetals UK arising from the Relevant QP Transactions including spread, transaction fees and commissions following receipt of invoices and sufficient supporting documentation.

Payment terms : Each Appointor will pay the aggregate service charge to Minmetals UK following the receipt of invoices after each trading month for Relevant Transactions and following the receipt of invoices after each calendar month (if applicable) for Relevant QP Transactions pursuant to the respective Hedging Agency Agreement.

Margin requirements : Minmetals UK shall meet at no additional cost (save as set out above) all margin calls that may be applicable to the Relevant Transactions and Relevant QP Transactions. The Appointors will not be required to meet any margin calls, but rather will pay any net settlement amounts to Minmetals UK as Relevant Transactions or Relevant QP Transactions settle.

The terms of the Hedging Agency Agreements were arrived at after arm’s length negotiations between each Appointor and Minmetals UK.

ANNUAL CAPS

Based on the maximum amount of metal which may be subject to the Relevant Transactions and the maximum service charge per tonne of metal, and potential service charges for Relevant QP Transactions, the maximum aggregate amount that may be paid to Minmetals UK under the Hedging Agency Agreements is approximately US\$6.0 million (equivalent to approximately HK\$46.8 million). Accordingly, the annual cap for the Hedging Agency Agreements is US\$6.0 million (equivalent to approximately HK\$46.8 million) for the term of the Hedging Agency Agreements.

REASONS FOR AND BENEFITS OF THE HEDGING AGENCY AGREEMENTS

The Hedging Agency Agreements will provide an immediate, cost effective and readily available platform to transact hedging instruments, providing the Appointors with timely access to existing and established credit lines of Minmetals UK, without the need to provide credit support, and without any margin call requirements.

The past 12 months have seen extreme volatility in commodity markets, with LME copper and zinc prices increasing by 42% and 18% respectively. As a result, the Board considered it appropriate to expand the Group's existing derivative trading platforms, to more readily enable entry into hedging transactions and take advantage of the recent strength in prices. Commodity hedging will mitigate the potential downside price risk and provide a degree of additional certainty to the Group's future cash flows. In turn, this will also provide added flexibility and allow more active management of short-term commodity price exposure, should the appropriate opportunity present during this period of volatility.

The Directors (including the independent non-executive Directors but excluding the Interested Directors) are of the view that the Hedging Agency Agreements are on normal commercial terms 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 Hedging Agency Agreements in order to avoid any possible conflict of interest issue.

LISTING RULES IMPLICATIONS

Minmetals UK 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 Hedging Agency Agreements constitute continuing connected transactions for the Company.

All of the relevant percentage ratios in respect of the Hedging Agency Agreements, when aggregated, were less than 0.1% at the time of execution. Accordingly, the Hedging Agency Agreements, when aggregated, only became discloseable when the Hedging Agency Agreement with MLB was amended. Pursuant to Rule 14A.76 of the Listing Rules, as at least one of the relevant percentage ratios in respect of the Hedging Agency Agreements, when aggregated, is more than 0.1%, but all are less than 5%, the transactions constitute continuing connected transactions which are 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 the exploration, development and mining of zinc, copper, gold, silver and lead deposits around the world.

INFORMATION ABOUT MINMETALS UK

Minmetals UK is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company. Minmetals UK is a leading trader in metals, mineral and metal fabricated products.

DEFINITIONS

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

Appointors	the subsidiaries of the Group which are each a party to a Hedging Agency Agreement, and Appointor means any one of them (acting severally)
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	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
Hedging Agency Agreements	the agreements between Minmetals UK and each of the Appointors for the provision of agency services by Minmetals UK for executing certain commodity and QP hedging transactions on behalf of the Appointors, and Hedging Agency Agreement means any one of them
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
LIBOR	for any calendar month, the one month US Dollar London Interbank Offer Rate as displayed on the first London banking day for that month on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate)
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
LME	London Metal Exchange
Minmetals UK	Minmetals (U.K) Limited, a company incorporated in England and Wales and a wholly owned subsidiary of CMC

MLB	Minera Las Bambas S.A., a company incorporated in Peru and a subsidiary of the Company
MMG Dugald River	MMG Dugald River Pty Ltd, a company incorporated in Australia and a wholly owned subsidiary of the Company
MMG Finance	MMG Finance Limited, a company incorporated in Hong Kong 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)
QP	the quotational period, being the period during which metal prices are established as agreed by the parties to a metals sale agreement
Relevant QP Transaction(s)	QP hedging transaction(s) entered into on the LME or with a financial institution by Minmetals UK as agent of MLB under the relevant Hedging Agency Agreement
Relevant Transaction(s)	commodity hedging transaction(s) entered into on the LME or with a financial institution by Minmetals UK as agent of each Appointor under the Hedging Agency Agreements
SOFR	the Secured Overnight Financing Rate administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate) published by the Federal Reserve Bank of New York (or any other person which takes over the publication of that rate)
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, 3 September 2021

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.