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**MMG LIMITED**

**五礦資源有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(STOCK CODE: 1208)**

**DISCLOSEABLE TRANSACTION  
SIGNING OF LAS BAMBAS RAIL TRANSPORTATION SERVICES  
AGREEMENT**

**RAIL TRANSPORTATION SERVICE AGREEMENT**

The Board of the Company is pleased to announce that on 7 June 2015, Minera Las Bambas S.A. a non-wholly-owned subsidiary of the Company which owns the Las Bambas Project, entered into a rail transportation and related services agreement with Perurail S.A. for the provision of rail transportation and related services to the Las Bambas Project for an expected period of at least fifteen years commencing on 1 January 2016 (Rail Transportation Services Agreement).

**IMPLICATIONS UNDER THE LISTING RULES**

Minera Las Bambas S.A. is a non-wholly-owned subsidiary of the Company. Certain aspects of the Rail Transportation Services Agreement entered into by Minera Las Bambas S.A. are capital or financial assistance in nature and therefore those aspects constitute "transactions" pursuant to Listing Rule 14.04(1) (Notifiable Transactions).

As at least one of the applicable percentage ratios under Listing Rule 14.07 in respect of the Notifiable Transactions is more than 5% but all are less than 25%, the Notifiable Transactions constitute a discloseable transaction for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## RAIL TRANSPORTATION SERVICE AGREEMENT

On 7 June 2015, Minera Las Bambas S.A. entered into the Rail Transportation Services Agreement with Perurail S.A.

The principal terms of the Rail Transportation Services Agreement are set out below:

- Parties : (1) Minera Las Bambas S.A.  
(2) Perurail S.A.
- Term : A contract period of at least fifteen years, estimated to commence on 1 January 2016 (Initial Term), with Minera Las Bambas S.A. having options at its discretion to extend the term of service by up to a total of a further fifteen years.
- Type of Service : The transfer by rail of copper concentrate to be produced at the Las Bambas Project, from Pillones transfer station, located approximately 430 kilometres from the Las Bambas Project (or, during the first year of service, a temporary transfer station located near the Pillones transfer station, pending the Pillones transfer station being completed) to the Port of Matarani, located approximately 295 kilometres from Pillones transfer station.
- Consideration for the Rail Transportation Services : Estimated total consideration payable by Minera Las Bambas S.A. for the provision of the agreed rail transportation services during the Initial Term is US\$489.3 million.

This consideration amount (which equates to an illustrative only annualised cost of approximately US\$32.6 million p.a. over the Initial Term and incorporates both fixed and variable components) is an estimate only, based on current copper concentrate volume assumptions that are expected to be produced at the Las Bambas Project throughout the Initial Term. To the extent actual copper concentrate volumes produced vary from those assumptions, so will the actual consideration payable under the Rail Transportation Services Agreement vary.

This consideration amount is to be paid in US\$ throughout the Initial Term, payable on the basis of monthly invoices on 30 day terms.

- Notifiable Transactions aspects of the Rail Transportation Services Agreement : **Initial Purchase of Rail Equipment:**
- In order to ensure that certain necessary equipment required to operate the rail transportation service will be available to meet the Las Bambas Project's timetable for commencement, and will be of a type that is appropriate to the requirements of the Las Bambas Project, the Group has previously entered into purchase contracts with independent third parties to acquire such equipment (including the purchase of certain rail wagons, containers, turning equipment and locomotives).

It is a term of the Rail Transportation Services Agreement that such equipment be purchased by the rail operator, Perurail S.A. The total cost of such equipment is US\$76.1 million (being approximately the same aggregate purchase price originally agreed between the Group and the relevant third party supplier of such equipment).

Such amount shall be payable by Perurail S.A. to Minera Las Bambas S.A. before the Initial Term commences, provided that if Perurail S.A. is unable to secure the required financing to meet such purchase obligation on the agreed terms, then the monthly amounts payable by Minera Las Bambas S.A. for the provision of the rail transportation services shall be reduced and offset according to an agreed scale.

#### **Bank Guarantee by Minera Las Bambas S.A.**

If required by the relevant financial institutions, Minera Las Bambas S.A. shall grant a bank letter of guarantee for the amount of US\$106.5 million in favour of Perurail S.A. as guarantee for the faithful performance by Minera Las Bambas S.A. of the fixed cost component of the monthly rail transportation service payments owing by Minera Las Bambas S.A..

Such guarantee will terminate upon the earlier of (i) continuous production for two months of 1,500 or more average tonnes per day of copper concentrate from the Las Bambas Project, or (ii) termination of the Rail Transportation Services Agreement.

#### **Obligation on Minera Las Bambas S.A. to acquire the Equipment and Infrastructure in certain situations**

In certain termination circumstances set out in the Rail Transportation Services Agreement, namely:

- where an event of default by Perurail S.A. occurs (other than a default as a result of a manufacturing defect), and results in rail services being interrupted for a period greater than 180 days;
- where an interruption to the provision of the services by Perurail S.A. occurs that is a result of a manufacturing defect, and results in rail services not resuming in their entirety (i) within a two year period from the start of the Initial Term for serial defects with locomotives or (ii) within a one year period from the start of the Initial Term for serial defects with wagons and containers,
- where Perurail S.A. fails to satisfy its obligations in relation to acquiring certain equipment from Minera Las Bambas S.A. as highlighted above; or

- where the Rail Transportation Services Agreement is terminated due to certain Perurail S.A. force majeure, acts of God or events beyond the parties control, the equipment and infrastructure used by Perurail S.A. to provide the rail service (including the equipment and infrastructure originally purchased by the Group and on-sold to Perurail S.A.), as well as the necessary rights to provide the rail services and the guarantees issued by the manufacturers of such equipment (provided they remain in force and provided Perurail S.A. is reimbursed for all direct and reasonable costs incurred in connection with any claims arising under such manufacturers guarantees) shall be transferred to Minera Las Bambas S.A. (or a third party appointed by Minera Las Bambas S.A.), at a price determined by an independent third party appointed by common agreement, discounting any increases in such valuation resulting from any improvements, provided however that the total amount payable by Minera Las Bambas S.A. shall not in any event exceed US\$ 102,963,896.

Termination : The Rail Transportation Services Agreement shall continue throughout the Initial Term, provided however that in certain prescribed circumstances, including upon certain events of default occurring with respect to the actions or inactions of Perurail S.A. or Minera Las Bambas S.A. (as the case may be), as well as upon certain force majeure events, acts of God or events beyond the parties control occurring, the relevant party(ies) may elect to terminate the Rail Transportation Services Agreement on the terms specified.

The terms of the Rail Transportation Services Agreement were arrived at after arm's length negotiations between Minera Las Bambas S.A. and Perurail S.A.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Perurail S.A. and its ultimate beneficial owner, are third parties independent of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE RAIL TRANSPORTATION SERVICES AGREEMENT**

The Company had previously foreshadowed solely using truck haulage in order to transport the copper concentrate produced from the Las Bambas Project to the Port of Matarani, 725 kilometres away.

The entering into of the Rail Transportation Services Agreement is an important milestone for the Las Bambas Project and is expected to provide the Las Bambas Project with reliable, safe and secure logistics for the transportation of the copper concentrate to be produced at the Las Bambas Project from the Pillones transfer station to the Port of Matarani some 295 kilometres away. Truck haulage services will be separately provided by an independent third party to transport the copper concentrate from the Las Bambas Project to the Pillones transfer station, for onwards transport by rail.

## **GENERAL**

The Directors (including the independent non-executive Directors) are of the view that the terms of the Rail Transportation Services Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the shareholders of the Company as a whole.

No Director has any material interest in the transaction contemplated under the Rail Transportation Services Agreement which prohibits him from voting on the resolution of the Board to approve the Rail Transportation Services Agreement and no Director has abstained from approving such Board resolution.

## **IMPLICATIONS UNDER THE LISTING RULES**

Minera Las Bambas S.A. is a non-wholly-owned subsidiary of the Company. Certain Notifiable Transactions aspects of the Rail Transportation Services Agreement entered into by Minera Las Bambas S.A. are capital or financial assistance in nature and therefore those aspects constitute "transactions" pursuant to Listing Rule 14.04(1).

As at least one of the applicable percentage ratios under Listing Rule 14.07 in respect of the Notifiable Transactions is more than 5% but all are less than 25%, the Notifiable Transactions constitute a discloseable transaction for the Company and are subject to the notification and announcement requirements under Chapter 14 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 MINERA LAS BAMBAS S.A.**

Minera Las Bambas S.A. is a non-wholly-owned subsidiary of the Company, and the owner of the Las Bambas Project.

## **INFORMATION ABOUT PERURAIL S.A.**

Perurail S.A. is a joint venture, managed and 50% owned by indirect subsidiaries of Belmond Ltd, with the remaining 50% owned by domestic Peruvian investors. Belmond Ltd owns and operates trains, hotels and river cruises in the Americas, Europe, Africa and Asia.

Perurail S.A. is the current operator of a railway located in Southern Peru, offering both retail tourist services and commercial transportation services for the shipment of goods and minerals to and from the Port of Matarani.

## DEFINITIONS

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

Board	the board of directors of the Company
Company	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, the shares 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
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
Las Bambas Project	the development, construction and operation of the copper mines, processing facilities and associated infrastructure at the Las Bambas copper project located in the Apurimac region in Peru
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
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)
%	percentage

*Unless otherwise specified, conversion of US\$ into HK\$ in this announcement is based on the exchange rate of US\$1.00 = HK\$7.8 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**

**Andrew Gordon Michelmore**

*CEO and Executive Director*

Hong Kong, 8 June 2015

*As at the date of this announcement, the Board comprises eight directors, of which three are executive directors, namely Mr Andrew Gordon Michelmore, Mr David Mark Lamont and Mr Xu Jiqing; three are non-executive directors, namely Mr Jiao Jian (Chairman), Mr Wang Lixin and Mr Gao Xiaoyu; and two are independent non-executive directors, namely Dr Peter William Cassidy and Mr Leung Cheuk Yan.*