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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 TRANSACTIONS
LAS BAMBAS AND AUSTRALIAN OPERATIONS
GRINDING MEDIA SUPPLY AGREEMENTS**

Grinding Media Supply Agreements

On 13 July 2017 (Hong Kong time), Minera Las Bambas and Minmetals Peru, and MMG Australia and Minmetals Australia, entered into the Grinding Media Supply Agreements for each of the Las Bambas and Australian operations respectively.

Listing Rules Implications

As all of the relevant percentage ratios in respect of the Grinding Media Supply Agreements when aggregated are more than 0.1% but 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.

GRINDING MEDIA SUPPLY AGREEMENTS

The Grinding Media Supply Agreements provide for the supply of hot roll forged and hand forged steel grinding balls by Minmetals Peru and Minmetals Australia for use in the production of metals concentrates by Minera Las Bambas and MMG Australia respectively. 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 principal terms of the Grinding Media Supply Agreements are set out below.

LAS BAMBAS GRINDING MEDIA SUPPLY AGREEMENT

- Parties : (1) Minera Las Bambas
(2) Minmetals Peru

- Term : Initial term of 6 months effective from 1 July 2017 with options to extend at Minera Las Bambas' election for three further periods of 12 months, 12 months and 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.

AUSTRALIAN OPERATIONS GRINDING MEDIA SUPPLY AGREEMENT

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

- Term : Initial term of 24 months effective from 1 July 2017 with an option to extend for a further 12 months at MMG's election.

- 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.

MMG has entered into a supply arrangement in which each of Minmetals Peru and Minmetals Australia was selected as one of the preferred suppliers at the completion of a competitive tender process conducted by MMG in respect of each of the Las Bambas and Australian operations. The terms of the Grinding Media Supply Agreements were arrived at after arm's length negotiations between the parties. In order to determine whether to award the Grinding Media Supply Agreements, MMG considered a number of suppliers and assessed both their technical and commercial elements in determining the best outcome for MMG. Tender applicants responded to the Australian operations tender in a combination of Australian and US Dollars and an evaluation was undertaken on the basis of an exchange rate of AUD 0.75 to US\$1. Applicants to the Las Bambas tender responded in US Dollars. For both the Las Bambas and Australian operations respectively, MMG has agreed to a dual supplier arrangement, one supplier arrangement with a connected person and one supplier arrangement with a non-connected person. The benefits of having dual suppliers for each of the different operations is to enhance competition to ensure the best outcome for MMG, while also avoiding reliance on any single grinding media provider. MMG assessed that the terms agreed with Minmetals Peru and Minmetals Australia respectively are reasonable and commercial, and that it is in the best interests of the Company, when compared with alternative suppliers as demonstrated through its competitive tender process, to award the Grinding Media Supply Agreements on the agreed terms.

ANNUAL CAPS

The maximum aggregate amount to be paid under the Las Bambas Grinding Media Supply Agreement: (i) for the year ending 31 December 2017 will be approximately US\$8 million (equivalent to approximately HK\$62.4 million); (ii) for the year ending 31 December 2018 US\$16 million (equivalent to approximately HK\$124.8 million); (iii) for the year ending 31 December 2019 US\$16 million (equivalent to approximately HK\$124.8 million); (iv) for the six months ending 30 June 2020 US\$8 million (equivalent to approximately HK\$62.4 million).

The maximum aggregate amount to be paid under the Australian Operations Grinding Media Supply Agreement: (i) for the year ending 31 December 2017 will be approximately US\$1.75 million (equivalent to approximately HK\$13.65 million); (ii) for the year ending 31 December 2018 will be approximately US\$3.5 million (equivalent to approximately HK\$27.3 million); (iii) for the year ending 31 December 2019 will be approximately US\$3.5 million (equivalent to approximately HK\$27.3 million); and (iv) for the six month period ending 30 June 2020 will be approximately US\$1.75 million (equivalent to approximately HK\$13.65 million).

The annual caps were determined by reference to the agreed pricing under the Grinding Media Supply Agreements, projected volumes required by the Las Bambas and Australian operations operating sites, market indices for steel and potential shipping costs.

REASONS FOR AND BENEFITS OF THE GRINDING MEDIA SUPPLY AGREEMENTS

The entering into of the Grinding Media Supply Agreements has the benefit of delivery of goods necessary for the operations of the Group which are on terms that are in the commercial interests of the Group.

The Grinding Media Supply Agreements have been reviewed and approved by the Directors (including the independent non-executive Directors but excluding the Interested Directors), who are of the view that the terms of the Grinding Media Supply Agreements and the 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 Grinding Media Supply Agreements in order to avoid any possible conflict of interest issue.

LISTING RULES IMPLICATIONS

Both Minmetals Peru and Minmetals Australia are wholly owned subsidiaries of CMC, the controlling shareholder of the Company, and are therefore associates of CMC and each a connected person of the Company under the Listing Rules. As a result, the Grinding Media Supply Agreements constitute continuing connected transactions for the Company.

Pursuant to Rule 14A.76(2) of the Listing Rules, as all of the relevant percentage ratios in respect of the Grinding Media Supply Agreements when aggregated are more than 0.1% but 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.

The Grinding Media Supply Agreements also include a provision which entitles MMG to suspend or terminate the Grinding Media Supply Agreements or any purchase order that has been delivered to and/or accepted by Minmetals Peru or 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 PERU AND MINMETALS AUSTRALIA

Minmetals Australia and Minmetals Peru are each wholly owned subsidiaries of CMC, the controlling shareholder of the Company. Minmetals Australia primarily supplies steel products manufactured in the PRC into the Australian market and trades metallurgical raw materials. 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	中國五礦集團公司 (China Minmetals Corporation), formerly known as 中國五金礦產進出口總公司 (China National Metals and Minerals Import and Export 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 or MMG	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
Grinding Media Supply Agreements	together, the Australian Operations Grinding Media Supply Agreement and the Las Bambas Grinding Media Supply Agreement
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

Jiao Jian

CEO and Executive Director

Hong Kong, 13 July 2017

As at the date of this announcement, the Board comprises nine directors, of which two are executive directors, namely Mr Jiao Jian and Mr Xu Jiqing; three are non-executive directors, namely Mr Guo Wenqing (Chairman), Mr Gao Xiaoyu 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.