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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 TRANSACTION
EXTENSION AGREEMENT TO THE
GRINDING MEDIA SUPPLY AGREEMENT**

Extension Agreement to the Grinding Media Supply Agreement

On 28 December 2015, MMG Management and Minmetals Australia entered into the 2016 Extension Agreement pursuant to which MMG Management agreed to extend and vary the Grinding Media Supply Agreement for a further period of 12 months effective from 1 January 2016.

Listing Rules Implications

As all of the relevant percentage ratios in respect of the Grinding Media Supply Agreement as extended and varied pursuant to the 2016 Extension Agreement are more than 0.1% but 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.

EXTENSION AGREEMENT TO THE GRINDING MEDIA SUPPLY AGREEMENT

Reference is made to (i) the announcement of the Company dated 28 March 2011 in relation to continuing connected transactions of the Company; (ii) the announcement of the Company dated 2 April 2013 in relation to the Amendment Agreement to the Grinding Media Supply Agreement; (iii) the announcement of the Company dated 30 December 2013 in relation to the Further Amendment Agreement to the Grinding Media Supply Agreement; and (iv) the announcement of the Company dated 23 December 2014 in relation to the 2015 Extension Agreement to the Grinding Media Supply Agreement.

The Grinding Media Supply Agreement provides for the supply of hot roll forged and hand forged steel grinding media by Minmetals Australia to MMG Management.

The term of the Grinding Media Supply Agreement was originally for two years commencing from 20 December 2010, with two options for further periods of 12 months each, which could be exercised by MMG Management in its discretion. On 2 April 2013, MMG Management and Minmetals Australia entered into the Amendment Agreement pursuant to which the parties agreed to renew and vary the Grinding Media Supply Agreement for a further period of 12 months effective from 1 January 2013. On 30 December 2013, MMG Management and Minmetals Australia entered into the Further Amendment Agreement pursuant to which the parties agreed to further renew the Grinding Media Supply Agreement for a further period of 12 months effective from 1 January 2014.

On 23 December 2014, MMG Management and Minmetals Australia entered into the 2015 Extension Agreement pursuant to which the parties agreed to extend and vary the Grinding Media Supply Agreement for a further period of 12 months effective from 1 January 2015. On 28 December 2015, MMG Management and Minmetals Australia agreed to enter into the 2016 Extension Agreement pursuant to which the parties agreed to further extend and vary the Grinding Media Supply Agreement for a further period of 12 months effective from 1 January 2016.

The principal terms of the Grinding Media Supply Agreement, as amended by the Amending Agreements, are set out below.

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

- Goods to be purchased : Hot roll forged and hand forged steel grinding balls for use in the production of metals concentrates. The balls are introduced into rotating steel mills and are used to pulverise the ore to a more workable size that also allows for easier extraction of the metal concentrate from the ore.

- Term : 12 months effective from 1 January 2016.

- Delivery of purchase orders : Minmetals Australia makes a standing offer to supply and deliver the goods for the applicable unit price. If MMG Management 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 2016 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 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 accepted.

In 2010, Minmetals Australia was selected as preferred supplier at the completion of a competitive tender process conducted by MMG Management, and the terms of the Grinding Media Supply Agreement were arrived at after arm's length negotiations between MMG Management and Minmetals Australia. In order to determine whether to renew the Grinding Media Supply Agreement for each of 2013, 2014, 2015 and 2016, MMG Management considered current market prices for the same goods. In respect of 2015, MMG Management negotiated improved pricing from 2014 and a floating pricing mechanism to allow for changes in the price of steel, which pricing mechanism will continue into 2016. MMG Management assessed that the terms agreed with Minmetals Australia are reasonable and commercial, and that it is in the interests of the Company, when compared with alternative suppliers, to extend the Grinding Media Supply Agreement for a further year.

ANNUAL CAP

For the two years ended 31 December 2014 and 2015, there were transactions under the Grinding Media Supply Agreement to the value of approximately US\$3.8 million (equivalent to approximately HK\$29.6 million) and approximately US\$1.7 million (equivalent to approximately HK\$13.3 million) respectively.

The maximum aggregate amount to be paid under the Grinding Media Supply Agreement, as amended by the 2015 Extension Agreement for the year ending 31 December 2015 was capped at approximately US\$4.0 million (equivalent to approximately HK\$31.2 million). This annual cap was determined by reference to the historical transaction amounts under the Grinding Media Supply Agreement, the agreed pricing pursuant to the 2015 Extension Agreement, projected volumes required by operating sites of the Company, market indices for steel and potential shipping costs.

In turn, having regard to the same factors, it is proposed that the maximum aggregate amount to be paid under the Grinding Media Supply Agreement, as amended by the 2016 Extension Agreement for the year ending 31 December 2016, will be approximately US\$2.0 million (equivalent to approximately HK\$15.6 million).

REASONS FOR AND BENEFITS OF THE 2016 EXTENSION AGREEMENT

The entering into of the 2016 Extension Agreement has the benefit of delivery of goods necessary for the operations of the Company which are on terms which are in the commercial interests of the Company.

The Directors (including the independent non-executive Directors) are of the view that the 2016 Extension Agreement is on normal commercial terms, and is fair and reasonable and in the interests of the shareholders of the Company as a whole. No Director has any material interest in any of the transactions contemplated under the 2016 Extension Agreement which prohibits him from voting on the resolution of the Board to approve the 2016 Extension Agreement and no Director has abstained from approving such Board resolution.

LISTING RULES IMPLICATIONS

Minmetals Australia 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 2016 Extension Agreement constitutes a continuing connected transaction 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 Agreement as extended and varied pursuant to the 2016 Extension Agreement are more than 0.1% but 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 Grinding Media Supply Agreement also includes a provision which entitles MMG Management to suspend or terminate the Grinding Media Supply Agreement or any purchase order that has been delivered to and/or accepted by 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 AUSTRALIA

Minmetals Australia is a wholly owned subsidiary 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.

DEFINITIONS

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

- 2015 Extension Agreement the agreement dated 23 December 2014 between MMG Management and Minmetals Australia extending the Grinding Media Supply Agreement

- 2016 Extension Agreement the agreement dated 28 December 2015 between MMG Management and Minmetals Australia extending the Grinding Media Supply Agreement

Amending Agreements	the Amendment Agreement, the Further Amendment Agreement, the 2015 Extension Agreement and the 2016 Extension Agreement
Amendment Agreement	the agreement dated 2 April 2013 between MMG Management and Minmetals Australia renewing and varying the Grinding Media Supply Agreement
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
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
Further Amendment Agreement	the agreement dated 30 December 2013 between MMG Management and Minmetals Australia renewing the Grinding Media Supply Agreement
Grinding Media Supply Agreement	the agreement dated 20 December 2010 (as amended by the Amending Agreements) between MMG Management and Minmetals Australia pursuant to which MMG Management agrees to purchase hot roll forged and hand forged grinding media from Minmetals Australia
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange

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
MMG Management	MMG Management Pty Ltd, 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

Andrew Gordon Michelmore

CEO and Executive Director

Hong Kong, 28 December 2015

As at the date of this announcement, the Board comprises eight directors, of which two are executive directors, namely Mr Andrew Gordon Michelmore and Mr Xu Jiqing; two are non-executive directors, namely Mr Jiao Jian (Chairman) and Mr Gao Xiaoyu; 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.