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MMG LIMITED
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

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(ASX STOCK CODE: MMG)

DISCLOSEABLE TRANSACTION
ADDENDUM TO THE LAS BAMBAS RAIL TRANSPORTATION SERVICES
AGREEMENT AND SIGNING OF A DIRECT AGREEMENT

On 8 June 2015, the Company announced (First Announcement) that Minera Las Bambas S.A., a non-wholly owned subsidiary of the Company which owns the Las Bambas Project, had 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).

On 3 February 2016 (Hong Kong time):

- the parties to the Rail Transportation Services Agreement entered into the First Addendum to the Rail Transportation Services Agreement (First Addendum); and
- the parties to the Rail Transportation Services Agreement, together with the Banks providing the financing to Perurail S.A. in respect of its provision of rail transportation and related services to the Las Bambas Project, entered into a direct agreement in support of Perurail S.A.'s financing requirements and in order to secure Minera Las Bambas S.A.'s rights over equipment, infrastructure and other rights necessary to ensure ongoing access to rail transportation services (Direct 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 as amended by the First Addendum, and certain aspects of the Direct Agreement, are capital in nature, or otherwise constitute guarantees and/or financial assistance by Minera Las Bambas S.A., and therefore those respective 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.

Unless otherwise specified, capitalised terms defined in the First Announcement shall have the same meanings when used in this announcement.

PRINCIPAL CHANGES TO THE RAIL TRANSPORTATION SERVICES AGREEMENT AND RELATED ARRANGEMENTS AS A CONSEQUENCE OF THE FIRST ADDENDUM AND THE DIRECT AGREEMENT

As a consequence of the relevant parties having entered into the First Addendum and the Direct Agreement, certain principal terms of the Rail Transportation Services Agreement as disclosed in the First Announcement have been amended and/or supplemented, with Notifiable Transaction implications, in the manner summarised below:

Consideration for the Rail Transportation Services : The estimated total consideration payable by Minera Las Bambas S.A. for the provision of the agreed rail transportation services during the Initial Term has reduced under the First Addendum from approximately US\$489.3 million to approximately US\$485.5 million.

This reduced consideration amount (which equates to an illustrative only annualised cost of approximately US\$32.4 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, as amended and/or supplemented by the First Addendum and Direct Agreement

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

Under the Rail Transportation Services Agreement, Minera Las Bambas S.A. agreed that it shall, if required by the relevant financial institutions, grant a bank letter of guarantee for the amount of approximately 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. Perurail S.A. had the right to assign that bank letter of guarantee to the Banks providing the financing.

It was agreed that 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.

This bank letter guarantee arrangement has been amended so that any such bank letter of guarantee shall now, if required by the Banks financing Perurail S.A. in respect of its provision of rail transportation and related services to the Las Bambas Project, be transferred by Perurail S.A. so as to be directly in favour of the Banks, rather than in favour of Perurail S.A. The Banks have requested that this bank letter guarantee be issued by Minera Las Bambas S.A.

Bank Guarantees to secure the payment by the Banks of a certain tranche of financing obtained by Perurail S.A. in respect of its provision of rail transportation and related services to the Las Bambas Project

Under the First Addendum and the Direct Agreement, in order to secure the payment by the Banks to Perurail S.A. of a certain tranche of financing of up to US\$22 million in respect of Perurail S.A.'s provision of rail transportation and related services to the Las Bambas Project:

- Minera Las Bambas S.A. has agreed to provide a bank guarantee for the benefit of the Banks for up to US\$7 million; and
- Perurail S.A. has agreed to use best efforts to provide a bank guarantee for the benefit of the Banks for amounts drawn under that tranche up to US\$15 million, provided that if Perurail S.A. fails to do so on or before 1 March 2016, Minera Las Bambas S.A. has agreed to provide such further bank guarantee, with any costs incurred by Minera Las Bambas S.A. to be subsequently reimbursed by Perurail S.A. (together, Tranche Bank Guarantees).

These Tranche Bank Guarantees shall be released upon the relevant land use rights pertaining to that tranche of financing being registered.

Amendment of obligation on Minera Las Bambas S.A. to (i) assume the contractual position of Perurail S.A.; (ii) appoint a substitute company, acceptable to the Banks, to assume the contractual position of Perurail S.A.; or (iii) pay the Banks a prescribed amount and acquire certain of the assets and rights of Perurail S.A.

Under the Rail Transportation Services Agreement, in certain termination circumstances set out in the First Announcement, the equipment and infrastructure used by Perurail S.A. to provide the rail service, as well as the necessary rights to provide the rail services and the guarantees issued by the manufacturers of such equipment, was agreed to be transferred to Minera Las Bambas S.A. (or a third party appointed by Minera Las Bambas S.A.) for consideration, provided however that the total amount payable by Minera Las Bambas S.A. was agreed to not in any event exceed approximately US\$ 102.9 million.

As a result of the First Addendum and the Direct Agreement, these rights and obligations of Minera Las Bambas S.A. have been amended as set out below:

If the Rail Transportation Services Agreement is terminated, or if an event of default occurs and is not cured under Perurail S.A.'s project loan with the Banks (Perurail S.A. Loan), Minera Las Bambas S.A. must, in general terms:

1. assume the contractual position of Perurail S.A. under the Perurail S.A. Loan and, in effect, acquire the benefit of the rail transportation assets, and step into the obligations and rights of Perurail S.A. (Step-In Option); or
2. appoint a substitute company acceptable to the Banks to take the position of Minera Las Bambas S.A. as described in (1) above (Substitute Company Step-In Option), in which case Minera Las Bambas S.A. shall continue to support that substitute company in the same manner as it is presently supporting Perurail S.A.; or
3. pay the Banks what Perurail S.A. owes them under the Perurail S.A. Loan (after deducting for any collection made by the Banks under Perurail S.A.'s or Minera Las Bambas S.A.'s guarantees and indemnities (including any collection under the Tranche Bank Guarantees)), and in return acquire the rail transportation assets, obligations and rights of Perurail S.A. (Pay Out Option),

provided however that the total amount payable by Minera Las Bambas S.A. under any of the options (1) to (3) above is capped at US\$112 million plus value added tax.

In certain circumstances where (i) the Rail Transportation Services Agreement is terminated (such as termination due to a default not cured by Minera Las Bambas S.A., or due to a force majeure event), or (ii) an event of default occurs and is not cured under the Perurail S.A. Loan (such as due to any insolvency of Minera Las Bambas S.A.), then in such circumstances, Minera Las Bambas S.A. will be required to assume the Pay Out Option at (3) above and may not elect either the Step-In Option at (1) above or the Substitute Company Step-In Option at (2) above.

The terms of the First Addendum and the Direct Agreement were arrived at after arm's length negotiations between the parties thereto.

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

REASONS FOR AND BENEFITS OF THE RAIL TRANSPORTATION SERVICES AGREEMENT, THE FIRST ADDENDUM AND THE DIRECT AGREEMENT

The entering into of the Rail Transportation Services Agreement was 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.

By entering into the First Addendum and the Direct Agreement, Minera Las Bambas S.A. is further advancing the construction of this rail infrastructure and services including by providing limited project finance support to the Banks providing the required project finance to Perurail S.A. and securing Minera Las Bambas S.A.'s rights over equipment, infrastructure and other rights necessary to ensure ongoing access to rail transportation services.

GENERAL

The Directors (including the independent non-executive Directors) are of the view that the terms of the First Addendum and the Direct 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 First Addendum or the Direct Agreement which prohibits him from voting on the resolution of the Board to approve the First Addendum and the Direct Agreement, and no Director has abstained from approving such Board resolution.

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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.

INFORMATION ABOUT THE BANKS

The Banks are financial institutions, engaged in, among other things, the business of commercial lending.

DEFINITIONS

In this announcement, the following expression has the meaning set out below unless the context requires otherwise.

Banks	Scotiabank Peru S.A.A, Banco De Credito Del Peru, Banco Internacional Del Peru S.A.A. – Interbank and Banco De Sabadell, S.A. – Miami Branch
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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, 3 February 2016

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 Seabrook and Professor Pei Ker Wei.