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Hunan Nonferrous Metals Corporation Limited*
湖南有色金属股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2626)

CONNECTED TRANSACTION

DEEMED DISPOSAL OF PARTICIPATING INTEREST IN ABRA PROJECT

On 23 January 2015, the Company's wholly-owned subsidiary, Abra entered into the Option and Joint Venture Agreement with MMG, pursuant to which Abra agrees to grant to MMG (1) an irrevocable option to form an unincorporated joint venture with Abra; and (2) an irrevocable option to acquire the Mining Lease from Abra. Upon the exercise of the Joint Venture Option by MMG, the Joint Venture will be formed and effective immediately to carrying out exploration, and if warranted, production and ancillary operations in respect of the tenements and relevant Participating Interests in the Joint Venture may also be acquired by MMG. Upon the exercise of the Mining Lease Option by MMG, Abra must take all steps necessary to transfer the title to the Mining Lease to MMG on receipt of payment.

Upon Full Completion, the Participating Interests of the Company in the Joint Venture will be diluted from 100% to nil (with 1% net smelter royalty reserved), which constitutes a deemed disposal of the Company under Rule 14.29 of the Listing Rules. Since MMG is a wholly-owned subsidiary of MMG Limited, whose controlling shareholder is CMC, and is therefore a connected person of the Company under the Listing Rules, the transactions

contemplated under the Option and Joint Venture Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios in respect of the transactions contemplated under the Option and Joint Venture Agreement are more than 0.1% but less than 5%, the Option and Joint Venture Agreement is only subject to the reporting and announcement requirements, but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 23 January 2015, the Company's wholly-owned subsidiary, Abra entered into the Option and Joint Venture Agreement with MMG, pursuant to which Abra agrees to grant to MMG (1) an irrevocable option to form an unincorporated joint venture with Abra; and (2) an irrevocable option to acquire the Mining Lease from Abra.

OPTION AND JOINT VENTURE AGREEMENT

Date: 23 January 2015

Parties: i. MMG
ii. Abra

I. Conditions Precedent

The Option and Joint Venture Agreement is conditional upon satisfaction or waiver of certain conditions precedent including, but not limited to, all relevant permits and other regulatory approvals being obtained by both Parties; and MMG completing due diligence on the tenements and being satisfied with the results of its due diligence enquiries.

If the conditions precedent are not satisfied or waived by 28 February 2015, either Party may terminate the Option and Joint Venture Agreement by written notice to the other Party.

II. Joint Venture Option

Pursuant to the Option and Joint Venture Agreement, Abra irrevocably grants to MMG the option to form an unincorporated joint venture with Abra. Upon the exercise of the Joint Venture Option by MMG, the Joint Venture will be formed and effective immediately to carrying out exploration, and if warranted, production and ancillary operations in respect of the tenements and relevant Participating Interests in the Joint Venture may also be acquired by MMG.

A. Exercise of Joint Venture Option

The Joint Venture Option may be exercised after the expiry of the Option Stage. The Joint Venture Option will lapse if MMG does not incur A\$2.0 million (equivalent to approximately HK\$12,540,000) in expenditure within two years from the Satisfaction Date.

B. Stages of the Joint Venture

a) **Option Stage** will commence on the Satisfaction Date and end on the earlier of the date on which MMG has incurred A\$2.0 million (equivalent to approximately HK\$12,540,000) in expenditure and the date that is two years from the Satisfaction Date. Upon the exercise of the Joint Venture Option by MMG, the Joint Venture will be formed and effective immediately. At the Option Stage, the Participating Interests of MMG and Abra will be 0% and 100% respectively.

i. Principle rights and obligations of the Parties during the Option Stage

(i) For MMG: during the Option Stage, MMG has the exclusive right to carry out exploration on the tenements at its sole discretion in compliance with all applicable laws and has the obligations to, among other things, keep the tenements in good standing, and shall indemnify Abra from and against any and

all claims and liabilities arising out of or relating to any act or actions or omissions of MMG during the Option Stage.

- (ii) For Abra: during the Option Stage, Abra shall grants MMG an exclusive license to enter the land the subject of the tenements and exercise all or any of the rights of the legal and beneficial owner of the tenements, and must not sell, assign or dispose of any legal or beneficial interest in the tenements, other than as contemplated by the Option and Joint Venture Agreement or with MMG's prior written consent, and shall indemnify MMG in respect of any claim or liability arising in respect of the tenements due to events occurring prior to the Satisfaction Date.

ii. Withdrawal during Option Stage

Before the expiry of the Option Stage, MMG may withdraw from the Option and Joint Venture Agreement by giving Abra 30 days written notice. If MMG withdraws from the Option and Joint Venture Agreement, MMG's rights and obligations under the Option and Joint Venture Agreement will cease and it will have no further interest in the tenements, and MMG will not have any rights to recover any expenditures funded by MMG.

- b) **Stage 1** will commence upon the formation of the Joint Venture and end on the earlier of the date on which MMG has incurred A\$6 million (equivalent to approximately HK\$37,620,000) in expenditure and the date that is five years from the Satisfaction Date. At the end of Stage 1, the Participating Interests of MMG and Abra will be 60% and 40% respectively. MMG is sole funding expenditures on the tenements in Stage 1.
- c) **Stage 2** will commence upon completion of Stage 1 and end on the earlier of the date on which MMG has completed a pre-feasibility study and the date that is ten years from the Satisfaction Date. At the end of Stage 2, the Participating Interests of MMG and Abra will be 85% and 15% respectively. MMG is sole funding expenditures on the

tenements in Stage 2.

- d) **Stage 3:** Either Party can elect to dilute after Stage 2. Within 60 days of Abra's Participating Interests being diluted to 10%, Abra must elect to either contribute its 10% share of expenditure or convert its 10% share to a 1% net smelter royalty. Within 60 days of Abra's Participating Interest being diluted to 10% in Stage 3, if Abra elects to contribute to future expenditures in portion to its Participating Interest, each Party must pay to the manager of the Joint Venture the amount set out in the monthly statement to the Parties setting out the expenditure required to be contributed to by each Party within 15 days of receipt of that statement.

MMG may withdraw from the Stage or the Joint Venture at any time by giving Abra 30 days written notice.

III. Mining Lease Option

Pursuant to the Option and Joint Venture Agreement, Abra irrevocably grants to MMG the option to acquire the Mining Lease from Abra at a price agreed between MMG and Abra or failing agreement, at a price determined by an independent third party valuation. Upon the exercise of the Mining Lease Option by MMG, Abra must take all steps necessary to transfer the title to the Mining Lease to MMG on receipt of payment.

The Mining Lease Option can be exercised by MMG at any time during the term of the Option and Joint Venture Agreement by giving written notice of exercise to Abra.

IV. Consideration

MMG and Abra agree that the aggregate amount of (i) expenditure by MMG, and (ii) amounts payable to Abra in each case, pursuant to the terms of the Option and Joint Venture Agreement, shall not exceed the lesser of A\$50 million and an amount in Australian currency which is not greater than an amount equivalent to 4.99% of the total average closing price of the ordinary

shares in the Company, as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the day on which the Option and Joint Venture Agreement is signed, multiplied by the total number of issued shares of the Company then in issue (the "**Cap**").

The consideration is determined after arm's length negotiations between Abra and MMG and taking into consideration, among others, the following factors:

- i. Based on the valuation report of the Abra Project, the total current cash value for a 100% interest in the Abra Project is ascribed at A\$9.40 million (equivalent to approximately HK\$58,938,000) within a valuation range of A\$7.98 million (equivalent to approximately HK\$50,034,600) to A\$10.80 million (equivalent to approximately HK\$67,716,000);
- ii. The minimum expenditure to maintain the tenements in good standing is estimated to be approximately A\$1.18 million (equivalent to approximately HK\$7,400,000) per year;
- iii. Development status, the nature of the known mineralization, and exploration potential of the Abra Project;
- iv. Potential commercial and strategic benefits MMG will obtain during the exploration of the Abra Project;
- v. Market conditions as well as other financial and operational factors of the Abra Project; and
- vi. The negotiated value of the Mining Lease between the Parties with reference to comparable transactions of a similar nature.

In the event that the aggregate amount of expenditure by MMG, and the amounts payable to Abra in each case, pursuant to the terms of the Option and Joint Venture Agreement, would exceed the Cap, MMG and Abra shall negotiate in good faith to enter into a supplemental agreement agreeing to the new thresholds, which shall be subject to the obtaining of necessary board approvals by the Company and MMG, and, if applicable, obtaining of necessary shareholders' approval by the Company and/or MMG according to the relevant Hong Kong Listing Rules.

FINANCIAL IMPACT ON THE GROUP

The Company is not expected to record in its income statement any gain or loss arising from the exercise of the Joint Venture Option by MMG due to the capitalization of expenditure. The exact financial effects of exercising the Mining Lease Option are subject to the final purchase price and the review of the Company's auditors.

APPLICATION OF THE CAPITAL

The expected maximum capital of A\$50 million (equivalent to approximately HK\$313,500,000) to be invested by MMG under the Option and Joint Venture Agreement will include but not be limited to carrying out exploration of, and contributing to further expenditure in respect of, the Abra Project and the purchase of the Mining Lease (if applicable).

REASONS FOR AND BENEFITS OF THE OPTION AND JOINT VENTURE AGREEMENT

To facilitating the Company's expectation of exploring the Abra Project, the Company adopted an important strategy of seeking cooperation partner to manage the Abra Project on the basis of prudent and stable exploration work and without affecting the Company's estimated exploration benefits.

To cooperate with MMG in this regard fits into the strategy of the Company in respect of the Abra Project by lowering the costs of the Company in managing the Abra Project alone. In addition, the arrangement under the Option and Joint Venture Agreement can also ensure the Company's exploration benefits by setting the Participating Interests of MMG and Abra in different stages and by giving Abra the right of election to contribute or convert its Participating Interests to a royalty.

MMG engages in mining operations in Australia and internationally and produces a wide range of metals, including zinc, copper, lead, gold, and silver. Its exploration technologies and operation experiences will greatly increase the value of the Abra Project in the future, which is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

If MMC did not withdraw from the Option Stage and the Joint Venture, and in the Stage 3, Abra elected to convert its 10% Participating Interests to a 1% net smelter royalty, the Option and Joint Venture Agreement would be ultimately completed (the "**Full Completion**"). Upon Full Completion, the Participating Interests of the Company in Abra will be diluted from 100% to nil (with 1% net smelter royalty reserved), which constitutes a deemed disposal of the Company under Rule 14.29 of the Listing Rules. Since MMG is a wholly-owned subsidiary of MMG Limited, whose controlling shareholder is CMC, and is therefore a connected person of the Company under the Listing Rules, the transactions contemplated under the Option and Joint Venture Agreement constitute connected transactions under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios in respect of the transactions contemplated under the Option and Joint Venture Agreement are more than 0.1% but less than 5%, the Option and Joint Venture Agreement is only subject to the reporting and announcement requirements, but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Option and Joint Venture Agreement is entered into on normal commercial terms, and is fair and reasonable and in the interests of the shareholders of the Company as a whole.

Due to their positions in CMC, Li Fuli and Cao Xiuyun are deemed to have material interests in the transactions contemplated under the Option and Joint Venture Agreement and have abstained from voting on the relevant Board resolution. Other than the Directors mentioned

above, none of the other Directors has a material interest in the transactions contemplated under the Option and Joint Venture Agreement, which is required to abstain from voting on the relevant Board resolution.

INFORMATION ON THE PARTIES

MMG

MMG is a company incorporated in Australia and a subsidiary of MMG Limited, whose controlling shareholder is CMC. It is primarily engaged in exploring resources projects in Australia.

MMG Limited

MMG Limited, along with its subsidiaries, is engaged in the exploration, development and mining of zinc, copper, gold, silver and lead deposits around the world.

Abra

Abra is a wholly-owned subsidiary of the Company. It is a base metals exploration and development company. Abra's key asset is a 100% interest in the lead-silver-(zinc)-copper-gold deposit located in central Western Australia.

Abra Project

Abra Project represents a regional tenement package located in the Proterozoic Edmund basin in Western Australia that is prospective for sediment-hosted zinc, lead and copper deposits. The tenements cover an area around and to the west of the deposit that contains lead-silver and copper-gold mineralisation. In addition, a number of base metal prospects are identified on the tenements.

EXCHANGE RATE CONVERSION

For exchange rate translations throughout this announcement, amounts denominated in A\$ have been converted based on the rates of A\$1.00: HK\$6.27 (for the purpose of illustration

only).

DEFINITIONS

A\$	the basic unit of Australian currency
Abra	Abra Mining Pty Ltd, a company incorporated in Australia, a wholly-owned subsidiary of the Company
Abra Project Board	Abra Base Metal Project, which is currently operated by Abra the board of Directors
CMC	China Minmetals Corporation (中國五礦集團公司), a wholly state-owned enterprise incorporated in PRC and the controlling shareholder of the Company.
Company	Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the main board of the Hong Kong Stock Exchange
Full Completion	has the meaning ascribed hereto in this announcement
connected person(s)	has the meaning ascribed thereto 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

HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Joint Venture	an unincorporated joint venture to be formed between MMG and Abra pursuant to the terms of the Option and Joint Venture Agreement
Listing Rules	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (as amended from time to time)
Mining Lease	mining lease 52/776 granted pursuant to the Mining Act 1978 of Western Australia and any tenement granted in substitution, renewal or replacement (whether in whole or in part) of that mining lease
Mining Lease Option	the irrevocable option granted by Abra to MMG to acquire the Mining Lease pursuant to the Option and Joint Venture Agreement
MMG	MMG Exploration Pty Ltd, a company incorporated in Australia and a wholly-owned subsidiary of MMG Limited, whose controlling shareholder is CMC
MMG Limited	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 Hong Kong Stock Exchange (stock code: 1208)

Joint Venture Option	the irrevocable option granted by Abra to MMG to form an unincorporated joint venture with Abra pursuant to the Option and Joint Venture Agreement
Option and Joint Venture Agreement	Abra Base Metal Project Option and Joint Agreement dated 23 January 2015 entered into between MMG and Abra
Option Stage	have the meaning given in this announcement
Participating Interests	rights, liabilities and obligations of MMG or Abra determined and defined under the Option and Joint Venture Agreement and expressed as a percentage
Parties	MMG and Abra, and Party means either one of them
PRC	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
Satisfaction Date	the date on which notice is given by MMG or Abra to the other in respect of all the conditions precedent to the Option and Joint Venture Agreement being satisfied or waived
Stage 1, Stage 2 and Stage 3	have the meanings given in this announcement
%	per cent

By Order of the Board

**Hunan Nonferrous Metals Corporation
Limited***
Li Fuli
Chairman

Changsha, the PRC, 23 January 2015

As at the date of this announcement, the board of directors of the Company comprises Mr. Li Fuli, Ms. Deng Yingjie, Mr. He Yawen, and Mr. Wu Xiaopeng as executive directors, Mr. Cao Xiuyun and Mr. Yang Guang as non-executive directors and Mr. Wan Ten Lap, Mr. Choi Man Chau, Michael and Ms. Chen Xiaohong as independent non-executive directors.

** For identification purposes only*