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**中國礦業資源集團有限公司\***  
**China Mining Resources Group Limited**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 00340)**

## **DISCLOSEABLE TRANSACTION – CONVERTIBLE LOAN AGREEMENT**

On 26 July 2011, the Company together with Best Tone, a wholly-owned subsidiary of the Company, entered into the Convertible Loan Agreement with Majestic Gold pursuant to which Best Tone agreed to make available a Convertible Loan in the amount of CAD10 million (equivalent to approximately HK\$82 million) to Majestic Gold at an interest rate of 7.5% per annum and the Company agreed to guarantee Best Tone's obligation thereunder.

The percentage ratio in respect of the transactions contemplated under the Convertible Loan Agreement exceeds 5% but less than 25% and as such, the Convertible Loan Agreement constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

### **INTRODUCTION**

On 26 July 2011, the Company together with Best Tone, a wholly-owned subsidiary of the Company, entered into the Convertible Loan Agreement with Majestic Gold pursuant to which Best Tone agreed to make available a Convertible Loan in the amount of CAD10 million (equivalent to approximately HK\$82 million) to Majestic Gold at an interest rate of 7.5% per annum and the Company agreed to guarantee Best Tone's obligation thereunder.

### **THE CONVERTIBLE LOAN AGREEMENT**

Date: 26 July 2011

Parties: Best Tone as the lender;  
Majestic Gold as the borrower;  
the Company as the guarantor of Best Tone

\* *For identification purpose only*

Principal loan amount: CAD10 million (equivalent to HK\$82 million),

Interest rate: 7.5% per annum, payable on the Repayment Date

Repayment Date: 12 months from the Advance Date, subject to Mandatory Conversion

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Majestic Gold and its associates are third parties independent from the Company and its connected persons and are not connected with the Directors, chief executives or substantial shareholders of the Company and its subsidiaries and their respective associates (as defined under the Listing Rules).

Pursuant to the terms of the Convertible Loan Agreement, Majestic Gold shall be required to advance CAD9 million to Majestic Yantai within two weeks from the Advance Date for Majestic Yantai's to be utilised in its gold mining project in Song Jiagou, the PRC, and retain the remaining balance of CAD1 million for the purpose of its general working capital.

### **Conversion Rights**

Subject to the Mandatory Conversion, Best Tone shall have the sole and exclusive right and option, at any time during the 12 months following the Advance Date, to convert (a) the outstanding principal amount of the Convertible Loan, in whole or in part, into Majestic Gold Shares at the Share Conversion Price; and (b) the interest accrued but not yet paid on the Convertible Loan, in whole or in part, into Majestic Gold Shares at the Interest Conversion Price, provided that the Share Conversion Right and the Interest Conversion Right shall not be exercised by Best Tone, in whole or in part, and Majestic Gold shall not give effect to any such exercise, if, after giving effect to such exercise, Best Tone, together with any person or Majestic Gold acting jointly or in concert with Best Tone would in the aggregate beneficially own, or exercise control or direction over that number of voting securities of Majestic Gold which is 10% or greater of the total issued and outstanding voting securities of Majestic Gold, immediately after giving effect to such exercise.

Subject to adjustment and upon the exercise of the Share Conversion Right and the Interest Conversion Right in full, pursuant to the Mandatory Conversion, Best Tone will be interested in 50,914,634 Majestic Gold Shares representing approximately 10.1% of the existing issued and outstanding share capital of Majestic Gold and approximately 9.1% of the issued and outstanding share capital of Majestic Gold as enlarged by the issue of 50,914,634 Majestic Gold Shares upon the exercise of Share Conversion Right and Interest Conversion Right in full.

### **INFORMATION ABOUT MAJESTIC GOLD**

Majestic Gold is principally engaged in exploration and mining of precious metals.

According to publicly available information of Majestic Gold, the net loss of Majestic Gold before taxation for the financial year ended 30 September 2009 and 2010 was CAD6,465,633 and CAD5,362,504 respectively and the net loss of Majestic Gold after taxation for the financial year

ended 30 September 2009 and 2010 was CAD6,483,555 and CAD5,643,269 respectively. The net assets value of Majestic Gold for the financial year ended 30 September 2009 and 2010 was CAD11,953,822 and CAD18,532,754 respectively.

## **REASONS FOR THE TRANSACTION**

The principal activities of the Company and its subsidiaries are mining, processing and sales of molybdenum, sale of tea products, and online video broadcasting.

The Directors are of the view that upon exercise of the Share Conversion Rights and/or the Interest Conversion Right, the Company will have the opportunity to invest in Majestic Gold which enables the Company to indirectly invest in the gold mining project owned by Majestic Yantai located in Song Jiagou, the PRC, so as to diversify the Group’s mining portfolio. As such, the Directors are of the view that the Convertible Loan Agreement is a good investment opportunity for the Group. The Company also intends to discuss with Majestic Gold in relation to the opportunity to further invest or participate in Majestic Yantai and/or its gold mining project located in Song Jiagou, the PRC. However, as at the date of this announcement, discussion in relation to the aforementioned possible investment in Majestic Yantai and/or the gold mining project owned by Majestic Yantai located in Song Jiagou, the PRC, are still at a preliminary stage and may or may not materialise and no definite terms have been agreed by Best Tone or the Company and no binding agreement in relation thereto has been entered into by the Company or Best Tone. If the possible investment materialises, the Company will comply with the relevant Listing Rules and make further announcement in compliance with the Listing Rules as and when appropriate.

The Directors (including the independent non-executive Directors) consider that the Convertible Loan Agreement and the Convertible Loan are entered into upon normal commercial terms following arm’s length negotiations between the parties and that the terms of the Convertible Loan Agreement and the Convertible Loan are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **General**

The percentage ratio in respect of the transactions contemplated under the Convertible Loan Agreement exceeds 5% but less than 25% and as such, the Convertible Loan Agreement constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Advance Date”                              the date on which the Convertible Loan is advanced to Majestic Gold

“Best Tone”	Best Tone Holdings Limited, a wholly-owned subsidiary of the Company, incorporated in the British Virgin Islands
“Board”	board of Directors
“CAD”	Canadian dollars, the lawful currency in Canada
“Company”	China Mining Resources Group Limited (stock code: 340), a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“connected person”	has its meaning as ascribed to it under the Listing Rules
“Conversion Right”	the right of Best Tone pursuant to the Share Conversion Right, Interest Conversion Right or the Mandatory Conversion
“Convertible Loan”	an unsecured non-revolving loan in the aggregate principal amount of CAD10 million pursuant to the terms of the Convertible Loan Agreement
“Convertible Loan Agreement”	the convertible loan agreement dated 26 July 2011 entered into between the Company and Majestic Gold pursuant to which the Company agreed to make available a convertible loan in the principal amount of CAD10 million to Majestic Gold
“Directors”	directors of the Company
“Interest Conversion Price”	the greater of the Market Price at the date of the Convertible Loan Agreement (being CAD0.205) and the Market Price as at the time of exercise (being on the day of exercise) of Interest Conversion Right
“Interest Conversion Right”	the sole and exclusive right and option of Best Tone at any time during the 12 months following the Advance Date, to convert the unpaid interest accrued on the outstanding Convertible Loan into Majestic Gold Shares at Interest Conversion Price, subject to Mandatory Conversion
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Mandatory Conversion”	(i) the mandatory conversion of the principal amount of the Convertible Loan into Majestic Gold Shares at the price of CAD0.205 per Majestic Gold Share; and (ii) the mandatory conversion of the unpaid interests accrued on the outstanding Convertible Loan, with interests calculated and being deemed to be the interest that would otherwise be payable for a seven months period based on the interest rate of the Convertible Loan, at the Market Price on the day upon expiry of 90 days from the date of the Convertible Loan Agreement (the “Expiry Date”) into Majestic Gold Shares, which shall be exercised upon the Expiry Date
“Majestic Gold”	Majestic Gold Corp, a company incorporated under the laws of British Columbia, Canada whose shares are listed on the TSXV
“Majestic Gold Shares”	common shares of no par value in the capital of Majestic Gold
“Majestic Yantai”	Majestic Yantai Gold Ltd., a company incorporated in the British Virgin Islands which is beneficially owned as to 94% by Majestic Gold
“Market Price”	the last closing price of Majestic Gold Shares on the TSXV at the relevant date
“Repayment Date”	the date falling 12 months from the Advance Date, subject to Mandatory Conversion
“Share Conversion Price”	CAD0.205 per Majestic Gold Share
“Share Conversion Right”	the sole and exclusive right and option of the Company (or any of its subsidiaries) at any time during the 12 months following the Advance Date, to convert the outstanding principal of the Convertible Loan, in whole or in part, into Majestic Gold Shares at the Share Conversion Price, subject to Mandatory Conversion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TSXV”	the Toronto Stock Exchange Venture

*Unless otherwise specified in this announcement, translations of CAD into HK\$ are made in this announcement, for illustration only, at the rate of CAD1.00 to HK\$8.2121. No representation is made that any amounts in CAD or HK\$ could have been or could be converted at that rate or at any other rate or at all.*

By order of the Board  
**China Mining Resources Group Limited**  
**Chen Shou Wu**  
*Deputy Chairman and Chief Executive Officer*

Hong Kong, 26 July 2011

*As at the date of this announcement, the board of directors of the Company comprises Dr. You Xian Sheng, Mr. Chen Shou Wu, Mr. Wang Hui and Mr. Yeung Kwok Kuen as executive directors, Mr. Lam Ming Yung as non-executive director, Mr. Chan Sze Hon, Mr. Chu Kang Nam, Mr. Goh Choo Hwee and Mr. Lin Xiang Min as independent non-executive directors.*