

## Unanimously recommended takeover offers to acquire Abra Mining Limited (Abra) (ASX code: All) by Hunan Nonferrous Metals Corp., Ltd (HNC)

### Transaction highlights

- Compelling recommended cash takeover offer by HNC for Abra of A\$0.40 per share together with a concurrent offer to acquire the options.
- Unanimously recommended by Abra independent directors (Jeffrey Moore and James Fang) in the absence of a superior proposal and subject to the Independent Expert opining that the takeover offers are fair and reasonable to the holders of shares and options other than HNC.
- Cash offer represents an attractive premium of 100% to the 1 month Abra closing price on 29 March 2011<sup>1</sup> and a premium of 150% to the 12 month volume weighted average price (VWAP) to 29 March 2011.
- Offers provide Abra minority securityholders with certainty of value for their shares and options.
- Offers are subject to limited conditions.
- The offers value Abra at A\$57.5 million.

### Recommended Offer

Abra Mining Limited (**Abra**) and Hunan Nonferrous Metals Corporation (**HNC**) are pleased to announce a proposal by HNC to make offers to:

- Acquire all issued ordinary shares (**Shares**) of Abra Mining Limited (**Abra**) not already owned by HNC for A\$0.40 per Share (**Share Offer Price**); and
- Acquire or enter into cancellation deed polls in respect of the 6,125,000 options to subscribe for Shares (**Options**) at the following prices (which have been determined using the Black -Scholes methodology based on the Share Offer Price):

Option class	Number on issue	Current Exercise Price (A\$)	Option Offer Price (A\$)
1 (27-Jun-11)	325,000	0.2500	\$0.1543
2 (31-Jul-11)	1,000,000	0.3100	\$0.1103
3 (15-May-12)	1,250,000	0.3500	\$0.1298
4 (15-May-12)	750,000	0.5000	\$0.0778
5 (31-Jul-11)	250,000	0.3500	\$0.0849
6 (31-Jul-11)	100,000	0.4500	\$0.0412
7 (14-May-12)	150,000	0.3500	\$0.1297
8 (14-May-12)	100,000	0.4500	\$0.0920
9 (3-Jan-16)	2,200,000 <sup>2</sup>	0.3250	\$0.2345

The acquisitions will be made pursuant to concurrent takeover bids under Chapter 6 of the Corporations Act. These bids imply a total market capitalisation of Abra of A\$57,453,949.10.

### Consideration of offers by IBC and unanimous recommendation

Following receipt of a non-binding indicative proposal from HNC on the evening of 30 March 2011 at A\$0.32 per share, Abra formed an Independent Board Committee (**IBC**) comprised of Jeffrey Moore and James

<sup>1</sup> 29 March 2011 was the business day prior to lodgement of the non-binding indicative proposal by HNC with Abra after close of trading on ASX on 30 March 2011.

<sup>2</sup> There are an additional 700,000 Options of this class which lapse prior to the expected commencement date of the Option offer.

Fang, to consider the proposed offers by HNC. The HNC nominees on the Abra board did not participate in the IBC decision making process. The IBC engaged Blakiston & Crabb as its independent legal advisors. The IBC engaged with representatives of HNC and sought and obtained a price increase to A\$0.40 per Share.

As a result, the IBC has unanimously resolved to recommend that the holders of Shares and Options accept the takeover bids and indicated that they intend to accept the takeover bids in respect of all Shares and Options owned or controlled by them in each case:

- in the absence of a superior proposal; and
- subject to the Independent Expert opining that the takeover offers are fair and reasonable to the holders of Shares and Options other than HNC.

The IBC intends to commission an independent expert's report as to whether takeover offers are fair and reasonable to the holders of Shares and Options other than HNC.

### **Attractive Premium and Certainty of Value Offered**

HNC and Abra believe that:

- the takeover bids represent an attractive opportunity for holders of Shares and Options to realise the long term value of their investment in Abra. The Share Offer Price represents a significant premium of:
  - 100% to the closing price of A\$0.20 on the 29 March 2011<sup>3</sup>
  - 90% to the 1 month VWAP of A\$0.21 as at 29 March 2011
  - 54% to the 3 month VWAP of A\$0.26 as at 29 March 2011
  - 90% to the 6 month VWAP A\$0.21 as at 29 March 2011
  - 150% to the 12 month VWAP of A\$0.16 as at 29 March 2011
- given the historical low liquidity of the Shares and the fact that the Options are not quoted, the takeovers represent a very good opportunity for holders of Shares and Options to monetise their investment in Abra at an attractive premium.
- the takeovers remove the risks associated from the continued holding of Shares and Options including risks associated with the future funding of Abra, and risks associated with proving up the Resource to Reserve status as well as the risks associated with being able to gain access to appropriate infrastructure to transport the concentrate stream to port at a reasonable cost.

Executive Director and General Manager of HNC, Mr Li Li, said *"This is a compelling cash offer of A\$0.40 offered to all minority shareholders at an attractive premium of 100% to the closing price on 29 March 2011. Our offer also provides certainty of value to shareholders in what has been a volatile period for Abra shareholders."*

Chairman of the IBC, Jeffrey Moore said *"We believe we have managed to negotiate an attractive proposal for minority shareholders. The offer is a premium of 90% to the 1 month VWAP at 29 March and provides certainty of value to shareholders."*

### **Bid Implementation Agreement**

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<sup>3</sup> 29 March 2011 was the business day prior to lodgement of the non-binding indicative proposal by HNC with Abra after close of trading on ASX on 30 March 2011.

HNC and Abra entered into a bid implementation agreement on 3 April 2011 (**Bid Implementation Agreement**). The Bid Implementation Agreement commits each party to implement the takeover bids. There are no exclusivity provisions or break fees contained in the Bid Implementation Agreement.

### **Bid Conditions**

The takeover bids will be conditional on:

- Foreign Investment Review Board (**FIRB**) approval;
- Chinese regulatory approvals;
- No regulatory actions;
- By the end of the offer period HNC having a relevant interest in not less than 93.58% of the Shares (being a level that would allow HNC to proceed to compulsory acquisition of the Shares following the bid); and
- By the end of the offer period HNC having a relevant interest in not less than 90% of the Options (being a level that would allow HNC to proceed to compulsory acquisition of the Options following the bid);
- Each Option being an option to subscribe for one Share at the Current Exercise Prices on or prior to the dates noted in the table above;
- ASIC granting modifications to:
  - section 605(2) of the Corporations Act, to allow HNC to treat the different classes of Options as one class for the purpose of the Option Offer;
  - section 619(2) of the Corporations Act, to allow HNC to offer different consideration for each class of Option under the Option Offer; and
  - section 618(1) and Chapter 6A of the Corporations Act, to allow HNC to cancel non-transferable Options under the Option Offer and as part of the compulsory acquisition process;
- No prescribed occurrences (being those occurrences listed in section 652C of the Corporations Act) occurring in relation to Abra or its subsidiaries (except as result of the exercise of any Options).

The full conditions are set out in Annexure A to this announcement.

Neither bid is subject to a material adverse change or financing condition. The bids will be fully funded from existing cash reserves of HNC.

### **Timetable**

HNC will seek to file its bidders statements with Abra within the timeframes prescribed in the Corporations Act and Abra will consent to the bidder's statements being dispatched to shareholders and optionholders as soon as practicable thereafter.

## **Abra Update – Hyperion Prospect<sup>4</sup>**

Abra announces that diamond drillhole HY2 is in progress at the Hyperion prospect, located approximately 2 kilometres to the west of the Abra deposit. The drillhole forms part of a co-funded drilling exploration initiative under the Royalties For Regions Co-funded Government-Industry Drilling Programme 2010-2011.

The drillhole is presently at a depth of 500 metres and is expected to be drilled to a depth of approximately 650 metres. The drillhole is situated approximately 200 metres to the east of previous drillhole HY1 (drilled in 2006) which intersected 21.15 metres @ 4.5% lead and 23 g/t silver from 546.8 metres.

### **HNC's Advisers**

HNC have engaged PricewaterhouseCoopers Securities Limited as its financial advisors and Allen & Overy as its legal advisors.

### **About HNC**

HNC is the largest shareholder in Abra, and currently holds approximately 74% of all issued Abra shares.

HNC (together with its subsidiaries) is the largest integrated producer of nonferrous metals, excluding aluminium, in the People's Republic of China as measured by production volume. HNC's main business is exploring for, mining, and processing ore to recover non-ferrous metals including tungsten, zinc, antimony and lead. HNC also produce cemented carbides and compounds or other products derived from those metals. Shares in HNC are listed on the Hong Kong Stock Exchange.

**Date: 4 April 2011**

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<sup>4</sup> The information in this report that relates to Exploration Results is based on information compiled by Mr Paul Cranney, Consulting Geologist. Mr Cranney is a Member of The Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists.

Mr Cranney has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cranney consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## **Annexure A**

### **Conditions to both bids**

#### **1. Foreign Investment Review Board Approval**

Before the end of the Offer Period, the Treasurer of the Commonwealth of Australia (**Treasurer**):

- (a) ceases to be empowered to make an order under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in relation to the proposed acquisition of Shares and Options under the takeover bids; or
- (b) gives written advice of a decision by or on behalf of the Treasurer stating (unconditionally or on the basis of conditions which are reasonably acceptable to HNC) that there is no objection to the proposed acquisition of Shares and Options under the takeover bids.

#### **2. Chinese regulatory approvals**

Before the end of the Offer Period, HNC obtains (unconditionally or on the basis of conditions which are reasonably acceptable to HNC) all regulatory approvals, authorisations and consents required under any Chinese laws, regulations or policies relevant to HNC and necessary to enable HNC to acquire Shares and Options under the takeover bids.

#### **3. No regulatory action or litigation**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) there is not in effect any preliminary or final decision, order or decree issued by any Authority;
- (b) no action or investigation is announced, commenced or threatened by any Authority; and
- (c) no application is made to any Authority (other than by HNC or any of its associates),

in consequence of, or in connection with, the takeover bids (other than an application or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or materially impacts upon, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the takeover bids or the acquisition of Options and Shares under the takeover bids, or the completion of any transaction contemplated by the bidder's statement, or seeks to require the divestiture by HNC (or its wholly owned bid vehicle) of any Options or Shares, or the divestiture of any material assets of Abra or any subsidiary of Abra.

#### **4. Share Minimum Acceptance Condition**

Before the end of the Offer Period, HNC has a relevant interest (as defined in the Corporations Act) in at least 93.58% of all Shares.

#### **5. Option Minimum Acceptance Condition**

Before the end of the Offer Period, HNC has a relevant interest (as defined in the Corporations Act) in at least 90% of all Options.

## 6. Option terms

As at the date of the bidder's statements, there being no more than 6,125,000 Options with each Option being an option to subscribe for one Share at the exercise price and on or prior to the exercise date last advised by Abra to ASX at the time of our bidders statement being launched.

## 7. ASIC option relief

ASIC granting on the basis of conditions which are reasonably acceptable to HNC modifications to:

- section 605(2) of the Corporations Act, to allow HNC to treat the different classes of Options as one class for the purpose of the Option Offer;
- section 619(2) of the Corporations Act, to allow HNC to offer different consideration for each class of Option under the Option Offer; and
- section 618(1) and Chapter 6A of the Corporations Act, to allow HNC to cancel non-transferable Options under the Option Offer and as part of the compulsory acquisition process.

## 8. Prescribed Occurrences

No Prescribed Occurrence occurs between the Announcement Date and the date that is 3 business days after the end of the Offer Period (each inclusive).

## Definitions

**Abra** means Abra Mining Limited (ACN 110 233 577);

**Announcement Date** means the date of this announcement;

**Authority** means:

- (a) any government or governmental, semi-governmental or local authority and any department, office, minister, commission, board, delegate or agency of any such government or authority;
- (b) any judicial or administrative entity or authority; and
- (c) any other authority, commission, board, agency or other entity established or having power under statute or the listing rules of any recognised securities exchange;

**Corporations Act** means the *Corporations Act 2001* (Cth);

**HNC** means Hunan Nonferrous Metals Corp., Ltd.;

**Option** means an option to subscribe for a Share;

**Offer Period** means the period that the takeover offer for the Shares or Options (as appropriate) is open for acceptance;

**Prescribed Occurrence** means the occurrence of any of the following events:

- (a) Abra converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) Abra or a subsidiary of Abra resolving to reduce its share capital in any way;

- (c) Abra or a subsidiary of Abra entering into a buyback agreement or resolving to approve the terms of a buyback agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (d) Abra or a subsidiary of Abra making an issue of Shares (other than Shares issued as a result of the exercise of Options into Shares) or granting an option over the Shares or agreeing to make such an issue or grant such an option;
- (e) Abra or a subsidiary of Abra issuing, or agreeing to issue, convertible notes;
- (f) Abra or a subsidiary of Abra disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) Abra or a subsidiary of Abra charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (h) Abra or a subsidiary of Abra resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of Abra or of a subsidiary of Abra;
- (j) the making of an order by a court for the winding up of Abra or of a subsidiary of Abra;
- (k) an administrator of Abra or of a subsidiary of Abra being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Abra or a subsidiary of Abra executing a deed of company arrangement; or
- (m) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Abra or of a subsidiary of Abra; and

**Share** means a fully paid ordinary share in Abra.