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Wanguo International Mining Group Limited

萬國國際礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3939)

AMENDMENT TO THE TERMS OF THE ACQUISITION OF THE MAJORITY SHAREHOLDING IN AXF GOLD RIDGE PTY LTD WHICH INDIRECTLY OWNS A GOLD MINE IN SOLOMON ISLANDS

Reference is made to the announcements of the Company dated 17 July 2017, 8 September 2017, 31 October 2017 and 29 December 2017 relating to, amongst other things, the major transaction in relation to the acquisition of the majority shareholding in AXF Gold Ridge Pty Ltd which indirectly owns a gold mine in Solomon Islands.

INTRODUCTION

Due to a material difference between the consideration to be paid and the draft valuation amount of the asset to be acquired made by an Independent Third Party during the due diligence review, the Company and AXF Resources re-negotiated the terms of the Acquisition, and entered into a Deed on 20 February 2018 to supersede the S&P Agreement. Pursuant to the Deed, the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of, 7,778 shares out of 10,000 shares in AXF Gold Ridge (representing 77.78% equity interest of AXF Gold Ridge) in consideration of AUD53.473 million (including the AUD11.11 million of the Reconstruction Works taken to be paid by the Company on behalf of AXF Resources) and the net consideration is AUD42.363 million. Pursuant to the terms of the Deed, the Company has agreed a maximum commitment of AUD50 million for the Reconstruction Works.

Pursuant to the terms of the Deed, on the Completion Date, both parties shall sign the Put Option Agreement, pursuant to which AXF Resources will agree to pay AUD10 to the Company, the Company will grant AXF Resources an option to require the Company to purchase all of the remaining interest in AXF Gold Ridge held by AXF Resources (i.e. 22.28% equity interest of AXF Gold Ridge). The aforesaid consideration payable by the Company on exercise of the Put Option shall be AUD26.388 million plus any premium to be agreed by the parties. Hence, the total maximum amount of commitment of the Company for

the Acquisition (together with the Reconstruction Works) and the Put Option is approximately AUD118.751 million (subject to any premium to be added to the consideration on the exercise of the Put Option).

Upon Completion before the excise of the Put Option, the Group will own 77.78% equity interest of AXF Gold Ridge. Since 90% of equity interest in ASG is owned by AXF Gold Ridge and the remaining 10% is owned by GCIL, the Group will own approximately 70% attributable interests in ASG as from Completion. AXF Gold Ridge and ASG together with its subsidiaries will then become non-wholly owned subsidiaries of the Group.

PARTICULARS OF THE DEED

Date: 20 February 2018 (Execution Date)

Parties: Vendor: AXF Resources

Purchaser: the Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, AXF Resources and its ultimate beneficial owners are Independent Third Parties.

Asset to be acquired

7,778 shares out of 10,000 shares in AXF Gold Ridge (representing 77.78% equity interest of AXF Gold Ridge).

AXF Gold Ridge is an investment holding company which owns 90% equity interest of ASG. The ASG Group is principally engaged in the exploration, mining, processing, and sale of gold and related products. As at the date of this announcement, ASG, through its subsidiaries, holds (i) the mining license and the exploration license in respect of the Gold Ridge Project and (ii) owns an ore-processing plant. Detailed information on the ASG Group is set out in the paragraph headed "Information on the ASG Group" of this announcement.

Consideration

The consideration for the Acquisition is AUD53.473 million (including the AUD11.11 million of the Reconstruction Works taken to be paid by the Company on behalf of AXF Resources) and the net consideration is AUD42.363 million, payable as follows:

- a) AUD4.8 million upon execution which has already paid pursuant to S&P Agreement dated 16 July 2017;
- b) AUD9.4 million within 10 days of the Execution Date;
- c) AUD10.4 million within 4 months of the Execution Date, subject to the financial information reasonably required for the purpose of obtaining the relevant regulatory bodies and the Company's shareholders approval being provided by AXF Resources before that 4 month period;
- d) AUD8.845 million within 10 months of the Execution Date;
- e) AUD8.918 million within 16 months of the Execution Date; and
- f) AUD11.11 million taken to be paid by the Company on behalf AXF Resources in respect of 22.22% of the AUD50 million of the Reconstruction Works.

Reconstruction Works

The maximum commitment for the Reconstruction Works by the Company shall not exceed AUD50 million. Once the cost of the Reconstruction Works exceeds AUD50 million, the Company and AXF Resources shall pay such costs in proportion to their shareholding in AXF Gold Ridge.

Security and Guarantee

On Completion Date, the Company will grant AXF Resources a share mortgage over the 7,778 shares in AXF Gold Ridge acquired to secure its obligations under the transaction. The Company is permitted to grant a mortgage over the shares to financiers who will provide funding for the payments as set out in the paragraph headed "Consideration". AXF Resources agrees that the financier mortgage will rank first provided that the amount financed is solely for the purchase of the shares in AXF Gold Ridge and is directly paid to AXF Resources in accordance with the payment schedule set out in the paragraph headed "Consideration". The share mortgage in favour of AXF Resources shall be released upon the Company completing its obligations.

Mr. Gao, the Guarantor, agrees to, by a separate deed, unconditionally and irrevocably guarantee to AXF Resources the due and punctual performance and observance by the Company of all obligations contained in the Deed, and to indemnify AXF Resources against all losses, damages, costs and expenses suffered, by AXF as result of any breach or non-observance of the Deed by the Company.

Condition precedent to Completion

Completion is conditional upon approvals in respect of the transactions contemplated under the Deed from the relevant regulatory bodies (including the Stock Exchange) and the Company's shareholders approval having been obtained. If the Company fails to obtain the required approvals within 6 months of the Execution Date and this is due to the negligence of the Company during the approval process, AXF Resources may claim damages against the Company for losses that have been reasonably incurred as a result of the failure of the Company to obtain approval from the relevant regulatory bodies or the Company's shareholders.

Conditions precedent to the commencement of the Reconstruction Works

Commencement of the Reconstruction Works is subject to the following conditions precedent being satisfied (or waived in accordance with the Deed):

1. Approvals in respect of the transactions contemplated under the Deed from the relevant regulatory bodies and the Company's shareholders approval having been obtained on acceptable to the Company.
2. All other necessary consents from third parties (including from any Government Agency) and all other necessary consents and approvals required pursuant to any legal or regulatory requirement in respect of the transactions contemplated under the Deed.

3. On the Execution Date, there being no order, injunction, determination or similar action by a Government Agency which prohibits or prevents the transfer of the shares in AXF Gold Ridge under the Deed or the Reconstruction Works.
4. There being no material adverse change to the Project or any of the material assets owned by GRML between the Execution Date and the Completion Date.
5. The Minister having agreed to the New Project Plans agreed between the parties on terms acceptable to the parties and a deed of variation to the Project Agreement reflecting that agreement and any other changes required to that agreement having been signed by the parties to the Project Agreement.

There is no the long stop date for the fulfillment or waiver of the conditions precedent to Completion and the commencement of the Reconstruction Works.

AXF Resources and the Company may terminate the Deed by giving notice in writing to the other party if any of the aforesaid conditions precedent has no prospect of satisfaction or the parties agree that a condition precedent cannot be satisfied. If the Deed is so terminated, AXF Resources shall return to the Group any money received from the Group and, the Group shall return the 7,778 shares in AXF Gold Ridge to AXF Resources if such shares have already been transferred to the Group.

As at the date of this announcement, an amount of AUD4.8 million has been paid to AXF Resources and none of the conditions set out above has been satisfied or waived.

Completion

Completion shall take place on Completion Date of which 7 days after the Effective Date. Upon Completion, the Group will hold 70% attributable interests in the ASG Group.

Put Option

On the Completion Date, both parties shall sign the Put Option Agreement, pursuant to which AXF Resources will agree to pay AUD10 to the Company, the Company will grant AXF Resources an option to require the Company to purchase all of the remaining interest in AXF Gold Ridge held by AXF Resources (i.e. 22.28% equity interest of AXF Gold Ridge). The aforesaid consideration payable by the Company on exercise of the Put Option shall be AUD26.388 million plus any premium to be agreed by the parties.

Pursuant to the terms of the Put Option Agreement, the Put Option may only be exercised (a) after the date on which the first gold (or gold ore) extracted from the Project by GRML is sold and (b) before the date which is 12 months after the said date in (a) above. The Put Option may only be exercised in its entirety. Completion of the Put Option shall take place on the date specified in the exercise notice given by AXF Resources to the Company.

Shareholders' agreement

On the Completion Date, both parties shall sign a shareholders' agreement which will contain, among others, the following key terms:

Board composition and management

The Group shall appoint four directors and AXF Resources shall appoint one director to the board of ASX Gold Ridge. The board of each of the subsidiaries of ASX Gold Ridge (except GRML) includes the same persons who are on the board of ASX Gold Ridge. The board of GRML shall consist of five appointees of the Group, two appointees of AXF Resources and two appointees of GCIL. All decisions made at the level of ASX Gold Ridge shall be followed or endorsed by the directors of the board of each of the subsidiaries of ASX Gold Ridge.

Security Interest

A shareholder cannot create a security interest over its shares in AXF Gold Ridge except with the prior written consent of each other shareholder. Where a shareholder intends to create a security interest over its share in AXF Gold Ridge for the purpose of securing a loan facility, it must attempt to obtain such a loan facility from, and offering such a security interest to, each other shareholder prior to entering into an agreement with a third party.

Pre-emption rights

If a shareholder is willing to sell the whole of any of its share in AXF Gold Ridge pursuant to a bona fide offer received from any person, each other shareholder will have a pre-emption right on buying such shares from such selling shareholder on the same terms and conditions (or prompt cash equivalent) of such offer.

Extension of the offer, drag along and tag along

If one or more shareholders holding between them more than 50% of the issued shares in AXF Gold Ridge receives, and is willing to accept, a bona fide offer for the purchase of all the shares in AXF Gold Ridge of such selling shareholder(s) from any person, then such selling shareholder(s) shall cause such purchaser to extend such offer to the other shareholders, with all necessary changes, on the same terms and at the same price per share. If such offer is so extended, the other shareholders shall be obliged to accept the offer.

Basis of the total amount of commitment

The total maximum amount of commitment of approximately AUD118.751 million (subject to any premium to be added to the consideration on the exercise of the Put Option) was determined after arm's length negotiation between the Company and AXF Resources with reference to the draft valuation amount of the asset to be acquired made by an Independent Third Party.

The Board is of the view that the total maximum amount of commitment is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The total maximum amount of commitment will be funded by internal resources and/or bank borrowings of the Group, and/or issuance of convertible bonds or placement/issue of Listed Shares by the Company as the Board may determine to be appropriate.

INFORMATION OF AXF RESOURCES

AXF Resources is a company incorporated in Australia and is engaged in mineral investment.

INFORMATION OF AXF GOLD RIDGE

AXF Gold Ridge is a company incorporated in Western Australia which holds 90% equity interest of ASG, and is engaged in investment holding. As at the date of this announcement, the sole shareholder of AXF Gold Ridge is AXF Resources.

INFORMATION ON ASG GROUP

ASG, incorporated in Queensland, Australia, is an investment holding company which through its subsidiaries (comprising JV Mine (Australia) Pty Ltd, Solomon Islands International Pty Ltd, ASG Solomon Islands Ltd and Gold Ridge Mining Ltd) owns a 100% attributable interest of GRML. Please refer to shareholding structure below for details.

GRML owns the mining license and the exploration license in respect of Gold Ridge Project on Guadalcanal in the Solomon Islands.

The Gold Ridge Project is a gold resource project located at lower northern slopes of Mount Chaunapaho in the central ranges of Guadalcanal Island. The Gold Ridge deposits are concentrations of low-sulphidation intrusion related epithermal gold mineralisation. It consists of five known mineralised deposits of Valehaichichi, Charivunga, Namachamata, Kupers and Dawsons.

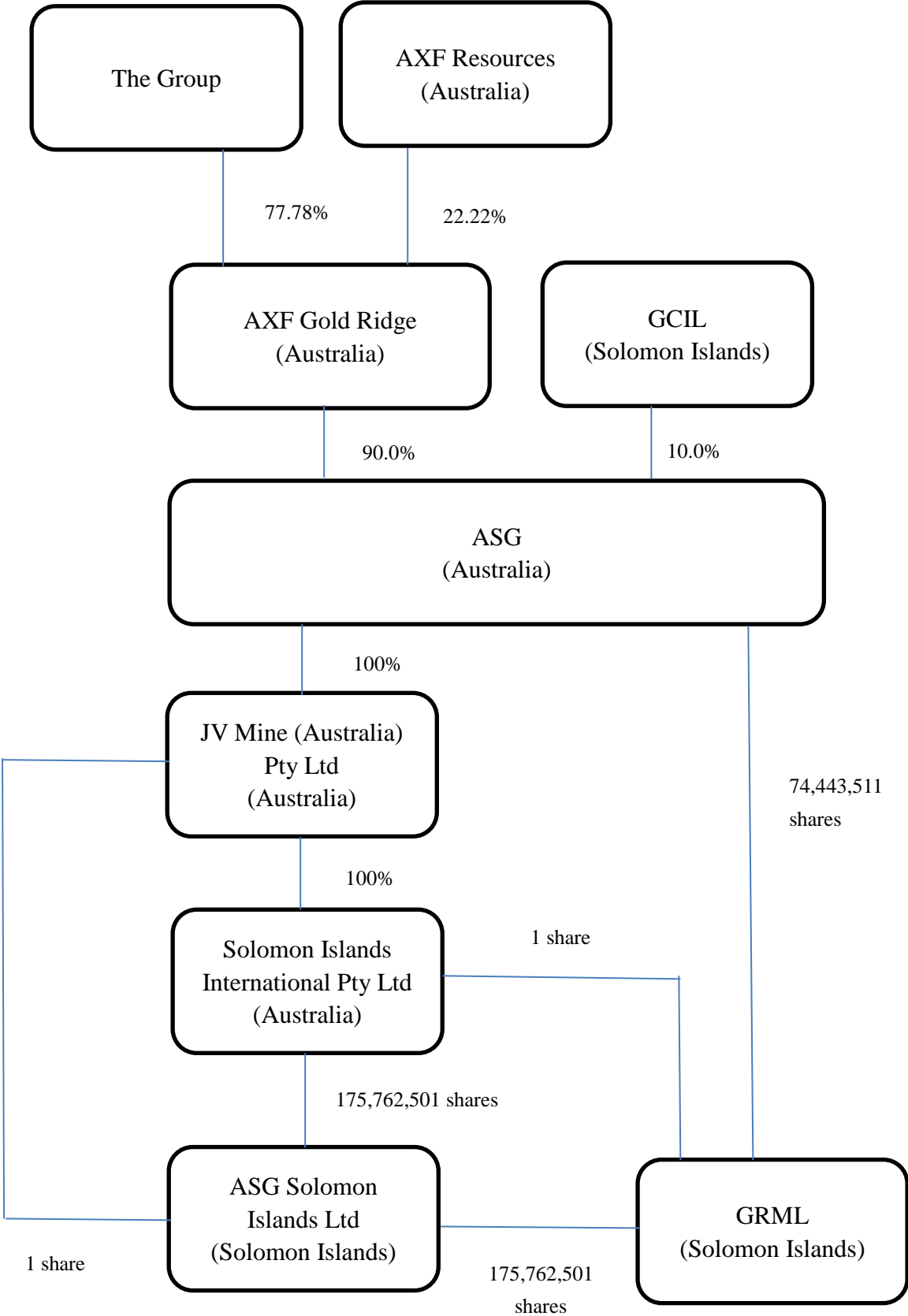
The operating mine was acquired by Allied Gold in 2010 who rebuilt the mine commencing production at the end of 2010. At the end of August 2012, St Barbara acquired the assets of Allied Gold including GRML. In April 2014, St Barbara shut down the Gold Ridge mine and eventually the ownership was transferred to ASG, a wholly owned subsidiary of GCIL. In 2015 AXF Resources acquired 90% equity interest of ASG. The operating mine has been dormant since April 2014.

The Project consists of a mining lease (No. 1/1997) that covers an area of 30 km² and surrounding this is a prospecting license (SPL 194) that covers an area of 130 km². Set out below is the estimated resources of Gold Ridge mine under JORC code prepared by Independent Technical Expert.

Gold Ridge Mineral Resources (August 2016) at a cut-off grade of 0.5g/t Au

	Measured		Indicated		Inferred		Total	
	kt	Au (g/t)	kt	Au (g/t)	kt	Au (g/t)	Kt	Au (g/t)
Mine deposits								
Valehaichichi	434	1.26	3,118	1.28	867	1.48	4,419	1.32
Namachamata	166	2.03	457	1.66	146	1.36	769	1.68
Charivunga			8,437	1.51	16,905	2.06	25,342	1.88
Kupers	2,640	1.50	7,662	1.18	3,004	1.30	13,306	1.27
Dawsons	1,056	1.42	15,932	1.30	2,895	1.60	19,883	1.35
Total	4,296	1.48	35,606	1.33	23,817	1.88	63,719	1.52

Set out below is the shareholding structure of the AXF Gold Ridge and the ASG Group immediately following Completion (before the exercise of the Put Option):



Set out below is a summary of the unaudited consolidated financial results of AXF Gold Ridge for the period ended 30 June 2016 and year ended 30 June 2017 prepared in accordance with the generally accepted accounting principles in Australia:

	Period ended 30 June 2016 AUD'000	Year ended 30 June 2017 AUD'000
Revenue	-	-
Loss before tax	1,232	1,952
Loss after tax	1,232	1,952

As at 30 June 2017, the unaudited consolidated net liabilities of AXF Gold Ridge was approximately AUD3.2 million.

Since the Project has been dormant since April 2014, no revenue incurred for the latest three years.

INFORMATION ON THE GROUP AND REASONS FOR THE TRANSACTION

The Company is an investment holding company whose subsidiaries are principally engaged in the business of mining, ore processing and sale of concentrates products in the PRC.

As disclosed in the prospectus of the Company dated 28 June 2012, one of the growth strategies of the Group is to expand its mineral resources and ore reserves through acquisition of new mines.

Since the Project has substantial reserves of gold, it is expected to be further exploited, and the processing plant will be renovated upon Completion by the Group. The Project would therefore contribute sales revenue and profits to the Group. Unlike most other commodities, gold has been a stable performer in recent years, which is expected to enhance the stability of the Group's income in the future under impact of economy fluctuation.

After considering the above factors, the Directors are of the view that the transactions contemplated under the Deed are on normal commercial terms that are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition (together with the Reconstruction Works) and the Put Option are more than 25% but less than 100%, the Acquisition (together with the Reconstruction Works) and the Put Option constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE EGM

The EGM will be convened to consider and, if thought fit, approve, among other matters, the Deed and the transactions contemplated thereunder. To the best of information, knowledge and belief of the Directors, as at the date of this announcement, none of the Shareholders is required to abstain from voting in respect of any resolution for the approval of the Deed and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) details of the Deed and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the Listing Rules; and (iii) notice to convene the EGM, will be despatched to the Shareholders on or before 30 April 2018 to give sufficient time to prepare such circular.

DEFINITIONS

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

“Acquisition”	the acquisition by the Group of 7,778 shares out of 10,000 shares in AXF Gold Ridge (representing 77.78% equity interests of AXF Gold Ridge)
“Allied Gold”	Allied Gold Mining Plc was a public limited company registered in England and Wales. Allied Gold was a South West Pacific gold producer, developer and exploration company with ordinary shares listed on the Official List of the London Stock Exchange and the Toronto Stock Exchange. It was delisted in both London Stock Exchange and the Toronto Stock Exchange, after St Barbara (ASX: SBM) acquired Allied Gold and became its sole shareholder on 7 September 2012
“ASG”	Australian Solomons Gold Pty Ltd (CAN 109 492 373), a company incorporated in Queensland, Australia and which as at the date of this announcement is owned by AXF Resources and GCIL as to by 90% and 10% respectively
“ASG Group”	ASG and its subsidiaries
“Au”	chemical element symbol for gold
“AUD”	Australian dollars, the lawful currency of Australia

“AXF Gold Ridge”	AXF Gold Ridge Pty Ltd (ACN 611 879 120), a company incorporated in Australia and which as at the date of this announcement is wholly-owned by AXF
“AXF Resources”	AXF Resources Pty Ltd (ACN 604 730 181), a company incorporated in Australia
“Board”	the board of Directors
“Business Day(s)”	A day which is not a Saturday, Sunday or bank or public holiday in Hong Kong, the Solomon Islands and Perth, Australia
“Company”	Wanguo International Mining Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms of the Deed
“Completion Date”	7 days after the Effective Date
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed”	Deed of amendment and restatement dated 20 February 2018 entered into between the Company and AXF Resources in relation to the acquisition of the majority shareholding in AXF Gold Ridge
“Director(s)”	director(s) of the Company
“Effective Date”	the date, as notified by the Company to AXF Resources in writing, that all regulatory approvals for the Deed (including approval from the Stock Exchange and the Company’s shareholders’ approval) have been obtained on the terms acceptable to the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other matters, the Deed and the transactions contemplated thereunder

“Execution Date”	the date the parties signed the Deed being 20 February 2018
“GCIL”	Goldridge Community Investment Limited, a company incorporated in Solomon Islands and which holds 10% equity interest of ASG
“Government Agency”	any federal, state, territory, municipality or other political subdivision, administrative or judicial body, court, ministry, department, commission, authority, instrumentality, tribunal or agency or other governmental, quasi-governmental or regulatory authority or any self-regulatory organization (including any tax administrator) in any country
“GRML”	Gold Ridge Mining Limited (Solomon Islands company number 20111559), a company incorporated in Solomon Islands
“Group”	the Company and its subsidiaries
“g/t”	gramme(s) per tonne
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Independent Technical Expert”	Golder Associates Pty Ltd, one of the most respected global groups specialising in mining consulting, ground engineering and environmental consulting services, having a team of over 30 Qualified Persons (QP) and Competent Persons (CP) who can audit and review mining assets to current international reporting standards including NI 43-101 (Canada), JORC Code 2012 (Australia & others), SEC Industry Guide 7 (USA), SAMREC (South Africa), and PERC (Europe)
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“km”	kilometre(s)
“km ² ”	square kilometre(s)

“kt”	kilotonne(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listed Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Minister”	the Minister for Energy, Mines and Rural Electrification (Solomon Islands)
“ML”	the mining lease originally granted by the Minister under the Mining Act in respect of the Gold Ridge Project on 12 March 1997
“Mr. Gao”	Mr. Gao Mingqing, the Chairman and an executive director of the Company. He is the sole beneficial owner of Victor Soar Investments Limited which is the controlling shareholder of the Company, acting as the Guarantor in the Deed
“New Project Plans”	the plans for the Reconstruction Works and all other plans and programs for the Project
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project” or “Gold Ridge Project”	the project concerning the exploitation and operations of the gold mine located on the island of Guadalcanal, the central island of the Solomon Islands, approximately 30 km south-east of the capital city Honiara in Solomon Islands
“Project Agreement”	the Gold Ridge Mining Agreement dated 7 March 1997 between, among others, the Minister and GRML
“Put Option”	the option to be granted by the Company to AXF Resources to require the Company to purchase all of the remaining interest in AXF Gold Ridge (representing 22.28% equity interest of AXF Gold Ridge) held by AXF Resources

“Put Option Agreement”	the agreement to be entered into between the Company and AXF Resources upon Completion in relation to the Put Option
“Reconstruction Works”	construction, installation of machines and other relevant works with a view to rebuilding the Project to resume the extraction, processing and production of gold
“Shareholder(s)”	holder(s) of Listed Share(s)
“S&P Agreement”	the original Share Sale and Purchase Agreement dated 16 July 2017 entered into between the Company and AXF Resources in relation to the acquisition of the majority shareholding in AXF Gold Ridge
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“St. Barbara”	St Barbara Limited, (ASX: SBM), is a company incorporated in Australia. Its Group is engaged mining and the sale of gold, mineral exploration and development
“%”	per cent

By Order of the Board
Wanguo International Mining Group Limited
Gao Mingqing
Chairman

Hong Kong, 22 February 2018

As at the date of this announcement, the Board comprises Mr. Gao Mingqing (Chairman), Ms. Gao Jinzhu, Mr. Xie Yaolin and Mr. Liu Zhichun as executive Directors; Mr. Li Kwok Ping and Mr. Lee Hung Yuen as non-executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang and Mr. Shen Peng as independent non-executive Directors.