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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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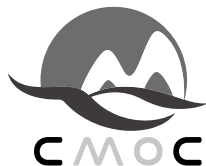
**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Molybdenum Co., Ltd.\*, you should at once hand this circular and the accompanying reply slip and form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**洛陽欒川鉬業集團股份有限公司**

**China Molybdenum Co., Ltd. \***

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

(Stock Code: 03993)

**PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION  
PROPOSED ADOPTION OF IMPLEMENTATION RULES OF CUMULATIVE VOTING SYSTEM  
SPECIAL BASIS FINANCIAL STATEMENTS AND SPECIAL AUDIT REPORT  
REGARDING THE ACQUISITION OF 80% INTEREST AND THE BUSINESS OF THE RELEVANT ASSETS  
IN NORTHPARKES JOINT VENTURE AND OF THE ACQUISITION TARGET  
PROPOSED EXTENSION OF VALIDITY PERIOD OF THE RESOLUTIONS PASSED IN SHAREHOLDERS' GENERAL MEETINGS  
AND RELEVANT AUTHORISATIONS REGARDING THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS  
ASSETS VALUATION REPORT ON THE 80% INTEREST IN NORTHPARKES JOINT VENTURE AND RELEVANT RIGHTS AND  
ASSETS INVOLVED IN THE PROPOSED ISSUANCE OF CONVERTIBLE CORPORATE BONDS  
PROPOSED ADDITION OF RELEVANT AUTHORISATIONS REGARDING  
THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS  
AND  
NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING  
NOTICE OF THE 2014 FIRST CLASS MEETING OF H SHAREHOLDERS  
SUPPLEMENTAL NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING  
SUPPLEMENTAL NOTICE OF THE 2014 FIRST CLASS MEETING OF H SHAREHOLDERS**

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A letter from the Board is set out on pages 1 to 25 of this circular.

Notices convening the EGM and the H Shareholders' Class Meeting together with relevant forms of proxy and reply slips were despatched to H Shareholders on Tuesday, 5 August 2014. Such forms were also published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinamolymoly.com>). For ease of reference, the notices convening the EGM and the H Shareholders' Class Meeting to be convened on Friday, 19 September 2014 are set out on pages 168 to 173 of this circular.

Supplemental notices of the EGM and H Shareholders' Class Meeting (or any adjournments thereof) are set out on pages 174 to 180 of this circular. Both supplemental notices of the EGM and H Shareholders' Class Meeting should be read in conjunction with the notices of the EGM and H Shareholders' Class Meeting dated 5 August 2014.

As the First Proxy Forms despatched on 5 August 2014 for use at the EGM and H Shareholders' Class Meeting do not contain the resolutions set out in the supplemental notices of the EGM and H Shareholders' Class Meeting in relation to proposed resolutions regarding Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of A Share Convertible Corporate Bonds and addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company, the Company has prepared Second Proxy Forms for despatch together with this circular. Please refer to the paragraph "Proxy Arrangement" set out in "Letter from the Board" for applicable rules regarding the First Proxy Forms and the Second Proxy Forms for use at the EGM and H Shareholders' Class Meeting.

Whether or not you are able to attend the EGM and the H Shareholders' Class Meeting in person, you are requested to complete, sign and return the reply slips and the forms of proxy for use at the EGM and H Shareholders' Class Meeting in accordance with the instructions printed thereon. For H Shareholders, the forms of proxy for use at the EGM and H Shareholders' Class Meeting should be returned to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 24 hours before the time appointed for holding the relevant meetings or any adjournments thereof (as the case may be). Completion and return of the forms of proxy for use at the EGM and H Shareholders' Class Meeting will not preclude you from attending and voting in person at the EGM and the H Shareholders' Class Meeting or at any adjourned meetings should you so wish.

\* For identification purposes only

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“A Share(s)”	domestic share(s) with a nominal value of RMB0.20 each issued by the Company which are listed on the Shanghai Stock Exchange and traded in RMB (stock code: 603993)
“A Shareholder(s)”	holder(s) of A Shares
“A Shareholders’ Class Meeting”	the 2014 first class meeting of A Shareholders (or any adjournment thereof) to be held on Friday, 19 September 2014 after the EGM at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC
“A Share Convertible Corporate Bonds” or “Convertible Corporate Bonds”	convertible corporate bonds in the total amount of not more than RMB4.9 billion which are convertible into new A Shares, proposed to be issued by the Company in the PRC
“Acquisition”	acquisition of assets of North Mining Limited which related to the Business, being North Mining Limited’s 80% interest in the Northparkes Joint Venture, its right to manage the Northparkes Joint Venture, its interests in certain freehold properties associated with Northparkes and various other rights and assets
“Articles of Association”	the articles of association of the Company as amended, modified or otherwise supplemented from time to time
“Assets Valuation Report”	the valuation report prepared by the Valuer in respect of the proposed issuance of convertible bonds by China Molybdenum Co., Ltd.* concerning 80% interest in Northparkes Joint Venture and the related rights and assets as of 30 November 2013 (大正海地人評報字(2014)第204A號) (GSH PB Zi (2014) No.204A)
“AUD”	Australian dollar, the lawful currency of Australia
“Board”	the board of directors of the Company

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## DEFINITIONS

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“Business”	the mining, product transportation, product sales and related businesses and operations in connection with the Northparkes Joint Venture
“CFC”	鴻商產業控股集團有限公司 (Cathay Fortune Corporation*), a controlling shareholder of the Company
“Chairman”	the chairman of the Board
“Company”	洛陽欒川鉬業集團股份有限公司 (China Molybdenum Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability, the A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively
“controlling shareholder”	has the meaning given to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deloitte China”	Deloitte Touche Tohmatsu Certified Public Accountants LLP
“Director(s)”	the director(s) of the Company
“EGM”	the 2014 first extraordinary general meeting of the Company (or any adjournment thereof) to be held on Friday, 19 September 2014 at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC

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## DEFINITIONS

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“Extension”	the proposed extension of the validity period of the Shareholders’ approval for the issuance of A Share Convertible Corporate Bonds and the authorisations granted to the Board, the Chairman or any other authorised person to handle matters relating to the issuance of A Share Convertible Corporate Bonds subject to compliance with relevant laws and regulations, at the 2013 first extraordinary general meeting, 2013 second A Shareholders’ class meeting and H Shareholders’ class meeting of the Company held on 25 November 2013
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB0.20 each in the share capital of the Company which are listed on the main board of the Hong Kong Stock Exchange and are traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“H Shareholders’ Class Meeting”	the 2014 first class meeting of H Shareholders (or any adjournment thereof) to be held on Friday, 19 September 2014 after the EGM and the A Shareholders’ Class Meeting at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	Tuesday, 2 September 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular

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## DEFINITIONS

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“LMG”	洛陽礦業集團有限公司 (Luoyang Mining Group Co., Ltd.*), a controlling shareholder of the Company
“Northparkes”	a copper-gold operation situated in Goonumbla, situated 27 kilometres north west of the town of Parkes in Central West New South Wales, Australia
“Northparkes Joint Venture”	the unincorporated joint venture in relation to Northparkes
“Previous Valuation Report”	the valuation report issued by the Valuer in relation to the Acquisition with the date of valuation at 30 June 2013 (國友大正評報字(2013)第266A號) (Guo You Da Zheng PB Zi (2013) No. 266A)
“PRC”	the People’s Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Shares
“Special Audit Report”	a special audit report (De Shi Bao (Shen) Zi (14) No. S0070 (德師報(審)字(14)第S0070號)), on the Special Basis Financial Statements

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## DEFINITIONS

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“Special Basis Financial Statements”	the special basis balance sheet as of 31 December 2012 and 30 June 2013; the special basis income statement, special basis cash flow statement, special basis statement in changes in owners’ equity and notes to special basis financial statements for the year ended 31 December 2012 and the six months ended 30 June 2013; and the special basis balance sheet of the acquisition target as of 30 June 2013 prepared in accordance with China Accounting Standards for Business Enterprise
“USD”	United States dollars, the lawful currency of the United States of America
“Valuer”	北京大正海地人資產評估有限公司 (Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd.), formerly known as 北京國友大正資產評估有限公司 (China Faith Appraisers Co., Ltd.)
“%”	per cent.





洛陽欒川鉬業集團股份有限公司  
China Molybdenum Co., Ltd. \*

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

(Stock Code: 03993)

*Executive Directors:*

Li Chaochun (Chairman)  
Li Faben  
Wang Qinxi  
Gu Meifeng  
Wu Wenjun

*Non-executive Directors:*

Zhang Yufeng  
Yuan Honglin

*Independent Non-executive Directors:*

Bai Yanchun  
Xu Shan  
Cheng Gordon  
Xu Xu <sup>(Note 1)</sup>

*Registered office:*

North of Yihe  
Huamei Shan Road  
Chengdong New District  
Luanchuan County  
Luoyang City  
Henan Province  
The People's Republic of China

*Principal place of business in Hong Kong:*

Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

3 September 2014

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION  
PROPOSED ADOPTION OF IMPLEMENTATION RULES OF CUMULATIVE VOTING SYSTEM  
SPECIAL BASIS FINANCIAL STATEMENTS AND SPECIAL AUDIT REPORT  
REGARDING THE ACQUISITION OF 80% INTEREST AND THE BUSINESS OF THE RELEVANT ASSETS  
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ASSETS VALUATION REPORT ON THE 80% INTEREST IN NORTH PARKES JOINT VENTURE AND RELEVANT RIGHTS AND  
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PROPOSED ADDITION OF RELEVANT AUTHORISATIONS REGARDING  
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SUPPLEMENTAL NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING  
SUPPLEMENTAL NOTICE OF THE 2014 FIRST CLASS MEETING OF H SHAREHOLDERS**

\* *For identification purposes only*

*Note 1: Mr. Xu Xu has tendered his resignation as an independent non-executive Director but continues to perform his duties as an independent non-executive Director, as well as the member of the nomination committee, remuneration committee and strategic committee of the Company until the formal appointment of his replacement. For details, please refer to the Company's announcement dated 7 February 2014.*

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## LETTER FROM THE BOARD

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### 1. INTRODUCTION

References are made to the announcement of the Company dated 14 May 2014 in relation to, among others, proposed amendments to Articles of Association and proposed adoption of Implementation Rules of Cumulative Voting System; the announcement of the Company dated 4 August 2014 in relation to, among others, proposed amendments to Articles of Association, and proposed extension of the validity period of Shareholders' approval regarding issuance of A Share Convertible Corporate Bonds; and the announcement of the Company dated 28 August 2014 in relation to, among others, Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds and the proposed addition of relevant authorisations regarding issuance of A Share Convertible Corporate Bonds by the Company, as well as notices of EGM and H Shareholders' Class Meeting despatched to Shareholders on Tuesday, 5 August 2014, and the supplemental notices of EGM and H Shareholders' Class Meeting despatched to Shareholders on Wednesday, 3 September 2014.

Pursuant to the Articles of Association, when the Company convenes a general meeting, Shareholder(s) individually or collectively holding more than 3% of the Company's shares can make a temporary motion and submit in writing to the convener ten (10) days before the date of the general meeting. On 1 September 2014, the Board received a written notice from CFC, a controlling shareholder of the Company which beneficially owned approximately 36.01% of the total issued share capital of the Company as at the Latest Practicable Date, which proposed: (i) the resolution in relation to Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds at the EGM for consideration and approval; and (ii) the resolution in relation to the addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company for consideration and approval at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. In accordance with the relevant laws and regulations, and the Articles of Association, the Board has agreed to propose the additional resolutions at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting for consideration and approval (as appropriate). The form and procedures of the proposed resolutions are in compliance with the Company Law of the PRC and the Articles of Association.

The purpose of this circular is to provide you with the relevant details to make informed decisions on, among others, the below ordinary resolutions and special resolutions proposed for voting at the EGM and the H Shareholders' Class Meeting:

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## LETTER FROM THE BOARD

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### **EGM**

- (i) proposed amendments to Articles 5, 14, 81, 108, 109 and 215 of the Articles of Association (special resolution);
- (ii) proposed amendments to Articles 1, 69 and 105 of the Articles of Association (special resolution);
- (iii) proposed adoption of Implementation Rules of Cumulative Voting System (ordinary resolution);
- (iv) Special Basis Financial Statements and Special Audit Report regarding the acquisition of 80% interest and the business of the relevant assets in Northparkes Joint Venture and of the acquisition target (ordinary resolution);
- (v) proposed extension of the validity period of the resolutions passed in Shareholders' general meetings and relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds (special resolution);
- (vi) Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds (ordinary resolution); and
- (vii) proposed addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company (special resolution).

### **H Shareholders' Class Meeting**

- (i) proposed extension of the validity period of the resolutions passed in Shareholders' general meetings and relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds (special resolution); and
- (ii) proposed addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company (special resolution).

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## LETTER FROM THE BOARD

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### 2. PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

#### 2. (a) PROPOSED AMENDMENTS TO ARTICLES 5, 14, 81, 108, 109 AND 215 OF THE ARTICLES OF ASSOCIATION

The Board announced that, a special resolution regarding the amendments to Articles 5, 14, 81, 108, 109 and 215 of the Articles of Association will be proposed at the EGM, to (i) reflect the change in the Company's contact details; (ii) reflect the change in the scope of business of the Company; (iii) meet the requirements on dividend policy under "Guideline No. 3 for the Supervision and Administration of Listed Companies - Cash Dividend for Listed Companies" (《上市公司監管指引第3號 — 上市公司現金分紅》) issued by CSRC; and (iv) comply with the "Code of Corporate Governance for Listed Companies" (《上市公司治理準則》).

##### (i) Proposed amendments to Article 5 of the Articles of Association:

Currently reads as follows:

"The domicile of the Company: North of Yihe, Huamei Shan Road,  
Chengdong New District, Luanchuan County,  
Luoyang City, Henan Province, the PRC  
Postal code: 471500  
Telephone number: 86-379-66819819  
Fax number: 86-379-66824500"

It is proposed to be amended to:

"Domicile of the Company: North of Yihe, Huamei Shan Road, Chengdong  
New District, Luanchuan County, Luoyang City,  
Henan Province, the PRC  
Postal code: 471500  
Telephone number: 86-379-68658017  
Fax number: 86-379-68658030"

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## LETTER FROM THE BOARD

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**(ii) Proposed amendments to Article 14 of the Articles of Association:**

Currently reads as follows:

“The scope of business of the Company shall be in accordance with the items approved by the company registry.

The scope of business of the Company includes mining, processing, smelting, deep-processing and exploration of mineral resources; export of mineral resources products and chemical products (excluding hazardous chemicals, inflammables, explosives and easily-produced drugs); import of raw and auxiliary materials, machines and equipment, instruments and apparatuses, parts and components necessary for production (the said import and export items require appropriate qualification certificates); accommodation and catering (limited to branches with appropriate qualifications).”

It is proposed to be amended to:

“The scope of business of the Company shall be in accordance with the items approved by the company registry.

The scope of business of the Company includes mining, processing, smelting, deep-processing and exploration of mineral resources; export of mineral resources products and chemical products (excluding hazardous chemicals, inflammables, explosives and easily-produced drugs); import of raw and auxiliary materials, machines and equipment, instruments and apparatuses, parts and components necessary for production (the said import and export items require appropriate qualification certificates).”

**(iii) Proposed amendments to Article 81 of the Articles of Association:**

Currently reads as follows:

“If the shareholders’ general meeting intends to discuss the election of directors or supervisors, the notice of the shareholders’ general meeting should disclose full information of the candidates for directors and supervisors. The notice should at least include the following:

1. Personal circumstances such as education background, work experience, other simultaneous appointments;
2. Whether there is associate relationship with the Company or a controlling shareholder and person with actual control of the Company;

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## LETTER FROM THE BOARD

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3. Disclose the number of shares held in the Company;
4. Whether subject to punishment by China Securities Regulatory Commission and other relevant department and sanctioned by the securities exchange.

Each candidate for director or supervisor should be separately proposed.”

It is proposed to be amended to:

“If the shareholders’ general meeting intends to discuss the election of directors or supervisors, the notice of the shareholders’ general meeting should disclose full information of the candidates for directors and supervisors. The notice should at least include the following:

1. Personal circumstances such as education background, work experience, other simultaneous appointments;
2. Whether there is associate relationship with the Company or a controlling shareholder and person with actual control of the Company;
3. Disclose the number of shares held in the Company;
4. Whether subject to punishment by China Securities Regulatory Commission and other relevant department and sanctioned by the securities exchange.

Each candidate for director or supervisor should be separately proposed, except for directors or supervisors elected by way of cumulative voting system.”

**(iv) Proposed amendments to Article 108 of the Articles of Association:**

Currently reads as follows:

“The list of candidates for director and supervisor shall be proposed to the shareholders’ general meeting for voting. The board of directors and shareholders representing more than 3% of the voting shares of the Company shall have the right to raise relevant resolutions.

When the board of directors raises resolution concerning the candidates for director and supervisor, the written nomination shall, after consulting shareholders for suggestions by the existing board of directors, be submitted to the shareholders’ general meeting for election.

The staff representative candidate in the board of supervisor shall be nominated by the Labor Union of the Company and elected directly by the assembly of the worker’s representatives of the Company.”

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## LETTER FROM THE BOARD

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It is proposed to be amended to:

“The list of candidates for director and supervisor shall be proposed to the shareholders’ general meeting for voting. The board of directors and shareholders representing more than 3% of the voting shares of the Company shall have the right to raise relevant resolutions.

When the board of directors raises resolution concerning the candidates for director and supervisor, the written nomination shall, after consulting shareholders for suggestions by the existing board of directors, be submitted to the shareholders’ general meeting for election. The board of directors shall announce the biographies and basic information of candidates for directors and supervisors to shareholders.

Cumulative voting system should be adopted for election of directors or supervisors at the shareholders’ general meetings when the shareholding percentage of the controlling shareholder of the Company is over 30%.

The cumulative voting system referred to in the previous Article means that during the election of directors and supervisors at the shareholders’ general meeting, each share entitled to vote carries a number of voting rights equivalent to the number of directors or supervisors to be elected. A shareholder may freely allocate its/his/her votes among the candidates for directors and supervisors, either to allocate to a number of persons, or to vote all in favor of one person. Candidates for directors or supervisors will be sorted by number of voting in their favor. Those who have more votes shall be elected according to the number of directors or supervisors proposed to be elected.

In the cumulative voting system, independent directors and other members of the board of directors shall be elected separately.

The staff representative candidate in the board of supervisor shall be nominated by the Labor Union of the Company and elected directly by the assembly of the worker’s representatives of the Company.”

**(v) Proposed amendments to Article 109 of the Articles of Association:**

Currently reads as follow:

“The shareholders’ general meeting will vote on all resolutions individually. If one matter has different resolutions, they will be voted in the chronological order of the proposals being proposed. The shareholders’ general meeting shall not combine or divide each resolution to vote or amend resolutions in any other way. Except under special circumstances such as force majeure, leading to the suspension or inability to make resolutions to make decisions at the shareholders’ general meeting, the shareholders’ general meeting shall not set aside the resolutions and leave the resolutions undecided.”

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## LETTER FROM THE BOARD

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It is proposed to be amended to:

“Apart from the cumulative voting system, the shareholders’ general meeting will vote on all resolutions individually. If one matter has different resolutions, they will be voted in the chronological order of the proposals being proposed. The shareholders’ general meeting shall not combine or divide each resolution to vote or amend resolutions in any other way. Except under special circumstances such as force majeure, leading to the suspension or inability to make resolutions to make decisions at the shareholders’ general meeting, the shareholders’ general meeting shall not set aside the resolutions and leave the resolutions undecided.”

**(vi) Proposed amendments to Article 215 of the Articles of Association:**

Currently reads as follow:

“The Company’s profits distribution is aimed at rewarding its investors with a reasonable investment return while taking into account the sustainable growth of the Company. The Company’s profits distribution policy shall remain consistent and stable. The Company adopts a proactive dividend distribution policy in the form of cash or shares, and implements such policy in accordance with the legal, regulatory and other requirements imposed by the regulatory authorities. The Company may distribute interim dividend.

The Board determines dividend distribution of the Company for each year on the basis of the Company’s debts repayment abilities, business development and operating results. In addition, the Board determines the percentage of cash dividend over the distributable profits available for distribution for the relevant year and whether the Company should distribute dividend in the form of shares. The Board shall consult with the supervisory board of the Company before seeking approval from the shareholders at the general meeting. In accordance with the legal, regulatory and other requirements imposed by the regulatory authorities, profit distribution in the form of cash for each year shall not be less than 30% of the distributable profits available for distribution in the relevant year.

In the event that the Board does not propose an annual profit distribution in the form of cash, the Company shall disclose the reasons in its annual reports. The independent directors shall also provide an independent opinion in this regard.

Amendments to the profit distribution policy on the basis of the Company’s production and operation conditions, investment strategies or long-term development needs shall not contravene any laws, regulations or requirements imposed by the regulatory authorities. The Board shall prepare a proposal for the amendments to the Company’s profits distribution policy and seek advice from the supervisory board. The independent directors shall give an independent opinion on such proposal. Shareholders shall approve any proposal regarding amendments to the profits distribution policy in a general meeting following the Board’s approval.”



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## LETTER FROM THE BOARD

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It is proposed to be amended to:

“The Company’s profits distribution is aimed at rewarding its investors with a reasonable investment return while taking into account the sustainable growth of the Company. The Company’s profits distribution policy shall remain consistent and stable.

(I) Details of the profits distribution policy

1. Forms of profits distribution: the Company adopts a proactive dividend distribution policy in the form of cash or shares, and implements such policy in accordance with the laws, regulations and other regulatory requirements. Priority in profits distribution should be in cash rather than in shares. The Company shall distribute profits in the form of cash should such conditions are met. The Company may distribute interim dividend in cash if conditions permit.
2. Specific conditions for dividend distribution in the form of cash: in accordance with the laws, regulations and other regulatory requirements, the Company distributes dividend in cash if it records positive distributable profits and the cash flow of the Company can accommodate the needs of both its daily operation and sustainable development.
3. If the Company distributes cash dividends, the percentage of cash dividends shall comply with the following requirements simultaneously:
  - (1) the profits distributed by the Company in the form of cash each year shall not be less than 30% of distributable profits recorded in the year, in accordance with applicable laws, regulations and regulatory requirements;
  - (2) Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits; Where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits; Where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when distributing its profits.

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## LETTER FROM THE BOARD

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The “substantial capital expenditure arrangement” mentioned herein refers to matters that the total assets of transactions, including asset acquisitions and external investments, entered into by the Company within a year account for more than 30% (inclusive) of the latest audited total assets of the Company.

The board of directors of the Company shall propose a specific cash distribution plan by differentiating the aforesaid circumstances after taking various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement.

4. Specific conditions for dividend distribution in the form of shares: where the Company records earnings and positive distributable profits for the year and the valuation on the shares of the Company is in a reasonable range, the Company may distribute dividend in the form of shares without prejudice to the scale of the share capital and the reasonable structure of shareholdings of the Company, while taking into consideration rewarding and sharing corporate value with investors.

### (II) Review procedures for profits distribution

1. The board of directors will determine profits distribution plan of the Company on the basis of the Company’s solvency, business development and operating results, as well as the percentage of cash dividend over the distributable profits for the relevant year and whether the Company should distribute dividend in the form of shares. Such distribution plan shall be submitted by the Board after consulting with the board of supervisors of the Company to the shareholders’ general meeting for approval while the independent directors shall provide explicit opinions upon the same.
2. Independent directors may collect advice from minority shareholders and prepare a distribution proposal which shall be directly proposed to the board of directors for its consideration.
3. When considering a specific proposal for cash dividend at shareholders’ general meeting, a variety of channels shall be adopted to actively communicate with shareholders, particularly the minority shareholders, including but not limited to online voting and inviting minority shareholders to attend meetings, to fully attend to the views of the minority shareholders and answer the questions they concern about in a timely manner.

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## LETTER FROM THE BOARD

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- (III) Amendments to the profits distribution policy on the basis of the Company's production and operation conditions, investment strategies or long-term development needs shall not contravene any laws, regulations or other regulatory requirements. The board of directors shall prepare a proposal for the amendments to the Company's profits distribution policy and submit the same to shareholders' general meeting for approval after seeking advice from the supervisory board. The independent directors shall give an independent opinion on such proposal. Among which, a proposal regarding amendments to the cash dividend policy shall be approved by more than two-thirds of the voting rights held by the shareholders attending the shareholders' general meeting, and the amendments to the cash dividend policy shall not contravene the relevant requirements of China Securities Regulatory Commission and securities supervision and management authorities of the place(s) where shares of the Company are listed.

The Company shall disclose the formulation and implementation of cash dividend policy in detail in its annual report. The board of directors of the Company shall disclose the profits distribution plan and the arrangements or principles of the usage of retained undistributed profits in the annual report. The retained undistributed profits of the Company after the completion of the profits distribution for the then year shall be used to develop the operating business of the Company. If the Company generated profits in the then year while the board of directors did not make any cash dividend proposal, the reasons thereof and the application of funds retained by the Company not available for distribution, as well as the independent opinions from the independent directors, shall be explained in detail in the annual report."

The proposed amendments to Articles 5, 14, 81, 108, 109 and 215 of the Articles of Association are subject to Shareholders' approval by way of special resolution at the EGM. The proposed amendments to Articles 5, 14, 81, 108, 109 and 215 of the Articles of Association will come into effect upon obtaining the approval of and registration by the relevant government and regulatory authorities in the PRC.

The Articles of Association are written in Chinese. The English version of the above articles is an unofficial translation of its Chinese version. In case of any inconsistency between the two versions, the Chinese version shall prevail.

### **IRREVOCABLE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS**

CFC (holding approximately 36.01% of the total issued share capital of the Company as at the Latest Practicable Date) and LMG (holding approximately 35.00% of the total issued share capital of the Company as at the Latest Practicable Date), the controlling shareholders of the Company, have irrevocably undertaken to vote in favour of the resolution in respect of the proposed amendments to Articles 5, 14, 81, 108, 109 and 215 of the Articles of Association.

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## LETTER FROM THE BOARD

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### 2. (b) PROPOSED AMENDMENTS TO ARTICLES 1, 69 AND 105 OF THE ARTICLES OF ASSOCIATION

The Board announces that a special resolution in relation to the amendments to Articles 1, 69 and 105 of the Articles of Association will be proposed at the EGM, to comply with Guidelines for the Articles of Association of Listed Companies (as amended in 2014) 《上市公司章程指引(2014年修訂)》 promulgated by CSRC.

#### (i) Proposed amendments to Article 1 of the Articles of Association:

Currently reads as follows:

“These articles of association (the “Articles of Association”) are formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (the “Securities Law”), the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (the “Mandatory Provisions”), the Guidelines for the Articles of Association of Listed Companies (as amended in 2006) (the “Guidelines for the Articles of Association”) and other relevant PRC rules and regulations, for the purpose of safeguarding the legitimate rights and interests of China Molybdenum Co., Ltd. (the “Company”), its Shareholders and creditors and regulating the organisation and activities of the Company.”

It is proposed to be amended to:

“These articles of association (the “Articles of Association”) are formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (the “Securities Law”), the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (the “Mandatory Provisions”), the Guidelines for the Articles of Association of Listed Companies (as amended in 2014) (the “Guidelines for the Articles of Association”) and other relevant PRC rules and regulations, for the purpose of safeguarding the legitimate rights and interests of China Molybdenum Co., Ltd. (the “Company”), its Shareholders and creditors and regulating the organisation and activities of the Company.”

#### (ii) Proposed amendments to Article 69 of the Articles of Association:

Currently reads as follows:

“The venue of a Shareholders’ general meeting of the Company shall be either the domicile of the Company or such other venue as specified in the notice of such general meeting.

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## LETTER FROM THE BOARD

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Meeting venue shall be set for Shareholders' general meetings which shall be convened by way of on-site meetings. The Company will provide convenience for Shareholders to attend Shareholders' general meetings through various means and approaches in accordance with the specific regulations of the regulatory authorities of the listing place(s) of the Company, including modern information technology methods such as online voting platform, in order to assure the legality and validity of the Shareholders' general meeting. Shareholders who attend a meeting by the said means are deemed to be present at such meeting."

It is proposed to be amended to:

"The venue of a Shareholders' general meeting of the Company shall be either the domicile of the Company or such other venue as specified in the notice of such general meeting.

Meeting venue shall be set for Shareholders' general meetings which shall be convened by way of on-site meetings. The Company will provide convenience for Shareholders to attend Shareholders' general meetings through various means and approaches in accordance with the specific regulations of the regulatory authorities of the listing place(s) of the Company and will provide priority to modern information technology methods such as online voting platform, in order to assure the legality and validity of the Shareholders' general meeting. Shareholders who attend a meeting by the said means are deemed to be present at such meeting."

**(iii) Proposed amendments to Article 105 of the Articles of Association:**

Currently reads as follows:

"When shareholders (including proxies) vote at the shareholders' general meeting, they shall exercise their voting rights according to the number of voting rights they represent. Each share shall carry one voting right.

Shares held by the company have no voting rights. This portion of shares is not considered as part of the total number of shares with voting rights and present at the shareholders' general meetings.

The board of directors, independent directors and shareholders complying with relevant regulations can accumulate share-voting rights.

Where the Listing Rules provide that any shareholders shall abstain from voting or can only vote for yes (or no) on certain resolution, if the said shareholders violate the relevant regulations or limitations, the votes of the said shareholders or the proxies thereof (provided that the Company is aware of this situation) shall not be counted."

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## LETTER FROM THE BOARD

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It is proposed to be amended to:

“When shareholders (including proxies) vote at the shareholders’ general meeting, they shall exercise their voting rights according to the number of voting rights they represent. Each share shall carry one voting right.

Where material issues affecting the interests of small and medium investors are being considered in the shareholders’ general meeting, the votes by small and medium investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner.

Shares held by the company have no voting rights. This portion of shares is not considered as part of the total number of shares with voting rights and present at the shareholders’ general meetings.

The Company’s board of directors, independent directors and shareholders that fulfilled the conditions set out in the relevant regulations can publicly solicit voting rights from shareholders, provided that sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom voting rights are being solicited. No consideration or other form of de facto consideration shall be involved in the solicitation of voting rights from shareholders. The Company shall not impose any limitation related to minimum shareholdings on the solicitation of voting rights.

Where the Listing Rules provide that any shareholders shall abstain from voting or can only vote for yes (or no) on certain resolution, if the said shareholders violate the relevant regulations or limitations, the votes of the said shareholders or the proxies thereof (provided that the Company is aware of this situation) shall not be counted.”

The proposed amendments to Articles 1, 69 and 105 of the Articles of Association are subject to Shareholders’ approval by way of special resolution at the EGM. The proposed amendments to Articles 1, 69 and 105 of the Articles of Association will come into effect upon obtaining the approval of and registration by the relevant government and regulatory authorities in the PRC.

The Articles of Association are written in Chinese. The English version of the above articles is an unofficial translation of its Chinese version. In case of any inconsistency between the two versions, the Chinese version shall prevail.

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## LETTER FROM THE BOARD

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### **3. PROPOSED ADOPTION OF IMPLEMENTATION RULES OF CUMULATIVE VOTING SYSTEM**

The Board announces that in order to refine the requirements in relation to the cumulative voting system as set out in the resolution relating to the proposed amendments to Articles 5, 14, 81, 108, 109 and 215 of the Articles of Association, an ordinary resolution will be submitted at the EGM to propose the adoption of the Implementation Rules of Cumulative Voting System in accordance with the requirements of the Company Law of the PRC and the Code of Corporate Governance for Listed Companies issued by CSRC. The Implementation Rules of Cumulative Voting System is prepared in Chinese, an unofficial translation is set out in Appendix I of this circular. In case of any inconsistency between the Chinese and English versions, the Chinese version shall prevail. Pursuant to the Implementation Rules of Cumulative Voting System, Shareholders could vote for, against or abstain from voting on the relevant resolutions.

The proposed adoption of the Implementation Rules of Cumulative Voting System is subject to the approval of the Shareholders by way of ordinary resolution at the EGM.

### **IRREVOCABLE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS**

CFC (holding approximately 36.01% of the total issued share capital of the Company as at the Latest Practicable Date) and LMG (holding approximately 35.00% of the total issued share capital of the Company as at the Latest Practicable Date), the controlling shareholders of the Company, have irrevocably undertaken to vote in favour of the resolution in respect of the proposed adoption of the Implementation Rules of Cumulative Voting System.

### **4. SPECIAL BASIS FINANCIAL STATEMENTS AND SPECIAL AUDIT REPORT REGARDING THE ACQUISITION OF 80% INTEREST AND THE BUSINESS OF THE RELEVANT ASSETS IN NORTH PARKES JOINT VENTURE AND OF THE ACQUISITION TARGET**

As stated in the circular of the Company dated 8 November 2013 in relation to, among other things, the proceeds (after deducting the issuing fees and expenses) to be raised from the proposed issuance of A Share Convertible Corporate Bonds will be applied to finance the Acquisition. As stated in the announcement of the Company dated 2 December 2013, the Acquisition was completed on 1 December 2013. To facilitate the review process of the A Share Convertible Corporate Bonds, protect the interests of the Shareholders and allow the Shareholders to gain a better understanding of the 80% interest and relevant assets of Northparkes Joint Venture under the Acquisition, the Company has prepared the Special Basis Financial Statements in accordance with the China Accounting Standards for Business Enterprise. In addition, the Company has engaged Deloitte China to audit the Special Basis Financial Statements in accordance with China Standards on Auditing. Deloitte China issued the Special Audit Report on 18 June 2014. The Special Basis Financial Statements and Special Audit Report were approved at the 17th extraordinary meeting of the 3rd Session of the Board

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## LETTER FROM THE BOARD

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held on 18 June 2014. The Board will propose an ordinary resolution in relation to the Special Basis Financial Statements and Special Audit Report regarding the acquisition of 80% interest and the business of the relevant assets in Northparkes Joint Venture and of the acquisition target to the Shareholders at the EGM (please refer to Appendix II of this circular).

### **5. PROPOSED EXTENSION OF VALIDITY PERIOD OF THE RESOLUTIONS PASSED IN SHAREHOLDERS' GENERAL MEETINGS AND RELEVANT AUTHORISATIONS REGARDING THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS**

References are made to the announcements of the Company dated 30 September 2013 and 15 November 2013 and the circular of the Company dated 8 November 2013, in respect of, among other things, the issuance of A Share Convertible Corporate Bonds. At the 2013 first extraordinary general meeting of the Company and the 2013 second class meeting of A Shareholders and H Shareholders held on 25 November 2013, the Shareholders approved, among other things, the issuance of A Share Convertible Corporate Bonds, and authorised the Board, the Chairman or his/her authorised person to deal with matters relating to the issuance of A Share Convertible Corporate Bonds subject to compliance with relevant laws and regulations, for a period of 12 months following the passing of the resolutions regarding the A Share Convertible Corporate Bonds. As at the Latest Practicable Date, the Company has not received the approval from CSRC regarding the issuance of A Share Convertible Corporate Bonds. As the validity period of the Shareholders' approval will expire on 24 November 2014, the Board proposes to seek approval from the Shareholders to extend the validity period of the resolutions passed in Shareholders' general meetings and relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds until the conclusion of the 2014 annual general meeting of the Company.

The resolution related to the Extension will be proposed as a special resolution at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting respectively for consideration and approval.

#### **Implications under the Hong Kong Listing Rules**

Under the proposed issuance of A Share Convertible Corporate Bonds, the A Share Convertible Corporate Bonds will be offered to all existing A Shareholders preferentially and to institutional and public investors that have A Shares stock trading accounts with the Shanghai Stock Exchange in the PRC, which may potentially include connected persons of the Company.

The issuance of the A Share Convertible Corporate Bonds to connected persons of the Company, if any, will constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. In light of the above, the Company has applied for and the Hong Kong Stock Exchange has on 28 August 2014 granted a waiver from strict compliance with the requirements under Rules 14A.35, 14A.36, 14A.39 and 14A.49 of the Hong Kong Listing Rules.



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## LETTER FROM THE BOARD

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CFC and LMG, the controlling shareholders of the Company who in aggregate hold approximately 71.01% equity interest in the Company, have undertaken that they would not subscribe for any A Share Convertible Corporate Bonds exceeding their pro rata pre-emption right.

### **6. ASSETS VALUATION REPORT ON THE 80% INTEREST IN NORTH PARKES JOINT VENTURE AND RELEVANT RIGHTS AND ASSETS INVOLVED IN THE PROPOSED ISSUANCE OF CONVERTIBLE CORPORATE BONDS**

References are made to the announcements of the Company dated 9 October 2013 and 28 August 2014 in relation to the Previous Valuation Report prepared by the Valuer in relation to the Acquisition and the Assets Valuation Report.

Reference is also made to the circular of the Company dated 8 November 2013 in relation to, among others, the proceeds (after deducting the issuing fees and expenses) to be raised from the proposed issuance of A Share Convertible Corporate Bonds would be applied to finance the Acquisition. The Acquisition was completed on 1 December 2013 and as at the Latest Practicable Date the Company has yet to receive the approval from the CSRC with respect to the proposed issuance of A Share Convertible Corporate Bonds.

As the validity period of the Previous Valuation Report has expired, to protect the interests of the Shareholders, accelerate the application process of the proposed issuance of A Share Convertible Corporate Bonds and allow Shareholders and other investors to gain a better understanding of the Acquisition, the Board on 28 August 2014 approved the Assets Valuation Report prepared by the Valuer in accordance with the PRC rules and regulations. In addition, the Board was of the view that:

1. The Valuer has the relevant qualifications to carry out valuation relating to businesses involving securities and futures, and valuation relating to exploration and mining rights. Save for the business relationship of providing assets valuation service to this transaction, the Valuer and its valuers are not associated with the Company, controlling shareholders of the Company, directors, supervisors and senior management of the Company, nor did they had any actual or expected interests or conflicts that may influence their services or independence.
2. The assumptions adopted in preparing the Assets Valuation Report were made in compliance with the relevant laws, regulations and regulatory documents, the valuation standards and the requirements of industry practices in the PRC, and the actual conditions of the valuation subject. The assumptions were reasonably made.

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## LETTER FROM THE BOARD

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3. The purpose of the valuation was to appraise the 80% interest in Northparkes Joint Venture and its related rights and assets acquired by CMOG Mining Pty Limited, a subsidiary of the Company, providing its market value on valuation base date and for the purpose of the issuance of A Share Convertible Corporate Bonds of the Company. The proceeds from the proposed issuance of A Share Convertible Corporate Bonds would be used to finance the Acquisition. The Valuer used asset-based approach and income approach to appraise the value of the target assets, and finally adopted the value of the asset-based approach as the appraised value of the target assets. The approach of the valuation was made in compliance with the regulations, valuation standards and industry practices in the PRC. The valuation methods were applicable and suitable for the purpose of the valuation and the actual conditions of the valuation subject.
4. The valuation adopted the necessary valuation procedures, followed the principles of independence, objectiveness, scientificity and fairness. The valuation assumptions, approaches, models, future cash flow forecasts and discount rate and other key indicators were reasonable. The conclusion of asset-based approach reasonably reflected the value of the valuation subject; the results of the valuation were fair.

Set out below are the major differences between the Previous Valuation Report and the Assets Valuation Report:

**1. Selection of valuation method**

The Assets Valuation Report applied two methods, being asset-based and the income approach; and the Previous Valuation Report applied asset-based method only. The application of two methods allows corroboration and can fully reflect the market value of the valuation objects. Adopting the principle of prudence, the Valuer selected the results derived from the asset-based method as the results for the valuation.

**2. Valuation assumptions**

Save for the additional valuation assumptions required for carrying out the valuation under the income method, the valuation assumptions adopted in the Assets Valuation Report are consistent with those adopted in the Previous Valuation Report.

## LETTER FROM THE BOARD

### 3. Results of valuation applying the asset-based method

#### A. Comparison of the results of valuation under asset-based method

*Unit: AUD (0'000)*

No.	Category	Valuation (Date of valuation: 30 November 2013)		Previous Valuation (Date of valuation: 30 June 2013)		Analysis of differences between two valuations	
		Book value	Appraised value	Book value	Appraised value	Difference in book value	Difference in appraised value
		A	B	C	D	E=A-C	F=B-D
1	Value of part of properties owned by North Mining Limited	2,476.98	3,904.82	1,960.18	3,881.36	516.81	23.46
2	Value of 80% interest in Northparkes Joint Venture	38,543.38	94,481.45	38,820.46	95,809.64	-277.08	-1,328.19
2.1	Including: value of 80% interest in Northparkes Joint Venture (excluding mining rights)	38,543.38	48,428.08	38,820.46	44,809.64	-277.08	3,618.44
2.2	Value of 80% mining rights in Northparkes Joint Venture	—	46,053.37	—	51,000.00	—	-4,946.63
3	<b>Total:</b>	41,020.36	98,386.27	40,780.64	99,691.00	239.73	-1,304.73

#### B. Explanations on differences in valuation of mining rights

The valuation of the mining rights (valuation report on copper-gold mining rights of Northparkes in central West New South Wales, Australia (GSH KPB Zi (2014) No. 033) (《澳大利亞新南威爾士州中西部Northparkes銅金礦礦業權評估報告書》(大正海地人礦評報字(2014)第033號) contained in the Assets Valuation Report was prepared by the Valuer. The valuation of the mining rights (valuation report numbered A00083-2-r1) contained in the Previous Valuation Report was prepared by Censere (Far East) Limited.

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## LETTER FROM THE BOARD

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In the mining rights valuation report prepared by the Valuer, the date of valuation was 30 November 2013 and the Valuer applied discounted cash flow method for the mining rights valuation of Northparkes subject to the relevant regulations and standards of mining rights valuation of the PRC and with reference to the “Competent Person’s Report” issued for the Acquisition by Runge Asia Limited (trading as RungePincocKMinarco) (the “Competent Person’s Report”) and the feasibility study report for expansion project of copper/gold ore in the mid-west of New South Wales in Australia issued by Design Institute of Xi’an University of Architecture and Technology (the “Feasibility Report”), and the appraised value was AUD460,533,700 (for 80% interest, equivalent to approximately RMB2,562,593,600). In respect of the mining rights valuation contained in the Previous Valuation Report issued by Censere (Far East) Limited, the date of valuation was 30 June 2013 and applied multi-period excess earnings method for the valuation of the mining rights of Northparkes subject to international valuation standards and prevailing practices in the international valuation industry, together with reference to the Competent Person’s Report, and the appraised value was AUD510,000,000 (for 80% interest, equivalent to approximately RMB2,910,111,000). The difference in the results of these two valuations was due to the difference in valuation methods, industry practices, the dates of the valuation and the cancellation of carbon tax by the Australian government.

*C. Explanations on other difference in valuation*

In the Assets Valuation Report, there is an increase in the sum of AUD36,180,000 in the appraised value of parts of the properties owned by North Mining Limited, 80% interest in Northparkes Joint Venture (excluding mining rights) and other assets, as compared with the Previous Valuation Report. The increase in the appraised value was mainly due to a decrease in the sum of approximately AUD39,110,000 in the non-current liability of 80% interest in Northparkes Joint Venture as at the date of the valuation of the Assets Valuation Report.

*D. Valuation results under income approach*

The Assets Valuation Report also applied income approach. The appraised value based on the income approach was AUD996,306,600 (equivalent to approximately RMB5,543,848,400), which is higher than that the results based on the asset-based approach by 1.26%. The main reason for the difference in the appraised value is due to the different perspectives of the two valuation approaches. The reconstruction of enterprise’s core assets is the starting point for the asset-based approach, and it reflects the market value of various assets of the company on the date of the valuation, the future profitability of the enterprise is the major consideration for the income approach, and it reflects the comprehensive profitability of various assets of the enterprise.

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## LETTER FROM THE BOARD

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*E. Comprehensive effects of the new valuation*

The Assets Valuation Report applied both asset-based and income methods. The appraised value based on the asset-based method was AUD983,862,700 (equivalent to approximately RMB5,474,605,600). The appraised value based on income approach was AUD996,306,600 (equivalent to approximately RMB5,543,848,400). Giving the greater certainty and prudence in the appraised value under the asset-based approach (of which discounted cash flow approach was adopted for the valuation of the mining rights), the valuation results under the asset-based approach was selected as the final appraised value. Under the Previous Valuation Report, the appraised value was based on asset-based approach which amounted to AUD996,910,000 (equivalent to approximately RMB5,688,468,200). The Acquisition has already been completed with the final consideration determined at USD799,635,000 (equivalent to approximately RMB4,922,952,900). Considering the changes during the period between the reference date of the two valuation, the completed transaction will not prejudice the interests of the Company and its minority shareholders.

On 1 September 2014, the Board received a written notice from CFC proposing the resolution in relation to the Assets Valuation Report be submitted at the EGM to facilitate the review process of the A Share Convertible Corporate Bonds.

The proposed resolution in relation to the Assets Valuation Report is subject to Shareholders' approval by way of an ordinary resolution at the EGM.

In accordance with the relevant laws and regulations, and the Articles of Association, the Board agreed to propose the additional resolution at the EGM for consideration. The form and procedures of the proposed resolution are in compliance with the Company Law of the PRC and the Articles of Association.

### **7. PROPOSED ADDITION OF RELEVANT AUTHORISATIONS REGARDING THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS**

Reference is made to the announcement of the Company dated 28 August 2014 in relation to, among others, the proposed additional authorisations to the Board to approve audited financial statements and valuation reports issued in connection with the proposed issuance of A Share Convertible Corporate Bonds, with the relevant authorisations to be valid until the conclusion of the 2014 annual general meeting of the Company. The proposed additional authorisations is subject to Shareholders' approval at general meeting and at Shareholders' class meetings.

On 1 September 2014, the Board received a written notice from CFC proposing that to facilitate the issuance of A Share Convertible Corporate Bonds, the proposed additional authorisations to the Board to approve audited financial statements and valuation reports issued in connection with the proposed issuance of A Share Convertible Corporate Bonds be submitted for Shareholders' approval at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting. The relevant authorisations will be valid until the conclusion of the 2014 annual general meeting of the Company.

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## LETTER FROM THE BOARD

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In accordance with the relevant laws and regulations and the Articles of Association, the Board has agreed to propose the additional resolution at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting for consideration. The form and procedures of the proposed resolution are in compliance with the Company Law of the PRC and the Articles of Association.

### **8. EGM, A SHAREHOLDERS' CLASS MEETING AND H SHAREHOLDERS' CLASS MEETING**

The Board proposed to seek the Shareholders' approval at the EGM to approve, among others: (i) proposed amendments to Articles 5, 14, 81, 108, 109 and 215 of the Articles of Association; (ii) proposed amendments to Articles 1, 69 and 105 of the Articles of Association; (iii) proposed adoption of Implementation Rules of Cumulative Voting System; (iv) the Special Basis Financial Statements and Special Audit Report regarding the acquisition of 80% interest and the business of the relevant assets in Northparkes Joint Venture and of the acquisition target; (v) proposed Extension; (vi) the Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds; and (vii) proposed addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company.

The Board will also seek approval from A Shareholders and H Shareholders in the A Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively for (i) the proposed Extension; and (ii) proposed addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company. Notices of the EGM and the H Shareholders' Class Meeting have been despatched to Shareholders on Tuesday, 5 August 2014. A copy of the notices of the EGM and the H Shareholders' Class Meeting are set out on pages 168 to 173 of this circular for reference.

Supplemental notices of the EGM and the H Shareholders' Class Meeting (or adjournments thereof) are set out on pages 174 to 180 of this circular. Both supplemental notices should be read in conjunction with the notices of the EGM and the H Shareholders' Class Meeting dated 5 August 2014.

CFC (holding approximately 36.01% of the total issued share capital of the Company as at the Latest Practicable Date) and LMG (holding approximately 35.00% of the total issued share capital of the Company as at the Latest Practicable Date), the controlling shareholders of the Company, have irrevocably undertaken to vote in favour of the resolutions in respect of the proposed amendments to Articles 5, 14, 81, 108, 109 and 215 of the Articles of Association and the proposed adoption of Implementation Rules of Cumulative Voting System.

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## LETTER FROM THE BOARD

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### 9. CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of H Shareholders who are entitled to attend and vote at the EGM and the H Shareholders' Class Meeting, the H Share register of the Company is closed from Wednesday, 20 August 2014 to Friday, 19 September 2014 (both days inclusive) during which period no transfer of H Shares would be effected. Holders of H Shares whose names appeared on the H Share register of the Company at 4:30 p.m. on Tuesday, 19 August 2014 are entitled to attend and vote at the EGM and the H Shareholders' Class Meeting.

In order for the H Shareholders to qualify for attending and voting at the EGM and the H Shareholders' Class Meeting, all transfers documents accompanied by the relevant H Share certificates must be lodged with the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 19 August 2014.

### 10. PROXY ARRANGEMENT

Forms of proxy applicable to the EGM and the H Shareholders' Class Meeting have been despatched to Shareholders on Tuesday, 5 August 2014 and such forms of proxy have also been published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinamoly.com>).

As the forms of proxy despatched on 5 August 2014 for use at the EGM and the H Shareholders' Class Meeting (each a "**First Proxy Form**") do not contain the proposed resolutions in relation to Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds and proposed addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company as set out in the supplemental notices of the EGM and the H Shareholders' Class Meeting, the Company has prepared second proxy forms (each a "**Second Proxy Form**") for despatch together with this circular. The additional resolutions are set out in the supplemental notices of the EGM and the H Shareholders' Class Meeting on pages 174 to 180 of this circular.

For H Shareholders, whether or not you are able to attend the EGM and the H Shareholders' Class Meeting in person, you are requested to complete and return the proxy forms for use at the EGM and the H Shareholders' Class Meeting in accordance with the instructions printed thereon, and the proxy forms should be returned to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investors Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 24 hours before the time appointed for holding the meetings or any adjourned meetings thereof. Completion and return of the proxy forms for use at the EGM and the H Shareholders' Class Meeting will not preclude you from attending and voting in person at the EGM and the H Shareholders' Class Meeting or any adjournments thereof should you so wish.

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## LETTER FROM THE BOARD

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H Shareholders who have lodged the First Proxy Form with the Company should note that:

- (i) If the Second Proxy Form is lodged with the Company's H Share registrar 24 hours prior to the time designated for convening the EGM and H Shareholders' Class Meeting ("**Closing Time**"), the Second Proxy Form will revoke and supersede the First Proxy Form previously lodged by him/her. The Second Proxy Form will be treated as a valid form of proxy lodged by the H Shareholder if correctly completed and signed and returned in accordance with the instructions printed thereon.
- (ii) If no Second Proxy Form is lodged with the Company's H Share registrar as at the Closing Time, the First Proxy Form will be treated as a valid form of proxy lodged by the H Shareholder if correctly completed. The proxy so appointed by the H Shareholder will be entitled to vote at his/her discretion or to abstain from voting on any resolution properly put to the EGM and H Shareholders' Class Meeting including the resolutions in relation to the Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds and proposed addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company as set out in this circular.

### 11. VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Hong Kong Listing Rules, any votes of the Shareholders at the EGM and the H Shareholders' Class Meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The poll results announcement will be published by the Company after the EGM and the H Shareholders' Class Meeting in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.



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## LETTER FROM THE BOARD

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### 12. RECOMMENDATIONS

The Board considers that (i) proposed amendments to Articles 5, 14, 81, 108, 109 and 215 of the Articles of Association; (ii) proposed amendments to Articles 1, 69 and 105 of the Articles of Association; (iii) proposed adoption of Implementation Rules of Cumulative Voting System; (iv) Special Basis Financial Statements and Special Audit Report regarding the acquisition of 80% interest and the business of the relevant assets in Northparkes Joint Venture and of the acquisition target; (v) proposed Extension; (vi) the Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds; and (vii) proposed addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company, are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting (as the case may be) as set out in the notices (including supplemental notices of the EGM and H Shareholders' Class Meeting) of the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

By Order of the Board  
**China Molybdenum Co., Ltd. \***  
**Li Chaochun**  
*Chairman*

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## APPENDIX I IMPLEMENTATION RULES OF CUMULATIVE VOTING SYSTEM OF CHINA MOLYBDENUM CO., LTD.\*

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*In case of any discrepancies between Chinese version and English version, the Chinese version shall prevail.*

### CHINA MOLYBDENUM CO., LTD.\* IMPLEMENTATION RULES OF CUMULATIVE VOTING SYSTEM

#### CHAPTER I GENERAL RULES

- Rule 1 To further optimise corporate governance structure of China Molybdenum Co., Ltd.\* (the “**Company**”), standardise procedures for election of directors and supervisors of the Company, safeguard shareholders’ rights to elect directors and supervisors of the Company and protect shareholders’ interests, the Rules was formulated in accordance with the requirements of relevant laws and regulations and regulatory documents such as Company Law of the PRC (the “**Company Law**”), the Code of Corporate Governance for Listed Companies and the Articles of Association of China Molybdenum Co., Ltd.\* (the “**Articles of Association**”).
- Rule 2 For the purpose of the Rules, “cumulative voting system” shall represent that each share carries a number of voting rights equivalent to the number of directors or supervisors to be elected in the course of the election of directors and supervisors at the shareholders’ general meeting. A shareholder may freely allocate his votes among the candidates of directors and supervisors, either to allocate to a number of persons, or to vote all in favour of one person. According to the number of votes that the candidates of directors and supervisors have got and the number of directors or supervisors proposed to be elected, those who have got more votes shall be appointed.
- Rule 3 The cumulative voting system shall not be applied if only one independent director, non-independent director or supervisor would be elected or changed at the shareholders’ general meetings of the Company.
- Rule 4 For the purpose of the Rules, “directors” shall represent independent directors and non-independent directors and “supervisors” are those who are not supervisors representing employees. The supervisors from worker’s representatives are elected or changed at the assembly of the worker’s representatives, which shall not be applicable to relevant requirements of the Rules.
- Rule 5 The number and composition of directors and supervisors elected at the shareholders’ general meetings of the Company shall comply with the requirements of the Articles of Association.

**CHAPTER II    ELECTION AND VOTE**

Rule 6    The presider of shareholders' general meetings shall specifically notify shareholders attending the meetings whether the cumulative voting will be adopted or not before the votes are casted on candidates of directors and supervisors at the meetings. If the cumulative voting is adopted, the board of directors of the Company shall prepare the ballots that are suitable for cumulative voting.

Rule 7    The election of independent directors, non-independent directors and supervisors shall be carried out separately and the number of cumulative votes shall not be used repeatedly. The specific provisions are as follows:

(I)    In election of independent directors, the number of voting rights held by shareholders attending the meeting is equivalent to the product of shares held by them multiplying the number of independent directors to be elected at the shareholders' general meeting, and such voting rights shall only be casted on candidates of independent directors at the shareholders' general meeting.

(II)    In election of non-independent directors, the number of voting rights held by shareholders attending the meeting is equivalent to the product of shares held by them multiplying the number of non-independent directors to be elected at the shareholders' general meeting, and such voting rights shall only be casted on candidates of non-independent directors at the shareholders' general meeting.

(III)    In election of supervisors, the number of voting rights held by shareholders attending the meeting is equivalent to the product of shares held by them multiplying the number of supervisors to be elected at the shareholders' general meeting, and such voting rights shall only be casted on candidates of supervisors at the shareholders' general meeting.

Rule 8    Principles and Methods of Cumulative Voting System

(I)    When candidates of directors and supervisors are elected by way of cumulative voting at the shareholders' general meetings of the Company, all shareholders are entitled to cast his or her total number of voting rights on one or more candidates of directors or supervisors according to his or her will, while proxies shall comply with the instructions of appointers made on the proxy form. However, the number of candidates of directors and supervisors voted for shall not exceed the number of directors and supervisors to be elected, if exceed, all votes casted by the shareholder are deemed as invalid.

(II)    When the total number of votes casted collectively on one or separately on more candidates of directors and supervisors exceeds the total number of voting rights held by a shareholder, all votes casted by the shareholder are deemed as invalid.

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**APPENDIX I      IMPLEMENTATION RULES OF CUMULATIVE VOTING SYSTEM  
OF CHINA MOLYBDENUM CO., LTD.\***

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(III) When the total number of votes casted collectively on one or separately on more candidates of directors and supervisors is less than the total number of voting rights held by a shareholder, the votes casted by the shareholder are valid, while the difference is deemed as abstaining from voting.

Rule 9 When several rounds of voting for election are carried out at shareholders' general meetings of the Company, the number of shareholders' cumulative votes shall be recalculated in accordance with the number of directors and supervisors to be elected at each round. The secretary to the board of directors of the Company shall announce the number of each shareholder's cumulative votes in advance of each round of cumulative voting.

**CHAPTER III ELECTION**

Rule 10 The candidates of directors and supervisors shall rank based on the number of their total votes from the largest to the smallest. Those ranking before the number (inclusive) of directors or supervisors to be selected in this voting shall be elected. In addition, the number of votes of the directors or supervisors to be elected shall exceed two thirds of the total number of the voting rights (according to the number of shares not cumulated) held by the shareholders present at the shareholders' general meeting.

Rule 11 If the number of the elected directors or supervisors is less than the number of the directors or supervisors to be elected, and the number of the elected directors or supervisors has exceeded two thirds of the number of the members of the board of directors or supervisory committee stipulated in the Articles of Association, the vacancies shall be filled up at the next shareholders' general meeting of the Company.

Rule 12 If the number of the elected directors or supervisors is less than the number of the directors or supervisors to be elected, and the number of the elected directors or supervisors is also less than two thirds of the number of the members of the board of directors or supervisory committee stipulated in the Articles of Association, the candidates of directors or supervisors failed to be elected shall have a second election. If the above-mentioned requirement has not been satisfied after the second election, the Company shall convene another shareholders' general meeting of the Company within two months after the completion of this shareholders' general meeting for the election of directors or supervisors to fill up the vacancies.

Rule 13 When there are two or more candidates have the same number of votes and such number of votes is the smallest among those of all the candidates, if the elections of both (all) of them will make the number of the electees larger than the number of candidates to be elected, the shareholders' general meeting shall conduct a second election among the aforementioned candidates of directors or supervisors who have the same number of votes in accordance with the stipulated procedures. If the second election still cannot determine the electees, the Company shall elect the directors or supervisors at the next shareholders' general meeting. If the above issue makes the number of elected directors or supervisors smaller than two thirds of the number of the members of the board of directors or supervisory committee stipulated in the Articles of Association, the Company shall convene another shareholders' general meeting of the Company within two months after the completion of this shareholders' general meeting for the election of directors or supervisors to fill up the vacancies.

**CHAPTER IV    SUPPLEMENTARY PROVISIONS**

- Rule 14 For matters uncovered by the Rules or for cases where the Rules are in conflict with the laws, regulations or provisions of the Articles of Association promulgated or amended after the Rules coming into effect, the laws, regulations and provisions of the Articles of Association shall be adopted during execution.
- Rule 15 The amendments to the Rules are subject to the approval of the shareholders' general meeting of the Company upon the proposal on amendments raised by the board of directors.
- Rule 16 The board of directors of the Company is responsible for the explanation of the Rules.
- Rule 17 The Rules shall come into effect upon the approval of the shareholders' general meeting of the Company.

*In case of any discrepancies between Chinese version and English version, the Chinese version shall prevail.*

## SPECIAL AUDIT REPORT

De Shi Bao (Shen) Zi (14) No. S0070

**Dear all Shareholders of China Molybdenum Co., Ltd.\*,**

We have audited the accompanying Special Basis Balance Sheets as at 31 December 2012 and 30 June 2013, special basis income statement, special basis cash flow statement, special basis statement of changes in owners' equity, notes to the special basis financial statements for the year 2012 and for the period from 1 January to 30 June 2013, and special basis balance sheet on the Acquisition Target on 30 June 2013 (hereafter collectively referred to as the "Special Basis Financial Statements") in relation to the Acquisition of 80% Interest in Northparkes Joint Venture and the Relevant Assets of Northparkes Mines (hereafter referred to as "Northparkes Mines Business") acquired by China Molybdenum Co., Ltd.\*, which were prepared in accordance with the basis of preparation stated in Note 2 to the Special Basis Financial Statements.

### **I. RESPONSIBILITIES OF THE MANAGEMENT ON THE FINANCIAL STATEMENTS**

The management of Northparkes Mines Business is responsible for the preparation and fair presentation of the Special Basis Financial Statements in accordance with the preparation basis set out in Note 2 to the Special Basis Financial Statements. The responsibility includes designing, performing and maintaining necessary internal control in order to make the Special Basis Financial Statements free from material misstatements whether due to frauds or errors.

### **II. RESPONSIBILITIES OF THE CERTIFIED PUBLIC ACCOUNTANTS**

Our responsibility is to express an audit opinion on these Special Basis Financial Statements prepared in accordance with the preparation basis set out in Note 2 to the Special Basis Financial Statements based on the audit work required in the engagement letter entered with China Molybdenum Co., Ltd.\*. We performed our audit in accordance with the PRC Certified Public Accountants Auditing Standards. Those standards require us to comply with China Code of Ethics for ethics of the PRC Certified Public Accountants, and to plan and perform our audit so as to obtain reasonable assurance about whether the Special Basis Financial Statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the Special Basis Financial Statements. The selective audit procedures depend on auditor's judgment, including the evaluation of the risk of material misstatement of the financial statements due to frauds or errors. When evaluating risk, certified public accountants consider internal control related to the preparation and fair presentation of the Special Basis Financial Statements, in order to design auditing procedures, but not for the purpose of expressing an opinion on the internal control's effectiveness. An audit also includes assessing the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Special Basis Financial Statements.

We believe that we have obtained sufficient and appropriate audit evidences to provide a basis for our audit opinion.

### **III. AUDIT OPINIONS**

In our opinion, the Special Basis Financial Statements of the acquired Northparkes Mines Business have been prepared in accordance with the preparation basis set out in Note 2 to the Special Basis Financial Statements, and they fairly present, in all material respects, the special basis financial position of Northparkes Mines Business as at 31 December 2012 and 30 June 2013 in accordance with the preparation basis, and its special basis operation results and cash flows for the year 2012 and for the period from 1 January to 30 June 2013, as well as the special basis financial position of the Acquisition Target as at 30 June 2013.

### **IV. PREPARATION BASIS AND LIMITATIONS TO DESPATCH**

We draw the attention of the readers of financial statement to the explanation to the preparation basis set out in Note 2 to the special basis financial statements. This report is only for the purpose of provision of information on the Issuance of A Share Convertible Corporate Bonds by China Molybdenum Co., Ltd.\* and for no other purpose. The content of this paragraph does not affect the audit opinions expressed.

**Deloitte Touche Tohmatsu Certified Public Accountants LLP**

*PRC Certified Public Accountants*

18 June 2014

In case of any discrepancies between Chinese version and English version the Chinese version shall prevail.

**SPECIAL BASIS BALANCE SHEET ON THE NORTHPARKES MINES BUSINESS**

*31 December 2012 and 30 June 2013*

<b>Assets</b>	<i>Notes</i>	<b>30 June 2013</b>	31 December 2012
		<b>RMB</b>	<b>RMB</b>
<b>Current Assets</b>			
Bank balances and cash	5	<b>38,673,619.59</b>	54,376,429.56
Accounts receivable	6	<b>216,064,691.26</b>	297,516,872.16
Prepayments		<b>14,406,536.06</b>	1,274,119.26
Other receivables		<b>15,799,584.23</b>	16,767,178.73
Inventories	7	<b>114,915,396.23</b>	127,541,305.61
Other current assets	8	<b>3,025,384,448.47</b>	3,004,775,485.53
<b>Total current assets</b>		<b>3,425,244,275.84</b>	3,502,251,390.85
<b>Non-current assets</b>			
Inventories	7	<b>349,880,726.11</b>	402,520,907.00
Fixed assets	9	<b>2,219,508,170.26</b>	2,622,296,546.84
Construction in progress	10	<b>95,011,739.29</b>	114,482,069.79
<b>Total non-current assets</b>		<b>2,664,400,635.66</b>	3,139,299,523.63
<b>Total assets</b>		<b>6,089,644,911.50</b>	6,641,550,914.48



<b>Liabilities and Interests of Shareholders</b>	<i>Notes</i>	<b>30 June 2013 RMB</b>	31 December 2012 <i>RMB</i>
<b>Current liabilities</b>			
Accounts payable	12	<b>155,785,812.40</b>	192,706,236.50
Employee benefits payable	13	<b>35,980,254.23</b>	56,655,276.95
Taxes payable	14	<b>103,836,124.57</b>	190,035,764.99
Other payables	15	<b>29,533,651.04</b>	40,998,207.34
<b>Total current liabilities</b>		<b>325,135,842.24</b>	480,395,485.78
<b>Non-current liabilities</b>			
Projected liabilities	16	<b>402,481,399.66</b>	456,415,869.03
Deferred income tax liabilities	11	<b>79,326,201.12</b>	86,959,755.57
<b>Total non-current liabilities</b>		<b>481,807,600.78</b>	543,375,624.60
<b>Total liabilities</b>		<b>806,943,443.02</b>	1,023,771,110.38
<b>Shareholder's equity</b>		<b>5,282,701,468.48</b>	5,617,779,804.10
<b>Total liabilities and shareholder's equity</b>		<b>6,089,644,911.50</b>	6,641,550,914.48

The accompanying notes form part of the Special Basis Financial Statements.

From Page 32 to Page 80 of Financial Statement were signed by the following:

**Li Chao Chun**  
*Representative*

**Gu Mei Feng**  
*Person in Charge of the  
Accounting Body*

**Zhang Hong Wei**  
*Chief Accountant*

**SPECIAL BASIS BALANCE SHEET ON THE ACQUISITION TARGET**

30 June 2013

30 June 2013

RMB

**Current Assets**

Bank balances and cash	38,673,744.21
Other receivables	475,731.77
Inventories	114,915,396.23

**Total current assets** 154,064,872.21**Non-current assets**

Inventories	349,880,726.11
Fixed assets	2,219,508,170.26
Construction in progress	95,011,739.29

**Total non-current assets** 2,664,400,635.66**Total assets** 2,818,465,507.87**Current liabilities**

Accounts payable	63,302,664.90
Employee benefits payable	29,290,894.71
Other payables	30,643,162.53

**Total current liabilities** 123,236,722.14**Non-current liabilities**

Projected liabilities	402,481,399.66
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**Total non-current liabilities** 402,481,399.66**Total liabilities** 525,718,121.80**Total net assets** 2,292,747,386.07

**SPECIAL BASIS INCOME STATEMENT ON THE NORTHPARKES MINES BUSINESS**

*For the year 2012 and the period from 1 January to 30 June 2013*

	<i>Notes</i>	<b>Period from 1 January to 30 June 2013 RMB</b>	<b>Year 2012 RMB</b>
Operating Revenue	17	<b>1,126,878,654.81</b>	2,841,500,863.66
Less: Operating costs	17	<b>487,895,058.00</b>	1,385,637,943.77
Selling expenses		<b>37,847,753.73</b>	76,578,214.07
Administrative expenses		<b>62,163,225.79</b>	120,275,881.36
Financial expenses	18	<b>(43,062,649.96)</b>	(70,595,439.59)
Operating profit		<b>582,035,267.25</b>	1,329,604,264.05
Non-operating income	19	<b>338,667.02</b>	—
Including: Income from disposal of non-current assets			
		<b>338,667.02</b>	—
Less: Non-operating expenses		—	—
Including: Losses from disposal of non-current assets			
		—	—
Total profit		<b>582,373,934.27</b>	1,329,604,264.05
Less: Income tax expenses	20	<b>176,385,469.02</b>	381,555,700.12
<b>Net profit</b>		<b>405,988,465.25</b>	948,048,563.93

	<b>Period from 1 January to 30 June 2013</b>	Year 2012
<i>Notes</i>	<i>RMB</i>	<i>RMB</i>
Other comprehensive income		
Items to be classified into the profits and losses when meet the prescribed conditions in the future accounting period:		
— Exchange differences arising on translation of financial statements denominated in foreign currencies	<u>(741,066,800.87)</u>	<u>105,954,213.91</u>
<b>Total comprehensive income</b>	<b><u><u>(335,078,335.62)</u></u></b>	<b><u><u>1,054,002,777.84</u></u></b>

The accompanying notes form part of the Special Basis Financial Statements.

**SPECIAL BASIS CASH FLOW STATEMENT ON THE NORTHPARKES MINES  
BUSINESS**

*For the year 2012 and the period from 1 January to 30 June 2013*

	<b>Period from 1 January to 30 June 2013 RMB</b>	<b>Year 2012 RMB</b>
<b>Cash flow from operating activities</b>		
Cash received from sales of goods and provision of services	<b>1,150,749,738.46</b>	3,030,977,730.68
Other cash receipts relating to operating activities	<b>49,528,117.45</b>	92,514,143.64
	<u><b>1,200,277,855.91</b></u>	<u>3,123,491,874.32</u>
Sub-total of cash inflows		
Cash payments for goods purchased and services received	<b>309,083,721.06</b>	951,331,951.36
Cash payments to and on behalf of employees	<b>131,010,440.63</b>	251,896,242.61
Payments of various types of taxes	<b>279,623,064.24</b>	512,157,007.36
	<u><b>719,717,225.93</b></u>	<u>1,715,385,201.33</u>
Sub-total of cash outflows		
<b>Net cash flow from operating activities</b>	<u><b>480,560,629.98</b></u>	<u>1,408,106,672.99</u>

	Period from 1 January to 30 June 2013 RMB	Year 2012 RMB
<b>Cash flows from investing activities</b>		
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	<u>992,259.37</u>	—
Sub-total of cash inflows	<u>992,259.37</u>	—
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	<u>59,469,409.38</u>	402,346,537.52
Other cash payments relating to investing activities	<u>431,519,634.13</u>	993,536,312.80
Sub-total of cash outflows	<u>490,989,043.51</u>	1,395,882,850.32
<b>Net cash flow from investing activities</b>	<u>(489,996,784.14)</u>	(1,395,882,850.32)
<b>Net cash flow from financing activities</b>	—	—
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<u>(6,266,655.81)</u>	1,015,284.85
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(15,702,809.97)</u>	13,239,107.52

	Period from 1 January to 30 June 2013 <i>RMB</i>	Year 2012 <i>RMB</i>
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	<b>405,988,465.25</b>	948,048,563.93
Add: Accounted (reversed) for provision for impairment losses of assets	<b>1,067,811.51</b>	(8,545,843.10)
Depreciation of fixed assets	<b>135,619,511.97</b>	276,462,871.81
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: Income)	<b>(338,667.02)</b>	—
Financial expenses	<b>4,210,758.79</b>	8,382,423.41
Decrease in inventories (Less: Increase)	<b>(3,276,705.54)</b>	22,369,382.23
Decrease in receivables from operating activities (Less: Increase)	<b>31,331,853.49</b>	209,786,933.21
Increase in payables from operating activities (Less: Decrease)	<b>(94,042,398.47)</b>	(48,397,658.50)
	<hr/> <b>480,560,629.98</b>	<hr/> 1,408,106,672.99
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	<b>38,673,619.59</b>	54,376,429.56
Less: Opening balance of cash	<b>54,376,429.56</b>	41,137,322.04
	<hr/> <b>(15,702,809.97)</b>	<hr/> 13,239,107.52

The accompanying notes form part of the Special Basis Financial Statements.

**SPECIAL BASIS STATEMENT OF CHANGES IN OWNERS' EQUITY ON THE  
NORTHPARKES MINES BUSINESS***For the year 2012 and the period from 1 January to 30 June 2013*

	<b>Shareholder's equity</b> <i>RMB</i>
<b>I. The balance of 1 January 2012</b>	4,563,777,026.26
<b>II. Changes for the year</b>	
Net profit	948,048,563.93
Exchange differences arising on translation of financial statements denominated in foreign currencies	<u>105,954,213.91</u>
Total comprehensive income for the year	<u>1,054,002,777.84</u>
<b>III. The balance of 31 December 2012</b>	<u>5,617,779,804.10</u>
<b>I. The balance of 1 January 2013</b>	5,617,779,804.10
<b>II. Changes in the period</b>	
Net profit	405,988,465.25
Exchange differences arising on translation of financial statements denominated in foreign currencies	<u>(741,066,800.87)</u>
Total comprehensive income in the period	<u>(335,078,335.62)</u>
<b>III. The balance of 30 June 2013</b>	<u><u>5,282,701,468.48</u></u>



**NOTES TO THE SPECIAL BASIS FINANCIAL STATEMENTS***For the year of 2012 and the period from 1 January to 30 June 2013***1. INTRODUCTION**

North Mining Limited, controlled by Rio Tinto Limited, is a company incorporated in Australia with limited liability. North Mining Limited owns 80% equity under joint control of Northparkes Joint Venture, an unincorporated joint venture of Northparkes Mine, while the remaining 20% equity is shared by Sumitomo Metal Mining Oceania Pty Ltd (“SMM”) and SC Mineral Resources Pty Ltd (“SCM”) (together referred to as “Sumitomo”). The headquarters of Northparkes Joint Venture is located at the town of Parkes in New South Wales of Australia.

Pursuant to the Northparkes Management Agreement dated 22 July 1993, North Mining Limited (“NML”) is appointed as manager for the mine management of Northparkes Mine, to manage the daily operations of Northparkes Mine. As a joint owner of Northparkes Joint Venture, North Mining Limited has the right to the assets under the joint venture arrangement in respect of Northparkes Mine and the obligation to the liabilities thereunder. Parties of the joint venture agreed to protect the interests of other parties of the joint venture when any one of them breaches the arrangement in a bid to ensure the interests (including their respective shares in the output) of each party.

Northparkes Mine is a high quality copper-gold mine subject to block caving underground operation in Goonumbla, situated 27 kilometres northwest of the town of Parkes in Central West New South Wales, Australia. Northparkes has over 20 years of remaining life since its operation in 1993.

**2. BASIS FOR PREPARATION OF THE SPECIAL BASIS FINANCIAL STATEMENTS**

On 26 July 2013, Rio Tinto Limited reached an agreement with China Molybdenum Co., Ltd., pursuant to which Rio Tinto Limited sold the 80% equity under joint control in Northparkes Joint Venture, an unincorporated joint venture which is owned by North Mining Limited, and the underlying assets in connection with the copper-gold operation of Northparkes Mine that are held by North Mining Limited (hereinafter referred to as “Northparkes Mines Business” or the “Business” or the “Entity”) at the consideration of USD820,000,000 (the final price is subject to the working capital adjustment mechanism on the acquisition date agreed by both parties) to China Molybdenum Co., Ltd.. Pursuant to the Acquisition Agreement, the target assets of acquisition exclude the account receivables attributable to the share of mine outputs from operation of Northparkes Joint Venture taken by Rio Tinto Limited (the vendor), and other assets and liabilities items agreed by both parties including any payables of SCM or SMM for products from the vendor, prepayments and any tax assets and liabilities (“Excluded Assets”). The acquisition was approved at the general meeting of China Molybdenum Co., Ltd. held on 25 November 2013 and assets transfer was completed on 1 December 2013.

The special basis income statement, special basis cash flow statement and special basis statement of changes in owner's equity on Northparkes Mines Business for the year of 2012 and the six months ended 30 June 2013, and the special basis balance sheet of Northparkes Mines Business as at 31 December 2012 and 30 June 2013 together with relevant notes thereto were prepared based on the accounting records of North Mining Limited using the historical results of operations and historical bases of assets and liabilities of the entities and businesses comprising the Northparkes Mines Business. As certain businesses of North Mining Limited do not fall into the scope of operation mentioned above, the financial data of relevant businesses were separated from the accounts and records of North Mining Limited while the revenues, expenses, assets and liabilities included directly in such businesses were recognised under relevant businesses by category respectively. As Northparkes Mines Business does not constitute a separate legal entity, the operation results, financial condition and cash flow may be different when the Northparkes Mines Business constitutes a separate legal entity. The special basis balance sheet of target assets of acquisition as at 30 June 2013 was prepared based on Acquisition Agreement after deducting the book balance of Excluded Assets that are not included in the acquisition as agreed by the vendor and purchaser as at 30 June 2013. The management is of the view that the information of aforementioned Special Basis financial report (together, "Special Basis Financial Report") was properly prepared based on the relevant assumptions in accordance with the preparation purpose of this Special Basis Financial Report.

As Northparkes Mines Business does not constitute a separate legal entity, the net assets of the relevant Businesses have been presented as equity, which is comprised of owner's net investment. The owner's net investment in the relevant Businesses is comprised primarily of: (i) the initial investment to establish the net assets of the Northparkes Mines Business (and any subsequent investments and other adjustments thereto); (ii) the owner's share of accumulated profit or loss of the Northparkes Mines Business; (iii) difference arising from translation of foreign currency statement to Renminbi; and (iv) any other transfers to and from the owner, including any dividends or other distributions to the owner and other cash and non-cash items.

As these Special Basis Financial Statements were prepared for the purpose of issuance of A Share Convertible Corporate Bonds by China Molybdenum Co., Ltd., the management only prepared the special basis balance sheet of Northparkes Mines Business as at 30 June 2013 and 31 December 2012, the special basis income statement, special basis statement of changes in owners' equity and special basis cash flow statement for the period from 1 January to 30 June 2013 and the year 2012 and notes to the Special Basis financial statements without any compared income statement, statement of changes in owners' equity, cash flow statement and relevant notes thereto for the year of 2012 and the period from 1 January to 30 June 2013.

The Special Basis Financial Report was prepared based on the Accounting Standards of Business Enterprises issued by the Ministry of Finance with the earlier adoption of Accounting Standards of Business Enterprises No. 9 - Employee Compensation (revised), Accounting Standards of Business Enterprises No. 30 - Presentation of Financial Statements (revised), Accounting Standards of Business Enterprises No. 39 - Fair Value Measurement, Accounting Standards of Business Enterprises No. 40 - Joint Venture Arrangement and Accounting Standards of Business Enterprises No. 33 - Consolidated Financial Statements (revised) issued by the Ministry of Finance in January and February 2014.

### **3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

#### ***3.1 Basis of Preparation and Principle of Measurement***

The financial accounting of the Entity was prepared on an accrual basis. The financial statements were measured on the historical cost basis. Relevant provision for impairment will be provided in compliance with relevant requirements when assets have any evidence of impairment.

#### ***3.2 Accounting Year***

The Entity has adopted the calendar year as its accounting year, i.e. from January 1 to December 31.

#### ***3.3 Functional currency***

Australian dollar was adopted as the functional currency of the Entity as it is the currency used in the primary economic environment in which the Entity operates. Renminbi was adopted when the financial statements of the Entity were prepared.

#### ***3.4 Joint Arrangement***

Joint Arrangement is an arrangement of which two or more parties have joint control. There are joint operations and joint ventures. The classification of joint arrangements is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

## Joint Operation

Each joint venturer shall account for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation on single basis or agreed proportion in accordance with the joint venture agreement.

### 3.5 *Cash and Cash Equivalents*

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Entity's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3.6 *Transactions and Translation of Financial Statements Denominated in Foreign Currencies*

#### 3.6.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into Renminbi using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

## 3.6.2 Translation of financial statements denominated in foreign currencies

Financial statements denominated in foreign currencies are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for "retained earnings" are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that approximate the actual spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year (period) are presented at the translated amounts in the financial statements of previous year (period).

### 3.7 *Financial Instruments*

Financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, relevant transaction costs are included in their initial recognised amounts.

#### 3.7.1 Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. For a financial instrument which has an active market, the Entity uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, etc.

#### 3.7.2 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Entity estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

#### 3.7.3 Classification, recognition and measurement of financial assets

On initial recognition, financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale ("AFS") financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

*Financial Assets at Fair Value through Profit or Loss (“FVTPL”)*

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if: (1) It has been acquired principally for the purpose of selling in the near term; (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Entity has a recent actual pattern of short-term profit-taking; (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity’s documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (3) The financial asset is allowed to be designated as a hybrid instrument related to an embedded derivative which is measured at fair value through profit or loss according to Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group’s management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Entity include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivable.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

#### 3.7.4 Impairment of financial assets

The Entity assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or borrower;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Entity, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;



- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
- Adverse changes in the payment status of borrower in the group of assets;
  - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.

### 3.7.5 Transfer of financial assets

The Entity derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; (3) although the financial asset has been transferred, the Entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Entity neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Entity's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

#### 3.7.6 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Entity are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; (2) On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and there is objective evidence that the Entity has a recent actual pattern of short-term profit-taking; (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; (2) The financial liability forms part of a Entity of financial liabilities or a Entity of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the Entitying is reported to key management personnel on that basis; (3) The financial asset is allowed to be designated as a hybrid instrument related to an embedded derivative which is measured at fair value through profit or loss according to Accounting Standards of Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognised in profit or loss.

#### *Other financial liabilities*

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities exclude financial guarantee contracts liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

#### 3.7.7 Derecognition of Financial Liabilities

The Entity derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Entity (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Entity derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

### 3.8 *Receivables*

- 3.8.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable	A receivable that exceeds AUD1 million is deemed as an individually significant receivable by the Entity.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the Entity assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Entity includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

- 3.8.2 Basis for determining and method of bad debt provision for individually insignificant receivables but with relatively large risk after combination in line with the credit risk characteristics portfolio

Basis for determining a credit risk characteristics portfolio	The Entity classifies the receivables that are not individually significant and those that are individually significant but are not impaired individually into Group of financial assets according to the similarity and relevance of credit risk characteristics. These credit risks usually reflect the debtors' ability to pay the amounts due at maturity under contractual terms of related assets and are related to the estimation of future cash flows of the assets subject to assessment.
Bad debt provision method for a credit risk characteristics portfolio	When implemented Impairment testing based on a credit risk characteristics portfolio, the amount of the provision for bad debts is based on the structure of a portfolio of receivables and the similar credit risk characteristics, which determined by the historical loss experience, current economic conditions and the existing losses in the expected portfolio of receivables.

3.8.3 Portfolios that aging analysis is used for bad debt provision

*Aging analysis*

<b>Aging</b>	<b>Accounts receivable Proportion (%)</b>	<b>Other receivables Proportion (%)</b>
Within 2 years	—	—
Above 2 years	100	100

**3.9 Inventories**

3.9.1 Categories of inventories

The Entity's inventories mainly include raw materials, work in progress, finished goods, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

3.9.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

3.9.3 Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

#### 3.9.4 Inventory count system

The perpetual inventory system is maintained for stock system.

#### 3.9.5 Amortisation method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortised using the immediate write-off method.

### **3.10 Fixed assets**

#### 3.10.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Entity and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Entity and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

### 3.10.2 Depreciation of each category of fixed assets

A fixed asset is depreciated using the straight-line method and units-of-production basis (based on the expected mining quantity) or over its useful life since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

<b>Category</b>	<b>Depreciation period (years)</b>	<b>Residual value rate (%)</b>	<b>Annual depreciation rate (%)</b>
Buildings and mining structures	mining life	0	Annual mining quantity
Machines and other equipments	3~15	0	6.7~33.3
Mining engineering	mining life	0	Annual mining quantity
Close down and restoration costs	mining life	0	Annual mining quantity

Estimated net residual value of a fixed asset is the estimated amount that the Entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

### 3.10.3 Methods of impairment assessment and determining the provision for impairment losses of fixed assets

The Entity assesses at each balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset Entity to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset Group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

#### 3.10.4 Other explanations

The Entity reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

### **3.11 Construction in progress**

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

The Entity assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset Group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset Group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of construction in progress is recognised, it is not be reversed in any subsequent accounting period.

### **3.12 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred.



Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Entity determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

### **3.13 Provision**

Provision is recognised when the Entity has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

### **3.14 Revenue**

Revenue from sale of goods

Revenue from sale of goods is recognised when the Entity has transferred to the buyer the significant risks and rewards of ownership of the goods; the Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Entity; and the associated costs incurred or to be incurred can be measured reliably.

### 3.15 *Deferred income tax assets/ deferred income tax liabilities*

The income tax expenses include current income tax and deferred income tax.

#### 3.15.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

#### 3.15.2 Deferred income tax assets and deferred income tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred income tax assets and liabilities are recognised using the balance sheet liability method.

Deferred income tax is generally recognised for all temporary differences. Deferred income tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred income tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. On the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

At the balance sheet date, the carrying amount of deferred income tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred income tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Entity has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Entity has a legal right to settle current tax assets and liabilities on a net basis, and deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be reversed, deferred income tax assets and deferred income tax liabilities are offset and presented on a net basis.

### ***3.16 Other significant accounting policies, accounting estimates, and preparation of financial statements***

#### **3.16.1 Employee remuneration**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-cumulative sick leaves are recognised as when the leave is taken and is measured at the amount paid or payable. In an accounting period in which an employee has rendered service to the Entity, the Entity recognises the employee remuneration for that service as a liability, except for compensation for termination of employment relationship with the employees.

#### **3.16.2 Employee benefits**

The employees of the Entity only participate in the defined contribution plan established by the local organization. Benefits under the defined contribution component of the plan are limited to the amounts of contributions made. The employee are entitled to their accumulation account balance upon separation from the employer. The accumulated account balance consist of participant and employer contributions, voluntary employee contributions, any other contributions or rollovers received into the plan relevant to the employee and accrued investment returns on the account balance. Defined contribution pension plan costs related to this plan are included in the income or the relevant assets statement in the period to which the contributions relate.

The liability for long service leave is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to estimated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounting using market yields at the reporting date.

When the Entity terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Entity has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Entity cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

### ***3.17 Critical accounting judgments and key sources of estimation uncertainty in the application of the Entity's accounting policies***

In the application of the Entity's accounting policies, which are described in Note 4, the Entity are required to make judgments, estimates and assumptions about the carrying amounts of reports that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Key sources of estimation and uncertainty in applying accounting policies*

At the balance sheet date, key sources of estimation and uncertainty in applying accounting policies, that may probably lead to significant adjustment on the book value of assets and liability in the future period, are as followed:

**Estimate of mineral reserve**

The estimate of the mineral reserves of the Entity is based on information compiled by relevant industry experts or other similar jurisdictional authoritative guidance. Mineral reserves, and for certain mines, other mineral resources, determined in this way are used in the calculation of depreciation and amortization charges, the assessment of indications of impairments, the assessment of life-of-mine and for forecasting the timing of the payment of close down and restoration and rehabilitation costs.

In assessing the life-of-mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating mineral reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast price of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately result in the reserves being restated.

**Provision for closure and restoration costs**

The Entity is required to have provision for the related closure and restoration costs of the mining areas with mining activities but without restoration, including the expenses of dismantling of infrastructure, the removal of residual materials and restoring the exploited mining areas. This is the general requirement for operations of mining business. Most closure and restoration expenses occur upon the termination of the usage period of related mining operations assets. Although the final expenses remain uncertain, the management utilizes current related standards and technology to conduct feasibility analysis and engineering research, and uses them as the optimal valuation basis for the closure and restoration expenses.

Since the final environmental situation remains uncertain, the expenses may change according to various factors, including changes in local regulations, emergence of new restoration technologies or experience from other operation bases. The expected time for the occurrence of expenses may vary in accordance with the mining reserves, productivity or changes in economic conditions. The expenses may occur before or after the closure. Based on the requirements of special locations, it may last for even longer period, certain expenses may occur continuously. Based on all the factors above, the provision for closure and restoration may have major adjustments in the future, thus may have influence on the future operating results. The costs of closure, restoration and rehabilitation are reviewed regularly by the management of the Entity to verify that it properly reflects the present value of the obligation arising from the current and past mining activities.

#### 4. TAXATION

##### 4.1 *Australia goods and services tax (“GST”)*

The income from providing goods and services in Australia (net of the deductible purchase cost). Goods for export are not subject to GST, and may enjoy an export tax refund of GST.

##### 4.2 *Australia mining royalty*

Royalties on minerals are either charged on a quantum or ad valorem basis. Quantum Royalty: Quantum royalties are levied on a production basis (i.e. a flat rate royalty is charge per unit of mineral recovered). Ad Valorem Royalty: Ad valorem royalties are levied at 4% of the total value of minerals recovered, or the ex-mine value.

##### 4.3 *Income tax*

The joint venture included by the Entity was incorporated in Northparkes, New South Wales, Australia, thus was subject to income tax levied at a rate of 30%.

#### 5. BANK BALANCES AND CASH

	<b>30 June 2013</b>	31 December 2012
	<i>RMB</i>	<i>RMB</i>
Cash	<b>9,695.52</b>	26,413.39
Bank balances	<b>38,663,924.07</b>	54,350,016.17
Total	<b>38,673,619.59</b>	54,376,429.56

## 6. ACCOUNTS RECEIVABLE

Aging analysis of accounts receivable is as follows:

	30 June 2013				31 December 2012			
	Amount	Proportion	Bad debt	Carrying	Amount	Proportion	Bad debt	Carrying
	RMB	%	provision	amount	RMB	%	provision	amount
Within								
1 year	<u>216,064,691.26</u>	<u>100</u>	<u>—</u>	<u>216,064,691.26</u>	<u>297,516,872.16</u>	<u>100</u>	<u>—</u>	<u>297,516,872.16</u>

Disclosure of accounts receivable by categories of customers is as follows:

Category	30 June 2013				31 December 2012			
	Amount	Proportion	Bad debt	Carrying	Amount	Proportion	Bad debt	Carrying
	RMB	%	provision	amount	RMB	%	provision	amount
Accounts that are individually significant	<u>216,064,691.26</u>	<u>100</u>	<u>—</u>	<u>216,064,691.26</u>	<u>294,303,065.09</u>	<u>99</u>	<u>—</u>	<u>294,303,065.09</u>
Accounts that are not individually significant	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,213,807.07</u>	<u>1</u>	<u>—</u>	<u>3,213,807.07</u>
Total	<u>216,064,691.26</u>	<u>100</u>	<u>—</u>	<u>216,064,691.26</u>	<u>297,516,872.16</u>	<u>100</u>	<u>—</u>	<u>297,516,872.16</u>

There is no balance of accounts receivable due from shareholders holding at least 5% (including 5%) of the entity's shares.

Particulars of top three entities with the largest balances of accounts receivable is as follows:

Name of entity	Relationship with the Entity	Amount <i>RMB</i>	Proportion of the amount to the total accounts receivable %
<b>30 June 2013</b>			
Simitomo	Joint operator	185,590,284.70	85.9
Entity 2	Non-related party	11,520,170.48	5.3
Entity 3	Non-related party	18,954,236.08	8.8
Total		<u>216,064,691.26</u>	<u>100.0</u>
<b>31 December 2012</b>			
Simitomo	Joint operator	253,537,576.97	85.2
Entity 2	Non-related party	43,979,295.19	14.8
Total		<u>297,516,872.16</u>	<u>100.0</u>



## 7. INVENTORIES

	30 June 2013			31 December 2012		
	Gross carrying amount RMB	Provision for decline RMB	Carrying in value of inventories amount RMB	Gross carrying amount RMB	Provision for decline RMB	Carrying in value of inventories amount RMB
<b>Current:</b>						
Materials for spare parts	68,121,014.38	8,771,686.59	59,349,327.79	72,012,621.14	8,907,685.72	63,104,935.42
Raw materials	43,249.38	—	43,249.38	25,563.01	—	25,563.01
Work-in-progress	8,784,966.68	—	8,784,966.68	18,153,883.87	—	18,153,883.87
Finished goods	46,737,852.38	—	46,737,852.38	46,256,923.31	—	46,256,923.31
Subtotal	<u>123,687,082.82</u>	<u>8,771,686.59</u>	<u>114,915,396.23</u>	<u>136,448,991.33</u>	<u>8,907,685.72</u>	<u>127,541,305.61</u>
<b>Non-current:</b>						
Raw materials ( <i>Note</i> )	<u>349,880,726.11</u>	<u>—</u>	<u>349,880,726.11</u>	<u>402,520,907.00</u>	<u>—</u>	<u>402,520,907.00</u>
Total	<u><u>473,567,808.93</u></u>	<u><u>8,771,686.59</u></u>	<u><u>464,796,122.34</u></u>	<u><u>538,969,898.33</u></u>	<u><u>8,907,685.72</u></u>	<u><u>530,062,212.61</u></u>

*Note:* They are comprised of a stockpile of sulphide material from mines. The management estimate that the stockpile is not expected to be sold until the scheduled extended shutdown period of the E48 ore body, which is planned to occur during 2024.

Changes in provision for decline in value of inventories are as follows:

	<b>Materials for spare parts</b> RMB
<b>1 January 2012</b>	17,251,616.83
Charge for the current year	—
Reversal for the current year	(8,545,843.10)
Foreign currency exchange differences	<u>201,911.99</u>
<b>31 December 2012</b>	8,907,685.72
Charge for the current period	1,067,811.51
Reversal for the current period	—
Foreign currency exchange differences	<u>(1,203,810.64)</u>
<b>30 June 2013</b>	<u><u>8,771,686.59</u></u>

**8. OTHER CURRENT ASSETS**

	<b>30 June 2013</b>	31 December 2012
	<i>RMB</i>	<i>RMB</i>
Current borrowing of cash pool	<b><u>3,025,384,448.47</u></b>	<b><u>3,004,775,485.53</u></b>

Pursuant to the Cash Management Agreement entered between the Entity and the ultimate controlling party Rio Tinto Limited, Rio Tinto Limited and its subsidiaries set up cash pool for uniform management of operation capital of the entity, which was treated as current borrowing provided by the entity for Rio Tinto Limited. Relevant interest rate decreased by 30 basis points as compared to the same period for a month of the bank, and compounded annually. As at 31 December 2012 and 30 June 2013, the annual interest rates of the above borrowings are 2.82% and 2.52%, respectively.

**9. FIXED ASSETS AND ACCUMULATED DEPRECIATION**

	Land and buildings <i>RMB</i>	Machinery and other equipment <i>RMB</i>	Mining structures <i>RMB</i>	Total <i>RMB</i>
<b>Original amount</b>				
1 January 2012	113,318,948.56	1,638,999,875.43	3,151,809,229.51	4,904,128,053.50
Increase for the current year	—	—	16,444,267.33	16,444,267.33
Transfer from construction for the current year	145,247,135.70	203,214,824.53	193,332,970.70	541,794,930.93
Foreign currency exchange differences	4,623,659.66	35,804,112.87	65,887,815.98	106,315,588.51
31 December 2012	263,189,743.92	1,878,018,812.83	3,427,474,283.52	5,568,682,840.27
Transfer from construction for the current period	47,847,400.89	15,437,686.36	(1,804,578.85)	61,480,508.40
Disposals for the current period	—	(653,592.35)	—	(653,592.35)
Foreign currency exchange differences	(36,673,417.12)	(239,536,780.60)	(435,214,000.54)	(711,424,198.26)
30 June 2013	274,363,727.69	1,653,266,126.24	2,990,455,704.13	4,918,085,558.06
<b>Accumulated depreciation</b>				
1 January 2012	(62,788,998.11)	(1,032,780,692.09)	(1,518,038,448.39)	(2,613,608,138.59)
Provisions for the current year	(5,244,569.44)	(84,637,897.42)	(186,580,404.95)	(276,462,871.81)
Foreign currency exchange differences	(1,330,034.87)	(21,850,349.59)	(33,134,898.57)	(56,315,283.03)
31 December 2012	(69,363,602.42)	(1,139,268,939.10)	(1,737,753,751.91)	(2,946,386,293.43)
Provisions for the current period	(3,140,156.81)	(41,525,552.36)	(90,953,802.80)	(135,619,511.97)
Foreign currency exchange differences	9,023,076.56	147,518,817.79	226,886,523.25	383,428,417.60
30 June 2013	(63,480,682.67)	(1,033,275,673.67)	(1,601,821,031.46)	(2,698,577,387.80)
<b>Net amount</b>				
31 December 2012	193,826,141.50	738,749,873.73	1,689,720,531.61	2,622,296,546.84
30 June 2013	210,883,045.02	619,990,452.57	1,388,634,672.67	2,219,508,170.26
Including: pledged net amount of fixed assets				
31 December 2012	—	—	—	—
30 June 2013	—	—	—	—

Buildings are constructed upon freehold land in Australia.

**10. CONSTRUCTION IN PROGRESS**

	<b>Total</b> <i>RMB</i>
<b>1 January 2012</b>	272,163,466.19
Increase for the current year	381,347,759.53
Fixed assets transferred upon completion for the current year	(541,794,930.94)
Foreign currency exchange differences	2,765,775.01
<b>31 December 2012</b>	114,482,069.79
Increase for the current year	56,192,368.03
Fixed assets transferred upon completion for the current year	(61,480,508.40)
Foreign currency exchange differences	(14,182,190.13)
<b>30 June 2013</b>	95,011,739.29

**11. DEFERRED INCOME TAX LIABILITIES**

The Entity's deferred income tax assets and liabilities are mainly composed of:

Items	Deductible temporary differences		Deferred income tax assets	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision	402,481,399.67	456,415,869.03	120,744,419.89	136,924,760.70
Close down and restoration and rehabilitation costs.	(167,757,768.94)	(203,069,847.75)	(50,327,330.68)	(60,920,954.31)
Employee remunerations payable	35,216,207.39	56,490,611.28	10,564,862.24	16,947,183.40
Provision for decline in value of inventories	8,771,686.59	8,907,685.72	2,631,505.99	2,672,305.73
Others	3,512,197.10	409,262.91	1,053,659.09	122,778.84
<b>Total</b>	<b>282,223,721.81</b>	319,153,581.19	<b>84,667,116.53</b>	95,746,074.36

Items	Tax payable temporary differences		Deferred income tax liabilities	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Accelerated deductible depreciation of fixed assets	<b>484,771,140.39</b>	542,411,450.94	<b>145,431,342.11</b>	162,723,435.29
Accelerated deduction in inventories of spare parts	<b>61,873,251.76</b>	66,452,146.81	<b>18,561,975.54</b>	19,935,644.02
Others	—	155,835.32	—	46,750.62
Total	<b><u>546,644,392.15</u></b>	<u>609,019,433.07</u>	<b><u>163,993,317.65</u></b>	<u>182,705,829.93</u>
		<b>30 June 2013</b>		31 December 2012
		<i>RMB</i>		<i>RMB</i>
Net amount of deferred income tax liabilities		<b><u>79,326,201.12</u></b>		<u>86,959,755.57</u>

Net amount of deferred income tax liabilities above is presented under the item of Deferred income tax liabilities in this special basis financial statements.

## 12. ACCOUNTS PAYABLE

Providers normally allows credit period of 14 days to 60 days. As at 31 December 2012 and 30 June 2013, all the aging analysis of accounts payable shall be within 60 days.

Please refer to Note 21(2)(c) for amount payable to shareholders holding more than 5% (including 5%) interest of the Entity among the balance of accounts payable.

**13. EMPLOYEE REMUNERATIONS PAYABLE**

	<b>30 June 2013</b>	31 December 2012
	<i>RMB</i>	<i>RMB</i>
Bonuses	<b>6,689,359.52</b>	17,921,331.92
Outstanding annual leave	<b>16,231,862.27</b>	21,242,902.51
Outstanding long service leave	<b>12,294,985.60</b>	17,326,376.85
Others	<b>764,046.84</b>	164,665.67
	<hr/>	<hr/>
Total	<b>35,980,254.23</b>	56,655,276.95
	<hr/> <hr/>	<hr/> <hr/>

**14. TAXES PAYABLE**

	<b>30 June 2013</b>	31 December 2012
	<i>RMB</i>	<i>RMB</i>
Enterprise income tax payable	<b>98,765,546.76</b>	176,138,324.06
Mining royalty payable	<b>15,349,597.30</b>	21,191,826.10
Goods and services tax payable	<b>(5,017,242.83)</b>	(9,172,758.44)
Staff welfare tax payable	<b>(64,857.76)</b>	867,523.36
Individual income tax payable	<b>(5,196,918.90)</b>	1,010,849.91
	<hr/>	<hr/>
Total	<b>103,836,124.57</b>	190,035,764.99
	<hr/> <hr/>	<hr/> <hr/>

**15. OTHER PAYABLES**

	<b>30 June 2013</b>	31 December 2012
	<i>RMB</i>	<i>RMB</i>
Energy and power fees	<b>16,875,544.25</b>	9,410,279.47
Construction expenses payable	<b>6,708,857.95</b>	11,184,221.62
Others	<b>5,949,248.84</b>	20,403,706.25
	<hr/>	<hr/>
Total	<b>29,533,651.04</b>	40,998,207.34
	<hr/> <hr/>	<hr/> <hr/>

There were no payables to shareholders holding more than 5% (including 5%) interests of the Entity among other payables.

**16. PROVISION**

	<b>30 June 2013</b>	31 December 2012
	<i>RMB</i>	<i>RMB</i>
Close down and restoration cost ( <i>Note</i> )	<b>396,445,763.43</b>	449,629,708.05
Outstanding Long service leave	<b>6,035,636.23</b>	6,786,160.98
<b>Total</b>	<b>402,481,399.66</b>	456,415,869.03

*Note:* The Entity has the contingent liability in respect of any requirement for rehabilitation in the event that the mine closes down and restoration provision representing the discounted, present value of the total estimated costs in order to restore and rehabilitate the mine site at the end of its planned operating life. As at 31 December 2012 and 30 June 2013, the total undiscounted liabilities amounted to approximately RMB525,166,000 and RMB458,462,000 respectively while the area disturbed by construction but not yet restored was estimated to be 662.62 hectares.

**17. OPERATING REVENUE AND COSTS****(1) Operating revenue**

	Period from 1 January to 30 June 2013		For the year 2012	
	Revenue	Costs	Revenue	Costs
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Principal operating revenue	<b>1,116,209,890.52</b>	<b>487,895,058.00</b>	2,818,185,977.87	1,385,637,943.77
Other operating revenue	<b>10,668,764.29</b>	—	23,314,885.79	—
<b>Total</b>	<b>1,126,878,654.81</b>	<b>487,895,058.00</b>	2,841,500,863.66	1,385,637,943.77

(2) *Principal operating activities (by regions)*

	Period from 1 January to 30 June 2013		For the year 2012	
	Revenue	Costs	Revenue	Costs
	RMB	RMB	RMB	RMB
Japan	752,147,284.16	328,763,385.79	1,665,481,778.14	818,879,507.84
China	364,062,606.36	159,131,672.21	704,682,986.22	346,476,595.81
Others	—	—	448,021,213.51	220,281,840.12
Total	<u>1,116,209,890.52</u>	<u>487,895,058.00</u>	<u>2,818,185,977.87</u>	<u>1,385,637,943.77</u>

For the year 2012 and period from 1 January to 30 June 2013, the total revenue contributed by the top five clients represented 100% of the operating revenue.

## 18. FINANCIAL EXPENSES

	Period from 1 January	For the year 2012
	to 30 June 2013	
	RMB	RMB
Interest income	(40,105,957.57)	(84,476,393.02)
Exchanges (gain) loss	(7,484,782.87)	4,890,589.45
Charges	317,331.69	607,940.57
Interest expenses	4,210,758.79	8,382,423.41
	<u>(43,062,649.96)</u>	<u>(70,595,439.59)</u>



**19. NON-OPERATING INCOME**

	Period from 1 January to 30 June 2013 RMB	For the year 2012 RMB
Gains on disposal of fixed assets	<u><u>338,667.02</u></u>	<u><u>—</u></u>

**20. INCOME TAX EXPENSES**

	Period from 1 January to 30 June 2013 RMB	For the year 2012 RMB
— Income tax expenses for the current period	171,234,033.84	391,378,320.13
— Deferred income tax expenses	3,659,708.17	(1,419,748.72)
— Settlement difference in income tax for the previous years	<u>1,491,727.01</u>	<u>(8,402,871.29)</u>
Total	<u><u>176,385,469.02</u></u>	<u><u>381,555,700.12</u></u>

Reconciliation of income tax expenses to the accounting profit is as follows:

	Period from 1 January to 30 June 2013 RMB	For the year 2012 RMB
Accounting profit	582,373,934.27	1,329,604,264.05
Income tax expenses calculated at 30%	174,712,180.28	398,881,279.22
Tax effect of R&D expenses and deductible expenses arising from additional investments	—	(9,184,841.02)
Settlement difference in income tax for the previous years	1,491,727.01	(8,402,871.29)
Effect of expenses that are not deductible for tax purposes	<u>181,561.73</u>	<u>262,133.21</u>
Income tax expenses	<u><u>176,385,469.02</u></u>	<u><u>381,555,700.12</u></u>

## 21. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) *The related parties which have controlling relationship with the Entity included:*

Name of related party	Places of registration	Principal activities	Relationship between related party and the Entity
Rio Tinto Limited	United Kingdom	Investment holding	Ultimate holding company
North Mining Limited	Australia	Mineral exploration and extraction	Management party of the joint venture and party with direct control

(2) *The following material related transactions between the Entity and the aforementioned related party were taken place during the financial reporting period:*

(a) Receipt of management fees

	Period from 1 January to 30 June 2013 RMB	For the year 2012 RMB
North Mining Limited	<u>4,724,296.42</u>	<u>9,841,970.25</u>

Pricing of the aforementioned related party transaction was subject to the agreement between transaction parties.

(b) Financing

	30 June 2013 RMB	31 December 2012 RMB
Loans provided for Rio Tinto Limited	<u>3,025,384,448.47</u>	<u>3,004,775,485.53</u>

The annual interest rates of the aforementioned loans were 2.52% to 2.82%. Details refer to Note 8.

The interests of entrusted loans that the Entity received from Rio Tinto Limited during the financial reporting period are as follows:

	<b>Period from 1 January to 30 June 2013</b>	For the year 2012
	<i>RMB</i>	<i>RMB</i>
Interest income	<b>39,591,280.10</b>	83,356,183.17

(c) The outstanding receivables and payables with the related parties

		<b>30 June 2013</b>	31 December 2012
		<i>RMB</i>	<i>RMB</i>
Other receivable	Rio Tinto Limited	<b>12,530,337.86</b>	14,692,560.19
Other current assets	Rio Tinto Limited	<b>3,025,384,448.47</b>	3,004,775,485.53
Accounts payable	Rio Tinto Limited	<b>9,499,409.20</b>	15,199,463.00

(d) Remuneration for key management personnel

	<b>Period from 1 January to 30 June 2013</b>	For the year 2012
	<i>RMB'000</i>	<i>RMB'000</i>
Salary and bonuses	<b>14,862</b>	23,775
Retirement benefits and long-term performance incentive	<b>869</b>	2,039
Subtotal	<b>15,731</b>	25,814

## 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The major financial instruments of the Entity include accounts receivable and accounts payable. Details of these financial instruments are disclosed in relevant notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Entity manages and monitors these exposures to ensure the risks are monitored at a certain level.

### 1. *Risk management objectives and policies*

The Entity's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Entity's operation performance, and maximise the benefits of the investors. Based on these risk management objectives, the Entity's basic risk management strategy is to identify and analyse the Entity's exposure to various risks, establish an appropriate bottom line to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored within a certain range.

#### 1.1 Market risk

##### 1.1.1 *Currency risk*

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Entity adopts RMB for relevant business when drafting the simulated financial report. The Business has its most business denominated in USD, while the Business has its most costs and assets denominated in RMB. Therefore, the Business's significant exposure to exchange rate changes is mainly sales transactions and receivables denominated in USD. As at 31 December 2012 and 30 June 2013, the receivables denominated in USD of the Business were RMB236,514,048.73 and RMB134,268,957.28. The management closely monitor the effects of changes in the foreign exchange rates on the Business's currency risk exposures and currently do not take any measures to hedge currency risk exposures.

The following explains in details the Business's sensitivity to a 10% change in RMB against USD. The 10% is the rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Business's exposure to foreign currency risk at the reporting date has been determined based on the change taking place on the date of settlement and held constant throughout the reporting period. Assuming that if USD increased/decreased by 10% against RMB, as at 31 December 2012 and 30 June 2013, the effect on profit before profit tax would increase/decrease by RMB21,501,000 and increase/decrease by RMB12,206,000, respectively.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk during the year/period exposure does not reflect the exposure during the year.

#### *1.1.2 Interest rate risk*

The interest rate risk that the Entity faced related primarily to bank borrowings and related company receivables. As at 30 June 2013 and 31 December 2012, the variable rates related company receivables amounted to RMB3,025,384,448.47 and RMB3,004,775,485.53 respectively.

Regarding variable-rate borrowings, assuming that the uncollected borrowings are not collected as the year at the balance sheet date, if the borrowing rate of RMB increases or decreases respectively by 50 basis points and other variables remain unchanged, the Entity's profit before tax will increase or decrease by RMB15,024,000 for the year 2012 and the Entity's profit before tax will increase or decrease by RMB15,127,000 from January to June 2013.

## 1.2 Credit risk

On the balance sheet date, the Entity's maximum exposure to credit risk which will cause a financial loss to the Entity due to failure to perform an obligation by the counterparties, which mainly includes:

- The carrying amount of the respective recognised financial assets as stated in the balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.
- Guarantees provided to external parties are disclosed in Note 23 of "Contingency".

The major transaction targets of the Entity are the clients with long-term contractual relationship. For the year ended 31 December 2012 and as at 30 June 2013, the entire accounts receivables of the Entity were mainly from two and three clients. Specially-assigned staff of the Entity is responsible for setting credit limits and credit approval, and executing other regulatory procedures to ensure adopting necessary measurements to recover overdue credits. Moreover, the Entity at every balance sheet date reviews the recovery condition of every individual receivable to ensure assessing adequate bad debt provision for irrecoverable debt. Therefore, in the opinion of the Entity's management, the Entity's exposure to credit risk is substantially reduced.

The Entity's credit risk on liquid fund is limited because it is deposited with banks with high credit ratings.

The Entity adopts necessary policies to ensure all the sales clients are entitled with good credit standing.

## 1.3 Liquidity risk

In the management of the liquidity risk, the aims of the Entity are to continuously obtain capital and to maintain balance through the flexibility provided by interest-bearing loans. The Entity monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Entity's operations and mitigate the effects of fluctuations in cash flows. As at each balance sheet date, the Entity's liquid assets are mainly bank balances and cash and receivables from related companies. The management of the Entity monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

## 2. *Fair value*

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities containing standard terms and conditions and being traded in an active market is accessed with reference to the current bid price and current ask price of the corresponding active market respectively;
- The fair value of other financial assets and financial liabilities (derivatives not included) is accessed by the general pricing model on the basis of discounted future cash flow analysis or by adopting observable current market transaction price.

## 23. CONTINGENCY

### *Guarantees*

The Entity provides guarantees to various government agencies of New South Wales, Australia through certain banks in relation to the operation of the business. The guarantees amounted to RMB83,817,000 as at 30 June 2013. The Entity agreed with the enforcement of the guarantees arising from any obligations in relation to the business operated by the Entity. As at 31 December 2012 and 30 June 2013, no significant obligations for the guarantees were happened.

### *General claims*

The Entity has various lawsuits, claims and proceedings being instituted or asserted against the Entity in the ordinary course of business. In such cases, the ultimate liability cannot always presently be determined because of considerable uncertainties that may exist. Therefore, it is possible that future results of operations, financial position or cash flows could be affected by the resolution of certain contingencies. However, based on facts currently available, as at 31 December 2012 and 30 June 2013, the management believes that the matter will not have a material adverse effect on the results of operations, financial position or cash flows of the Entity.

**24. CAPITAL COMMITMENTS**

	<b>30 June 2013</b>	31 December 2012
	<i>RMB</i>	<i>RMB</i>
Capital commitments that have been entered into but have not been recognised in the financial statements:		
— Commitment for acquisition and construction of long-term assets	<b>26,676,000</b>	12,778,000

**25. LEASING COMMITMENTS**

As at 30 June 2013 and 31 December 2012, the irrevocable operating leasing contracts entered into externally by the Entity are as follows:

	<b>30 June 2013</b>	31 December 2012
	<i>RMB</i>	<i>RMB</i>
— Within the first year after the balance sheet date	<b>477,121</b>	546,539
— The second to the fifth year after the balance sheet date	<b>238,561</b>	546,539
Total	<b>715,682</b>	1,093,078

**26. ACQUISITION**

On 26 July 2013, Rio Tinto Limited entered into an agreement with China Molybdenum Co., Ltd. to dispose of the related assets of Northparkes Mines to China Molybdenum Co., Ltd. at a consideration of USD820,000,000 (the final price was subject to the working capital adjustment mechanism of the acquisition date). According to the acquisition agreement, acquisition of the target assets shall not include the Excluded Assets agreed by the parties. The acquisition was approved by the general meeting of China Molybdenum Co., Ltd. on 25 November 2013 and completed on 1 December 2013.

\* The end of Special Basis Financial Report \*



*In case of any discrepancies between Chinese version and English version, the Chinese version shall prevail.*

**Assets Valuation Report**  
ON  
**the 80% Interest in Northparkes Joint Venture and Relevant Rights and Assets Involved in the  
Proposed Issuance of Convertible Corporate Bonds by China Molybdenum Co., Ltd.**

GSH PB Zi (2014) No. 204A  
(Volume 1 of 1)

**Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd.**  
27 August 2014

**Statements of Certified Public Valuers (CPVs)**

The Assets Valuation Report (the “Report”) was prepared by the valuers on the basis of necessary program such as careful verification, assessment and estimation of all the assets included in the scope of valuation. The statements on the Report are hereby made as follows:

In carrying out the asset valuation, CPVs have complied with relevant laws and regulations as well as the asset valuation standards, and adhered to the principles of independence, objectivity and equity. According to the information collected during the valuation, the contents of the Report are objective and bear corresponding legal responsibilities for the reasonableness of the valuation conclusions.

The asset lists related to the valuation object were prepared and confirmed with signatures or official chops affixed thereon by the client, the entities appraised (or the property owners). The client and related parties are responsible for the authenticity, legality and integrity of the information provided and the proper use of the Report.

CPVs have no existing or expected interest relationship with the valuation object herein. Neither do CPVs have any existing or expected interest relationship with the client and related parties. There is no prejudice against the client and related parties.

CPVs and other valuers carried out field investigations of the valuation target and its assets involved contained in the Report. CPVs paid necessary attention to the legal ownership situation of the valuation object and its assets involved, inspected the legal ownership information thereof, and made truthful disclosure of the defects that had been found, but no guarantee can be given as to the authenticity of the valuation object’s legal ownership.

The analysis, judgments and conclusions of the Report are subject to assumptions and restrictive conditions. The users of the Report should fully consider the assumptions, restrictive conditions and special instructions set out herein as well as their impacts on the valuation conclusions.

**Assets Valuation Report**

ON

**the 80% Interest in Northparkes Joint Venture and Relevant Rights and Assets Involved in the  
Proposed Issuance of Convertible Corporate Bonds by China Molybdenum Co., Ltd.****Summary**

GSH PB Zi (2014) No. 204A

**Important Notice****The contents of the summary are excerpts from the text of the Report. Please read the text of the Report carefully for details of the valuation and reasonable understanding of the conclusion.**

Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd. has accepted the commission of China Molybdenum Co., Ltd. to appraise the 80% equity interest in Northparkes Joint Venture and related rights and assets with respect to the issuance of convertible corporate bonds based on the principles of independence, objectivity and equity and in accordance with relevant national laws, regulations and the asset valuation standards.

The valuation target is the 80% equity interest in Northparkes Joint Venture and related rights and assets acquired by CMOC Mining Pty Limited, a subsidiary of China Molybdenum Co., Ltd.. The scope of valuation is all the assets and liabilities of Northparkes Joint Venture, related rights and other parts of assets, and the specific scope is subject to the valuation declaration form. The type of value subject to valuation is the market value and the reference day of the valuation is 30 November 2013.

The valuers have performed necessary valuation programs on the assumptions of sustained use of assets and open market, and made the assessment and estimation with the asset-based valuation approach and the income approach, and the conclusion of valuation with the asset-based valuation approach is adopted as the final conclusion of the Report.

As at the reference day (30 November 2013), the valuation conclusions of the 80% equity interest in Northparkes Joint Venture and related rights and assets acquired by CMOC Mining Pty Limited, a subsidiary of China Molybdenum Co., Ltd., is: AUD983.8627 million (RMB5,474.6056 million).

## SUMMARY OF ASSETS VALUATION CONCLUSIONS

No.	Item	Book Value	Appraisal Value		Growth	Rate
		AUD (0' 000)	AUD (0' 000)	RMB (0' 000)	AUD (0' 000)	100%
1	Value of part of properties owned by North Mining Limited	2,476.98	3,904.82	21,727.98	1,427.84	57.64
2	Value of the 80% interest in Northparkes Joint Venture	38,543.38	94,481.45	525,732.58	55,938.07	145.13
2.1	In which: Value of the 80% interest in Northparkes Joint Venture (excluding mining rights)	38,543.38	48,428.08	269,473.21	9,884.70	25.65
2.2	Value of the 80% mining rights in Northparkes Joint Venture	—	46,053.37	256,259.37	46,053.37	—
3	Total:	<u>41,020.36</u>	<u>98,386.27</u>	<u>547,460.56</u>	<u>57,365.91</u>	<u>139.85</u>

The exchange rate referred in the Report is the central parity rate released by the State Administration of Foreign Exchange of the PRC on 30 November 2013, i.e. the exchange rate of Australian dollar against RMB is 1:5.5644.

The users of the valuation report should fully consider the prescribed assumption limited conditions and the influence on the valuation conclusion.

The effective period for the valuation conclusion of the Report shall be one year from the reference day, i.e. 30 November 2013 to 29 November 2014.

The date of the Report is 27 August 2014.

The contents above are all excerpts from the text of the Report. Please read the text of the Report carefully for details of the valuation and reasonable understanding of the conclusion.

**Assets Valuation Report**

ON

**the 80% Interest in Northparkes Joint Venture and Relevant Rights and Assets Involved in the  
Proposed Issuance of Convertible Corporate Bonds by China Molybdenum Co., Ltd.****Assets Valuation Report**  
GSH PB Zi (2014) No.204A

To China Molybdenum Co., Ltd.:

Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd. has accepted your commission to appraise the market value of the 80% equity interest in Northparkes Joint Venture and related rights and assets as at 30 November 2013 involved in the proposed issuance of convertible corporate bonds by China Molybdenum Co., Ltd., based on necessary valuation program, by using the asset-based valuation approach and income approach, in accordance with relevant national laws, regulations, and the asset valuation standards. The valuation of assets is hereby reported as follows:

**I. CLIENT, ENTITIES APPRAISED AND USERS OF THE REPORT**

The client of the valuation is China Molybdenum Co., Ltd.; the entities appraised are Northparkes Joint Venture and North Mining Limited; and the users of the Report are the Client and other users stipulated by national laws and regulations.

**(I) Overview of the Client**

Name of enterprise:	China Molybdenum Co., Ltd. (referred to "CMOC")
Registered address:	North of Yihe, Huameishan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province
Legal representative:	Li Chaochun
Registered capital:	RMB 1,015,234,105
Paid-up capital:	RMB 1,015,234,105

Type of company:	joint stock limited company (joint venture with listing status in Taiwan, Hong Kong and Macau)
Scope of operation	mining and processing, smelting and deep processing of tungsten and molybdenum series of products; exportation of tungsten and aluminum series of products, chemicals (excluding hazardous chemicals, inflammable and explosive materials, easily-made drugs); importation of raw and auxiliary materials required for production, mechanical equipment, instrument and spare parts (the above import and export items are operated with qualification certificates); accommodation, catering (limited to branches with qualifications)
Shareholders (promoters):	Cathay Fortune Corporation, public shareholders (H share) Luoyang Mining Group Co., Ltd., public shareholders (A share)

## (II) Overview of the entities appraised

### *First entity appraised: North Mining Limited (hereinafter referred to as “NML”)*

NML is a limited liability company with registered address at Building No.17, Albert Street 123, Brisbane, Queensland, Australia. Its substantial shareholder is Rio Tinto Limited who holds 100% equity interest in NML.

Rio Tinto Limited and its subsidiaries have been a leading international mining group whose principal businesses include the exploration, mining and processing of mineral resources, with its main products such as aluminum, copper, diamonds, coal for heating and metallurgical industry, uranium, gold, industrial minerals (borax, titanium pigment and salt) and iron ores.

### *Second entity appraised: Northparkes Joint Venture (hereinafter referred to as “NJV”)*

NJV is an unincorporated joint venture founded in 1993, with 80% of its equity interest held by NML, 13.3% of its equity interest held by Sumitomo Metal Mining Oceania Pty Limited (hereinafter referred to as “SMM”), and 6.7% of its equity interest held by SC Mineral Resources Pty Limited (hereinafter referred to as “SCM”). NJV is not a legal person.

According to the Management Agreement signed among NML, SMM and SCM on 22 July 1993, NML, as the management company of NJV, is responsible for the daily management of NJV and the sale of its products.

The copper/gold mine in Northparkes of NJV is located at 27 kilometers northwest of Parkes, Central West New South Wales, Australia. The deposits were mined since 1993, with a remaining mine life of more than 20 years. It is one of the four major copper mines of Australia in 2012. It adopts the block caving underground mining method. In 2012, the copper/gold mine produced 5.65 million tons of ores, 54,000 tons of copper and 72,000 ounces of gold.

NML and its affiliated party have obtained three exploration licences and three mining licences for the mining right of Northparkes copper/gold mines, with specific conditions of licences as follows:

<b>License Number</b>	<b>Expiry Date</b>	<b>Status</b>	<b>Type</b>	<b>Area (Hectare)</b>
EL 5323	17 July 2013	Pending renewal	Exploration	21,840
EL 5800	8 January 2015	Authorized	Exploration	–
EL 5801	7 January 2014	Authorized	Exploration	49,550
ML 1247	26 November 2033	Authorized	Mining	1,629.6
ML 1367	26 November 2029	Authorized	Mining	826.2
ML 1641	25 March 2031	Authorized	Mining	24.42

CMOC Mining Pty Limited (“CMOC”) has completed the renewal of exploration licenses & mining licenses and the change of holders after the reference day of asset valuation. For the information after the change, please refer to Part (IV), Section 11 of the Report — Major events subsequent to the reference day.

### **(III) The relationship between the client and the entities appraised**

China Molybdenum Co., Ltd. and CMOC Mining Pty Limited signed the Asset Purchase Agreement with North Mining Limited on 26 July 2013.

The client’s subsidiary CMOC Mining Pty Limited was entrusted to acquire 80% equity interest in Northparkes Joint Venture and certain relevant property assets owned by North Mining Limited.

## II. PURPOSE OF VALUATION

The purpose of valuation is to appraise the 80% equity interest in Northparkes Joint Venture and related rights and assets acquired by CMOC Mining Pty Limited, a subsidiary of China Molybdenum Co., Ltd., and to provide the market value as at the reference day to be used for the issuance of A-share convertible corporate bonds by China Molybdenum Co., Ltd.

The funds to be raised by the proposed issuance of convertible corporate bonds will be used to acquire 80% equity interest in Northparkes Joint Venture as well as related rights and assets.

## III. TARGET AND SCOPE OF VALUATION

### (I) Target and Scope of Valuation

The valuation object is the 80% equity interest in Northparkes Joint Venture and related rights and assets acquired by CMOC Mining Pty Limited, a subsidiary of China Molybdenum Co., Ltd., the Client. The scope of valuation is all the assets and liabilities of Northparkes Joint Venture, related rights and other parts of assets, and the specific scope is subject to the valuation declaration form.

According to the Financial Statements and Special Audit Report of CMOC Mining Pty Ltd for the Period from 25 July 2013 (incorporation date) to 31 December 2013 [De Shi (Shen) Zi (14) No.S0159] issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the book values of the assets included in the scope of valuation are as follows:

			<i>Unit: RMB</i>
Total assets:	Book Value RMB		2,639,207,334.34
Including: Current assets	Book Value RMB		159,329,820.20
Non-current assets	Book Value RMB		2,479,877,514.14
Including: Fixed assets	Book Value RMB		1,989,560,133.50
Construction			
in progress	Book Value RMB		146,215,732.38
Long-term			
inventories	Book Value RMB		344,101,648.26
Total Liabilities:	Book Value RMB		337,205,691.00
Including: Current liabilities	Book Value RMB		116,966,913.67
Non-current liabilities	Book Value RMB		220,238,777.33
Net asset:	Book Value RMB		2,302,001,643.34

The object and scope of valuation are consistent with those commissioned by the Client.



**(II) Individual assets or combination of assets that have significant effects on the valuation conclusions**

Roadway affiliated facilities and intangible assets of mining right in E48 and E26 mine areas have great effects on valuation conclusions.

**(III) Intangible assets**

Intangible assets in valuation are the mining rights and exploration right. As at the reference day of the valuation, the book value of intangible assets is 0. The details of mining rights and exploration right as at the reference day of the valuation are as follows:

<b>License Number</b>	<b>Expiry Date</b>	<b>Status</b>	<b>Type</b>	<b>Area (hectare)</b>
EL 5323	17 July 2013	Pending renewal	Exploration	21,840
EL 5800	8 January 2015	Authorized	Exploration	—
EL 5801	7 January 2014	Authorized	Exploration	49,550
ML 1247	26 November 2033	Authorized	Mining	1,629.6
ML 1367	26 November 2029	Authorized	Mining	826.2
ML 1641	25 March 2031	Authorized	Mining	24.42

CMOC Mining Pty Limited (“CMOC”) has completed the renewal of exploration licenses & mining licenses and the change of holders after the reference day of asset valuation. For the information after the change, please refer to Part (IV), Section 11 of the Report — Major events subsequent to the reference day.

**(IV) Summary of the assets included in the mining right valuation conclusions**

The assets included in the scope of valuation are 3 mining rights and 3 exploration rights. Please refer to the table above for more information.

The mining rights and exploration rights included in the valuation scope were appraised by Beijing Golden Standard & Headmen Asset Appraisal and Advisory Co., Ltd. on the same reference day with the same valuation approaches. See the document titled Mining Rights Valuation Report GSH KPB Zi (2014) No. 33 issued by Beijing Golden Standard & Headmen Asset Appraisal and Advisory Co., Ltd. on 26 August 2014 for details of mining rights valuation.

**IV. TYPES OF VALUE AND DEFINITIONS**

Based on relevant conditions such as economic activities and valuation purpose, the type of value for the valuation is market value, i.e. the estimated value of normal and equitable transaction of the valuation object as at the reference day in the circumstance that the voluntary buyers and sellers act reasonably and are not forced.

**V. REFERENCE DAY**

The reference day of the valuation is 30 November 2013.

The reference day is determined by the client, mainly considering factors such as accounting period end and so on.

**VI. VALUE BASIS****(I) Basis of economic activities**

1. On 25 November 2013, resolution of the 2013 first EGM of China Molybdenum of Co., Ltd.
2. On 25 November, the resolutions of 2013 second class meeting of A shareholders and the resolutions of 2013 second class meeting of H shareholders of China Molybdenum Co., Ltd.

**(II) Basis of Laws and Regulations**

1. The Measures for Overseas Investment Management (Order of the Ministry of Commerce of the People's Republic of China in 2009 No. 5)
2. The Regulations on the Foreign Exchange System of the People's Republic of China (Order of the State Council No.532);
3. The Company Law of the People's Republic of China (the third amendment at the 6th session of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on 28 December 2013);
4. The Securities Law of the People's Republic of China (adopted by the eighteenth Session of the Tenth National People's Congress Standing Committee on 27 October 2005)
5. The Law of State-owned Asset of the People's Republic of China (Order of the chairman in 2008 No. 5)
6. The Administrative Measures for Valuation of State-owned Asset (Order of the State Council No. 91, 1991);
7. The Detailed Rules for Implementation of the Administrative Measures for Valuation of State-owned Asset (Guo Zi Ban Fa[1992] No. 36);
8. The Tentative Measures for the Supervision and Administration of State-Owned Asset of Enterprises (Order of the State Council 378, 2003);

9. The Tentative Measures for the Administration of the Transfer of State-Owned Asset and Equity in Enterprises (Order of the State-owned Asset Supervision and Administration Commission of the State Council and the Ministry of Finance No. 3, 2003);
10. The Interim Administrative Measures on the Valuation of the State-owned Asset of Central Cultural Enterprises (Order of the State-owned Asset Supervision and Administration Commission of the State Council No. 12, 2005);
11. Circular on Strengthening the Administration of the Appraisal of State-owned Asset of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
12. The Foreign Acquisition and Takeovers Act of 1975, FATA;
13. The Environmental Protection and Management Act of 1997, New South Wales;
14. The Mining Act of 1992, New South Wales;
15. The Real Property Act of 1900, New South Wales;
16. Australia Goods and Services Tax (Implemented on 1 July 2000);
17. Australia Income Tax Assessment Act;
18. Other laws, regulations and rules relevant to valuation.

### **(III) Basis of valuation principles**

1. Asset Valuation Standards — Basic Standards (Cai Qi of the Ministry of Finance No. 20, 2004);
2. Standards of Professional Ethics for Asset Valuation — Basic Standards (Cai Qi of the Ministry of Finance No. 20, 2004);
3. Asset Valuation Standards — Valuation Report (Zhong Ping Xie [2011] No. 230);
4. Asset Valuation Standards — Valuation Procedures (Zhong Ping Xie [2007] No. 189);
5. The Guidelines for Business Quality Control of Assessment Valuer (Zhong Ping Xie [2010] No. 214)
6. The Guidelines for the State-owned Asset Valuation Reports of Enterprises (Zhong Ping Xie [2011] No. 230)

7. The Guiding Opinions on Attention of Certified Public Valuers on Legal Ownership of Valuation object (Zhong Zhu Xie Hui Xie[2003] No. 18);
8. Asset Valuation Standards — Enterprise Value (Zhong Ping Xie[2011] No.227);
9. The Guiding Opinions on Types of Value in Asset Valuation (Zhong Ping Xie[2007] No.189);
10. Accounting Standards for Business Enterprises — Basic Standards (Order of the Ministry of Finance No. 33);
11. 38 specific standards such as Accounting Standards for Business Enterprises No.1 — Inventories(Cai Kuai of the Ministry of Finance [2006] No.3);
12. Accounting Standards for Business Enterprises -Application Guidance(Cai Kuai of the Ministry of Finance [2006] No.18);
13. The Valuation Standards of Mining Rights of the People’s Republic of China;
14. The Directive Opinions on Determining Mining Right Valuation Parameters (CMVS30800-2008)

**(IV) Basis of ownership of asset**

1. Housing and Land Registration Certificate;
2. New South Wales Trading & Investing — Ministry of Resources and Energy Mineral Exploiting Right Certificate 1247, 1367, 1641 and Mineral Prospecting Right Certificate 5323, 5800, 5801 and all other Mineral Right Certificate Situation;
3. Motor Vehicle License;
4. Invoices for acquisition of material asset;
5. Asset Law Opinion Letter issued by King & Wood Mallesons;
6. Other documentary evidence of ownership of asset.

**(V) Basis for price selection in the valuation**

1. The middle price of RMB foreign exchange quotation of the State Administration of Foreign Exchange of the People’s Republic of China on 30 November 2013 (Since 30 November 2013 is Saturday, this valuation will use the exchange quotation on 29 November 2013);

2. Australia Commodity Price Indices;
3. Australia Building Price Indices;
4. Yahoo finance;
5. <http://www.miningfeeds.com/copper-mining-report-all-countries>;
6. The list of asset and other information provided by the entities appraised;
7. Competent Person Report issued by Runge Pincock Minarco, provided by the entities appraised (Northparkes Copper/gold Ore in the Midwest of New South Wales in Australia )(8 November 2013);
8. Feasibility Research Instruction for Expansion Project of Copper/gold Ore in the Midwest of New South Wales in Australia published by Architectural Design Research Institute of Xi'an University of Architecture and Technology, provided by the entities appraised (2014-32);
9. The information of financial accounting and operation provided by the entities appraised;
10. The market information, and the information of industrial economy and macro-economy collected by the valuers;
11. Relevant materials acquired by the valuers through onsite survey and investigation;
12. The terminal of Wind Information Capital;
13. Terminal of Bloomberg;
14. Other reference information.

## VII. VALUATION APPROACHES

Valuation approaches mainly include the asset-based approach, the income approach and the market approach. While valuating enterprise value, Certified Public Valuers should analyze the practicability of the three approaches and adopt one or several approaches in accordance with relevant conditions such as the purpose and the object of the valuation, the type of value and the information collected. Based on the practicability of valuation approaches, the asset-based approach and the income approach are adopted for the valuation.

The asset-based approach refers to the method of valuation, in which the value of the valuation target is determined by reasonable appraisal of the value of all on-and-off balance sheet assets and liabilities on the basis of the balance sheet of the entities appraised on the reference day.

The basic formula of the asset-based approach:

The value of equity = the sum of appraisal value of all assets — the sum of appraisal value of all liabilities.

The core assets of the entities appraised in the Report are physical assets such as land, mining assets (tunnels), plant and equipment, and there are data to act as the basis for choosing economic and technical parameters involved in the asset-based approach. Therefore, the asset-based approach is adopted for valuation.

The income approach is a valuation method, in which the expected income will be capitalised or discounted to determine the value of the valuation object. Two specific methods used for the income approach are discounted dividend method and discounted cash flow method. The income approach in the Report adopts discounted cash flow method.

#### **(I) The asset-based approach**

##### **1. *The valuation approached used for valuation of some of North Mining Limited's own property assets***

The assets included in the scope of valuation are buildings, constructions, and land.

###### **(1) Buildings and constructions**

The buildings and constructs are appraised at replacement cost method and market comparison method.

###### **1) Replacement cost method**

Buildings and construction with no income or deal cases are appraised and estimated at replacement cost method based on the principle that the property and lands are appraised respectively.

The replacement cost method is a method, in which the appraisal value of the property appraised is determined by the investment required for replacement of similar property (hereinafter referred to as the “replacement price”) based on the market condition at the time point of valuation and the structural features of the property appraised multiplied by the comprehensive newness rate of buildings and constructions subject to a comprehensive valuation.

The appraisal value = full replacement price  $\times$  comprehensive newness rate

Full replacement price = construction and installation cost + upfront fees and other expenses + capital cost

Comprehensive newness rate = theoretical newness rate  $\times$  weight + surveyed newness rate  $\times$  weight

① Determination of full replacement price

A. Estimate of construction and installation cost

Based on the specific situation of the buildings and construction appraised, and subject to the verification of the truthfulness and reasonability of the book value of the buildings and construction, the comprehensive adjustment factor can be obtained by determining the price index of the buildings and construction on the reference day. The construction and installation cost of the target to be appraised can be obtained by modifying the verified book value of the buildings and construction.

B. Upfront fees and other expenses

Upfront fees include management fee, fees for feasibility report and assessment, design fee, cost of engineering supervision, etc. The valuation will be made in accordance with the percentage of upfront fees and other expenses in the amount of investment of the mining enterprise and investigation into the local market.

## C. Capital cost

The capital cost is calculated evenly over the construction period according to the reasonable period of the project and based on the loan interest rate applicable on the reference day. It is found that the interest rate for the two-year loan is 5.97%.

$$\text{Capital cost} = (\text{construction and installation cost} + \text{upfront fees and other expenses}) \times \text{construction period} \times \text{interest rate} \times 1/2$$
$$\text{Full replacement price} = \text{construction and installation cost} + \text{upfront fees and other expenses} + \text{capital cost}$$

## ② Determination of comprehensive newness rate

The comprehensive newness rate of the buildings and construction is determined by combining theoretical newness rate and surveyed newness rate.

## A. Calculation of theoretical newness rate

$$\text{Theoretical newness rate} = (\text{the economic service life} - \text{the serviced life}) / \text{the economic service life} \times 100\%$$

Or:

$$\text{Theoretical newness rate} = \text{service life remained} / (\text{the serviced life} + \text{the service life remained}) \times 100\%$$

## B. Determination of surveyed newness rate

First, the appraisal intact value of major factors determining the newness rate of buildings and constructions are determined by structure (bases, walls, bearing and roofing), decoration (grounds, internal and external decoration, doors and windows, ceilings), equipment and facilities (water and sanitation, heating, power and lighting) in combination with the actual situation of onsite survey, and then the surveyed newness rate is determined according to the weights.



Surveyed newness rate = score value of structural parts × weight + decoration parts × weight + score value of installation part × weight

C. Comprehensive newness rate

The weight for theoretical newness rate is 0.4 while the weight for the surveyed newness rate is 0.6.

Comprehensive newness rate = theoretical newness rate × 0.4 + surveyed newness rate × 0.6

③ Calculation of appraisal value

Appraisal value = full replacement price × comprehensive newness rate

2) Market comparison method

The book value of commercial residential buildings within the valuation scope obtained by way of purchase includes the value of land use rights, and there are cases of market transaction in the same city with the similar model of buildings as the buildings to be appraised. The appraisal value of the buildings and construction (including land) in the valuation is determined with the market method based on the principle that the property and lands are appraised jointly.

Market comparison method is a valuation method, with which the price of the property to be appraised is determined by comparing the property to be appraised with similar properties traded at dates close to the reference day within the same supply-and-demand scope and modifying several factors in accordance with the prices of the properties traded.

(2) Land assets

Market method is adopted for the valuation after the comprehensive analysis in observance of valuation principles and consideration of the actual condition of the land to be appraised, the information provided by the entities appraised and relevant information acquired by the valuers through onsite survey and investigation.

Market method is valuation method, with which the objective and reasonable price or value of the valuation object is determined by comparing the valuation target with similar lands traded at dates close to the valuation day and properly modifying the trading prices of such similar lands.

2. *Valuation approaches of the 80% equity interest in Northparkes Joint Venture and relevant rights and assets*

(1) Current Assets

Current assets include monetary capital, other receivables, prepayments and inventories.

- 1) Monetary capital: it includes cash and bank deposits. The valuers check the cash by supervising the counting of cash and make reasonable backward calculation according to the entries of cash journal to calculate the balance of cash as at the reference day and verify the same with the cash journal. After the verification, the book value is taken as the appraisal value; for bank deposits, trial balance is conducted to the bank reconciliation statement on the basis of account-to-account verification, account-to-sheet verification and verification of the bank statement in combination with the reply of letter of confirmation of the banks; after it is verified to be correct, the book value is recognised as the appraisal value.
- 2) Other Receivables: the valuers, through the examination of the accounts, statement and based on the analysis of economic contents and aging, understand the time of occurrence, the reasons for amounts due, and clearing of defaults, the capital, creditability and operation and management of the debtors, and determine the possibility to recover the receivables after specific analysis. The recoverable amount of receivables after a comprehensive analysis based on the combination of individual identification method and aging analysis method is recognised as the appraisal value of the receivables.
- 3) Prepayments: the valuers, through the examination of the accounts, statement and based on the analysis of economic contents and aging, recognize the verified book value of the credit prepayments that can has a shorter aging or can be realized in a short term as the appraisal value.

## 4) Inventories

Inventories include raw materials, goods in process and finished goods.

With respect to the valuation of inventories, the valuers first verify the internal control system of inventories and understand the incoming, outgoing and retention accounting system for inventories, verify the financial records, statistical reports and physical inventories, spot check the receipt and dispatch, carry-forward of inventories and bills, and accounting records kept. It is considered that the entities appraised has a good inventory management and corresponding internal control system. Then the valuers check relevant accounting records and original vouchers to determine the authenticity and ownership of inventories.

Then, the valuers verify the measurement of the inventories and accounting methods. The inventories are measured at actual cost.

The valuation approaches for all items of inventories are as follows:

## ① Raw Material

After the verification, the book value of raw materials comprises of purchase price and reasonable expenses. With respect to fast moving raw materials whose book unit price is basically consistent with the market price as at the reference day, the appraisal value is the book unit price multiplied by the actual number.

## ② Goods in process

Goods in process is the work-in-process that is not finished. The valuers, according to the list for declaration of goods in process, examine the components of value of goods in process by inquiring the accounting procedures of the goods in process, examining the original documents, accounting vouchers and detailed accounts and spot-check of formation and transfer business of goods in process. After the verification, the carrying-forward of the costs of goods in process is timely and complete with accurate amounts, and the production cycle is short. The book value verified is recognised as the appraisal value.

③ Finished Goods

Finished goods are products of all specifications that are produced and sold by the entities appraised. According to the sales known from the sales department, finished the products are in normal sales.

For finished products in normal sales, the book value verified is recognised as the appraisal value.

(2) Non-current assets

Assets within the valuation scope include long-term inventories, buildings and constructions, equipment, construction in progress, land assets and intangible assets, etc.

1) Long-term inventories

Long-term inventories include the ROM ore (the raw material for producing Cu concentrate) mined by the entities appraised. The valuers first verify the internal control system of inventories and understand the incoming, outgoing and retention accounting system for inventories, verify the financial records, statistical reports and physical inventories, spot check the receipt and dispatch, carry-forward of inventories and bills, and accounting records kept. It is considered that the entities appraised has a good inventory management and corresponding internal control system. Then the valuers check relevant accounting records and original vouchers to determine the authenticity and ownership of inventories.

For long-term inventories, the book value verified is recognised as the appraisal value.

2) Buildings and constructions

The buildings and constructs are appraised at replacement cost method and market comparison method.

A. Replacement cost method

Buildings and construction with no income or deal cases are appraised and estimated at replacement cost method based on the principle that the property and lands are appraised respectively.

The replacement cost method is a method, in which the appraisal value of the property appraised is determined by the investment required for replacement of similar property (hereinafter referred to as the “replacement price”) based on the market condition at the time point of valuation and the structural features of the property appraised multiplied by the comprehensive newness rate of buildings and constructions subject to a comprehensive valuation.

The appraisal value = full replacement price × comprehensive newness rate

Full replacement price = construction and installation cost + upfront fees and other expenses + capital cost

Comprehensive newness rate = theoretical newness rate × weight + surveyed newness rate × weight

① Determination of full replacement price

a. Estimate of construction and installation cost

Based on the specific situation of the buildings and construction appraised, and subject to the verification of the truthfulness and reasonability of the book value of the buildings and construction, the comprehensive adjustment factor can be obtained by determining the price index of the buildings and construction on the reference day. The construction and installation cost of the target to be appraised can be obtained by modifying the verified book value of the buildings and construction.

b. Upfront fees and other expenses

Upfront fees include management fee, fees for feasibility report and assessment, design fee, cost of engineering supervision, etc. The valuation will be made in accordance with the percentage of upfront fees and other expenses in the amount of investment of the mining enterprise and investigation into the local market.

## c. Capital cost

The capital cost is calculated evenly over the construction period according to the reasonable period of the project and based on the loan interest rate applicable on the reference day. It is found that the interest rate for the two-year loan is 5.97%.

Capital cost = (construction and installation cost + upfront fees and other expenses) × construction period × interest rate × 1/2

Full replacement price = construction and installation cost + upfront fees and other expenses + capital cost

## ② Determination of comprehensive newness rate

The comprehensive newness rate of the buildings and construction is determined by combining theoretical newness rate and surveyed newness rate.

## a. Calculation of theoretical newness rate

Theoretical newness rate = (the economic service life — the serviced life)/the economic service life × 100%

Or:

Theoretical newness rate = service life remained / (the serviced life + the service life remained) × 100%

## b. Determination of surveyed newness rate

First, the appraisal intact value of major factors determining the newness rate of buildings and constructions are determined by structure (bases, walls, bearing and roofing), decoration (grounds, internal and external decoration, doors and windows, ceilings), equipment and facilities (water and sanitation, heating, power and lighting) in combination with the actual situation of onsite survey, and then the surveyed newness rate is determined according to the weights.

Surveyed newness rate = score value of structural parts × weight + decoration parts × weight + score value of installation part × weight

c. Comprehensive newness rate

The weight for theoretical newness rate is 0.4 while the weight for the surveyed newness rate is 0.6.

Comprehensive newness rate = theoretical newness rate × 0.4 + surveyed newness rate × 0.6

③ Calculation of appraisal value

Appraisal value = full replacement price × comprehensive newness rate

B. Market comparison method

The book value of commercial residential buildings within the valuation scope obtained by way of purchase includes the value of land use rights, and there are cases of market transaction in the same city with the similar model of buildings as the buildings to be appraised. The appraisal value of the buildings and construction (including land) in the valuation is determined with the market method based on the principle that the property and lands are appraised jointly.

Market comparison method is a valuation method, with which the price of the property to be appraised is determined by comparing the property to be appraised with similar properties traded at dates close to the reference day within the same supply-and-demand scope and modified by several factors in accordance with the prices of the properties traded.

## 3) Mining property

## ① Sinking and driving assets

The construction cost of sinking and driving engineering is materially influenced by geological condition. Therefore, replacement cost method is adopted for the valuation of the sinking and driving engineering. The basic formula is:

The appraisal value = full replacement price × comprehensive newness rate

## A. Determination of full replacement price

Full replacement price = construction and installation cost + upfront fees and other expenses + capital cost.

## a. Determination of construction and installation cost

The construction and installation cost is determined through comprehensive analysis after consulting RungePincockMinarco company and obtaining the construction and installation costs of sinking and driving project at different parameters.

## b. Upfront fees and other expenses

Upfront fees include management fee, fees for feasibility report and assessment, design fee, cost of engineering supervision, etc. In accordance with the percentage of upfront fees and other expenses in the amount of investment of the mining enterprise and investigation into the local market, a rate of 10% is adopted for the valuation.



## c. Determination of capital cost

The capital cost is calculated evenly over the construction period according to the reasonable period of the project and based on the loan interest rate applicable on the reference day. It is found that the interest rate for the two-year loan is 5.97%.

Capital cost = (construction and installation cost + upfront fees and other expenses) × construction period × interest rate × 1/2

## B. Determination of comprehensive newness rate

The comprehensive newness rate of sinking and driving project should be considered in combination of life of shaft and recoverable reserve. If the quality and safety inspection of the sinking and driving project is in sound condition, the life of shaft and recoverable reserve should be the main reference for determining comprehensive newness rate. The basic formula is:

Comprehensive newness rate = service life remained / (the serviced life + the service life remained) × 100%

The service life remained of the sinking and driving project is determined by the reserve in the service area. On the basis of fully understanding the influence of such factors as rock property, supporting form, geological structure and extraction, etc on the tunnel, and in accordance with the mining plan of the enterprise, the service life remained of various tunnels at different mine areas can be calculated. The serviced life can be calculated in accordance with the completion dates of various tunnels. Finally, the comprehensive newness rate of various tunnels can be calculated.

② Tailings dam

The completion date of the tailings dam within the valuation scope is near the reference day. In consideration of the purpose of the valuation, replacement cost method is adopted for the valuation of tailings dam. The basic formula is:

The appraisal value = full replacement price × comprehensive newness rate

A. Determination of full replacement price

Full replacement price = construction and installation cost + upfront fees and other expenses + capital cost

a. The construction and installation cost

After the verification, the book cost is the construction and installation cost. Subject to the verification of the truthfulness and reasonability of the book cost of the tailings dam, the construction and installation cost is obtained by modifying the verified book cost (original book value) of the tailings dam according to price index of Australian buildings.

b. Upfront fees and other expenses

Upfront fees include management fee, fees for feasibility report and assessment, design fee, cost of engineering supervision, etc. In accordance with the percentage of upfront fees and other expenses in the amount of investment of the mining enterprise and investigation into the local market, a rate of 10% is adopted for the valuation.

## c. Determination of capital cost

The capital cost is calculated evenly over the construction period according to the reasonable period of the project and based on the loan interest rate applicable on the reference day. It is found that the interest rate for the two-year loan is 5.97%

Capital cost = (construction and installation cost + upfront fees and other expenses) × construction period × interest rate × 1/2

## B. Determination of comprehensive newness rate

The comprehensive newness rate of tailings dam should be considered in combination of the principle of option for the shorter period between mine life and the economic service life of tailings dam. The basic formula is:

Comprehensive newness rate = service life remained / (the serviced life + the service life remained) × 100%

## C. Determination of appraisal value

Appraisal value = full replacement price × comprehensive newness rate

## 4) Equipment

The equipment is appraised at the replacement cost method with the equipment, which can be used for normal production and operation according to the valuation purpose and the principle of sustained used and based on the market price in combination with the features of the equipment and the information collected; equipment for long-term use, which has no market price of similar branch new equipment available in the market, but existing an active second-hand market such as ordinary motor vehicles and electronic office equipment, the market approach is adopted for valuation. The value of equipment that can not be used in future mining production is appraised 0.

① Replacement cost method

Appraisal value = full replacement price × comprehensive newness rate

A. Determination of full replacement price

a. Machinery equipment

The full replacement price is mainly determined with reference to the existing market price of equipment of the same type or model in the local market, as well as a consideration of the other expenses and the capital cost, etc.

Full replacement price = purchase price (including freight, installation charge, basis expenses) + other expenses + capital cost

a) Purchase price

The purchase price is determined through comprehensive analysis after obtaining relevant cost information from engineering cost consulting companies and referring to the commodity price index in Australia.

b) Other expenses

Other fees include management fee, fee for feasibility report and assessment, design fee, cost of engineering supervision, etc. Based on the standard of other expenses in construction engineering in the locality of the equipment, the valuation will be made in accordance with the percentage of upfront fees and other expenses in the amount of investment of the mining enterprise and investigation into the local market.

## c) Capital cost

The capital cost is calculated evenly over the construction period according to the reasonable period of the project and based on the loan interest rate applicable on the reference day. It is found that the interest rate for the two-year loan is 5.97%.

Capital cost = (construction and installation cost + upfront fees and other expenses) × construction period × interest rate × 1/2

## b. Electronic equipment

For the equipment, the same model of which is available for sale in the market, it is deemed to be purchased in the same city. The traders will cover the transportation and drop-in installation and debugging for the products purchased. Therefore, the full replacement price = purchase price.

## c. Determination of comprehensive newness rate

## a. Machinery equipment

Comprehensive newness rate = surveyed newness rate × weight + theoretical newness rate × weight

## a) Surveyed newness rate

The surveyed newness rate is mainly determined according to the actual situation of the equipment. The components of the equipment are scored one by one according to the onsite survey of the technical status, work environment and maintenance of the equipment to determine the surveyed newness rate.

## b) Theoretical newness rate

Theoretical newness rate is determined by the economic service life and the serviced life.

Theoretical newness rate = (the economic service life — the serviced life)/the economic service life × 100%

Or:

Theoretical newness rate = service life remained/(the serviced life + the service life remained) × 100%

## c) Weight

For equipment with large size or complicated structure, the newness rate is determined with a combination of the service life method and survey method. The weight for the service life method is 0.4 while that for the survey method is 0.6.

For equipment with light and simple structure and normal use, the newness rate is determined at service life method based on the time of use in combination of the maintenance.

## b. Electronic equipment

The newness rate is determined at service life method based on the time of use in combination of the maintenance.

## B. Determination of appraisal value

Appraisal value = full replacement price × comprehensive newness rate

② The market approach

A. Vehicles

The vehicle transaction case with strong relevant and substitution is selected in relevant second-hand vehicle trading market within the same scope of demand and supply as the valuation object, and factors affecting the market price of second-hand vehicles such as the remaining service life, remaining mileage, transaction date and the situation of the vehicles are analysed and modified to determine the market price of the valuation object. The calculation formula is as follows:

Comparative and corrective price = comparable case price × correction coefficient of mileage of vehicles × correction coefficient of service life of vehicles × correction coefficient of vehicle situation × correction coefficient of transaction date of vehicles × correction coefficient of transaction

Comparative and corrective price = (Case A + Case B + Case C)/3

The appraisal value of vehicles based on the market approach = comparative and corrective price

B. Electronic office equipment

The approval result of the equipment to be appraised is the arithmetic mean value of the cases (at least 3) of market transaction with the same or similar model as the equipment to be appraised and the same or similar time of transaction.

5) Construction in progress

The valuation approach adopted for construction in progress is the replacement cost method. Construction in progress is the upfront cost incurred in the phased mining plan. The construction in progress is normally with short construction period and little change in price of construction materials. Therefore, on the basis of investigating and verifying the total amount of payments, the book value is taken as the appraisal value.

## 6) Land assets

Market method is adopted for the valuation after the comprehensive analysis in observance of valuation principles and consideration of the actual condition of the land to be appraised, the information provided by the entities appraised and relevant information acquired by the valuers through onsite survey and investigation.

Market method is valuation method, with which the objective and reasonable price or value of the valuation object is determined by comparing the valuation target with similar lands traded at dates close to the valuation day and properly modifying the trading prices of such similar lands.

## 7) Intangible assets

The intangible assets refer to mining rights intangible assets.

The intangible assets to be appraised include mining rights and exploration rights. As of the reference day, the book value of mining and exploration rights intangible assets is 0. As of the time point of the reference day, the exact mining rights and exploration rights are as follows:

License				
No.	Expiry Date	Status	Type	Acreage (ha)
EL 5323	17 July 2013	Undergoing renewal application	exploration	21,840
EL 5800	8 January 2015	Authorized	exploration	—
EL 5801	7 January 2014	Authorized	exploration	49,550
ML 1247	26 November 2033	Authorized	mining	1,629.6
ML 1367	26 November 2029	Authorized	mining	826.2
ML 1641	25 March 2031	Authorized	mining	24.42



North Mining Limited and its affiliated party have acquired 3 exploration license and 3 mining licenses for the mining rights of Northparkes copper/gold mine.

North Mining Limited has applied the above mining and exploration rights to the mining of Northparkes Mines copper/gold mine owned by the Northparkes Joint Venture. North Mining Limited owns 80% interests in the Northparkes Joint Venture. Therefore, the valuation includes the mining and exploration rights within the valuation scope in the valuation of Northparkes Joint Venture.

The mining and exploration rights intangible assets within the valuation scope is appraised with the discounted cash flow method by Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd. under the same reference day and the same valuation purpose. The formula is:

$$P = \sum_{t=1}^n (CI-CO)_t \cdot \frac{1}{(1+i)^t}$$

In which:  $P$  — appraisal value of mining rights;

$CI$  — annual cash inflow;

$CO$  — annual cash outflow;

$(CI-CO)_t$  — annual net cash flow;

$i$  — discount rate;

$t$  — sequence No. of years ( $t=1, 2, 3, \dots, n$ );

$n$  — appraised number of years.

For details of the valuation of mining rights and exploration rights, please refer to the Mining Rights Valuation Report (GSH KPB Zi (2014) No.033) issued by Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd. on 26 August 2014.

CMOC Mining Pty Ltd is a limited liability company incorporated in Australia on 25 July 2013, and a subsidiary under 100% indirect holding of China Molybdenum Co., Ltd. (through Hong Kong). CMOC Mining Pty Ltd has completed the acquisition of the 80% interests and relevant assets in Northparkes Joint Venture from Rio Tinto Limited.

CMOC Mining Pty Limited has completed the renewal and change in holder of the exploration licenses and mining license after the reference day. For information subsequent to the change, please refer to Part(IV), Section 11 of the Report — Major events subsequent to the reference day.

(3) Liabilities

The appraisal value is determined by the liability items and amounts actually assumed by the entities appraised on the reference day after verifying the actual debtors and amount of liabilities of all liabilities.

**(II) The income approach**

**1. Definition and principle of income approach**

The income approach in the valuation of enterprise value is the approach that the expected income will be capitalised or discounted to determine the value of the valuation object.

**2. Prerequisite for application of the income approach**

The following conditions shall be satisfied for the valuation of shareholders' equity with the income approach:

- (1) The entities appraised must have the ability of sustainable operation and the predictable expected profit life;
- (2) Future expected income of the valuation object can and must be measured with money;
- (3) The expected profit risks of the valuation object can and must be measured with money;
- (4) The valuation object can achieve the expected income of the asset owners in operation.

**(III) Valuation model**

Combined with the valuation purpose and objects, the discounted cash flow (DCF) method is adopted for the valuation. The shareholders' equity cash flow is adopted as the future expected income of the enterprise and the return rate on equity capital is adopted as the discount rate. The basic model is:

$$E = P + \sum C_i$$

In which: E: all shareholders' equity in the entities appraised  
P: the appraised value of the shareholders' equity cash flow  
 $\sum C_i$ : the value of existing non-operating and excessive and surplus assets and the value of long-term equity investment of the entities appraised on the reference day

(1) The calculation formula of the appraised value of the shareholders' equity cash flow, P, is as follows:

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{i+1}}{r(1+r)^i}$$

In which:  $R_i$ : the expected income of the entities appraised in the year i in the future (cash flow of shareholders' equity)  
r: the discount rate  
n: the future sustainable operation period of the entities appraised

1) The determination of the discount rate r

The return on equity capital is adopted as the discount rate of the valuation, which is calculated according to the capital asset pricing model (CAPM) with the formula as follows:

$$r = r_f + \beta \times (r_m + r_f) + \varepsilon$$

In which:

r — the return on equity capital

$r_f$  — the risk-free return rate

$r_m$  — the market expected return rate

$\beta$  — the expected market risk factor of equity capital of the entities appraised

$\varepsilon$  — the adjustment coefficient of characteristic risk of the entities appraised

- 2) The determination of the forecast period, n

The valuation with the income approach is based on The Feasibility Study of Minging and Expanding the Northparkes Copper/gold Mines in Midwest of New South Wales in Australia (2014) published by Design and Research Institute of Xi'an University of Architecture and Technology, as well as the Mining Plan of Northparkes Copper/gold Mines provided by the entities appraised. The forecast period is from December 2013 to the year 2060.

- (2) The calculation formula for value of the non-operating and excessive surplus assets on the reference day  $\sum C_i$  is:

$$\sum C_i = C_1 + C_2 + C_3$$

In which:  $C_1$ : the value of cash assets of the entities appraised existing on the reference day

$C_2$ : the other excessive and surplus and non-operating the entities appraised existing on the reference day

$C_3$ : the value of long-term equity investments

Non-operating assets and excessive and surplus assets do not generate operating cash flows. Therefore, it is not suitable to adopt the discount cash flow method. The value of non-operating assets and excessive and surplus assets is calculated with its appraisal value by the cost plus method.

## VIII. IMPLEMENTATION AND SITUATION OF VALUATION PROGRAMS

Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd. (hereinafter referred to as “Golden Standard & Headmen”) has accepted the commission of China Molybdenum Co., Ltd. to appraise the 80% equity interest and related rights and assets of Northparkes Joint Venture intended to be acquired by the Client’s subsidiary CMOC Mining Pty Limited. Upon negotiation, the reference day is determined to be 30 November 2013. Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd. proposed the valuation plan and determined the valuation scheme on 8 July 2014. The valuation commenced officially on 8 July 2014. The formal report was issued on 27 August 2014. The main valuation process is as follows:

### (I) Preparation before the valuation

1. On 8 July 2014, Golden Standard & Headmen negotiated, and reached the consensus on, the purpose, scope and reference day of the valuation with the Client and the entities appraised, and signed the Engagement Letter with the Client and formulated the work plan for valuation;
2. Golden Standard & Headmen cooperated with the entities appraised to check the assets and complete the Detailed Statement of Asset Valuation, and cooperated with the Client and entities appraised to complete the Future Earnings Forecast Form etc. The personnel of valuation team went on site to have a preliminary understanding of the assets to be appraised, assisted in the declaration of the assets to be appraised, and collected the documents and information required for the assets valuation.

### (II) Onsite verification and valuation

1. Golden Standard & Headmen listened to the introduction of the Client and the relevant personnel of the entities appraised on the general information of the enterprise and the history and current situation of the assets to be appraised, and had a general knowledge of the financial system, business operations, fixed assets, technical status and future mining plan of the enterprise;
2. Golden Standard & Headmen verified the Detailed Statement of Asset Valuation and the Future Earnings Forecast Form and the Future Earnings Forecast Form with relevant financial records and data, and made certain adjustments in respect of the issues found with the entities appraised;
3. Golden Standard & Headmen conducted an overall verification of all the assets based on the Detailed Statement of Asset Valuation in accordance with the asset valuation standards;

4. Golden Standard & Headmen inspected and collected the ownership certification documents with respect to the asset to be appraised;
5. Golden Standard & Headmen determined the specific valuation approaches for all the assets in light of the actual conditions and practical situations of the assets to be appraised;
6. Golden Standard & Headmen reviewed and collected the asset-related technical information, acceptance information and related mining operations etc; and collected price information through market investigation and queries; and
7. Golden Standard & Headmen made initial estimates and appraisal of the assets and liabilities within the scope of valuation based on its verification.

### **(III) Summary of valuation**

Golden Standard & Headmen analysed and summarised the initial results of valuation of all kinds of assets, had a comprehensive review, and made necessary adjustments, corrections and improvements to the valuation conclusions.

### **(IV) Preparation and submission of the valuation report**

Golden Standard & Headmen prepared the draft asset valuation report, exchanged opinions with the Client in respect of the first draft of the valuation report. After reaching an agreement, Golden Standard & Headmen made verification, amendments and corrections to the report in accordance with the internal three-level examination and verification system and procedures of the valuation institution, and finally issued the official asset valuation report.

## **IX. VALUATION ASSUMPTIONS**

- (I) The assumption of open markets;
- (II) The continuing usage of asset in original location;
- (III) The assumption of property rights main body change;
- (IV) The continuing operations of entities appraised;
- (V) There will be no material changes in the macro-politic, economy and social environment where the entities appraised is located;
- (VI) There will be no material changes in polices related to exchange rate, interest rate, taxation, inflation, population and industry;

- (VII) There will be no material changes in the current laws, regulations, policies and social economic environment abided by the entities appraised;
- (VIII) There will be no significant market and technology mutation in the market and technology of the industry and field which the entities appraised is in;
- (IX) There will be effective use for the main business asset of the entities appraised, which will not be left unused ineffectively;
- (X) It is presumed that the accounting policy which will be used by the entities appraised and already been used in this report are basically the same in important aspects;
- (XI) There will be no significant impact on the operation of entities appraised due to other force majeure.
- (XII) The materials provided by the Client and the relevant disputing Parties are true, legal and completed; in the asset and equity of this valuation scope, there are no matters such as mortgage, guarantee, litigation and dispute etc., which may affect the valuation conclusion;
- (XIII) The entities appraised will exploit and manage the mining resources according to Feasibility Research Report for mining and Expansion Project of Copper/gold Ore in the Midwest of New South Wales in Australia and the mining plan of entities appraised. The exploiting and managing situation will be basically the same as the Feasibility Research Report and will not be affected by relevant laws, regulations, policies and other factors;
- (XIV) The actual mineral reserves and resources of the entities appraised will correspond to the Competent Person Report issued by Runge Pincock Minarco;
- (XV) It is presumed that the entities appraised will smoothly obtain a new license proof after the expiration of its current exploration license and mining license.

The valuers, according to the requirements of asset valuation, determine that the assumptions are established on the reference day. When there is any significant change in the future economic environment and assumption, the valuers will not assume any liabilities for different valuation conclusions due to changes in the assumptions.

## X. CONCLUSION

The asset-based approach and the income approach are adopted for appraisal and estimates in the valuation.

### (I) The asset-based approach

As at the reference day of 30 November 2013, the valuation conclusions of the 80% interest and related rights and assets in Northparkes Joint Venture acquired by CMOC Mining Pty Limited (a subsidiary of China Molybdenum Co., Ltd.) are: AUD983,862,700 (equivalent to RMB5,474,605,600)

#### Summary of Asset Valuation conclusions

No.	Item	Book Value	Appraisal Value		Growth	Rate
		AUD (0'000)	AUD (0'000)	RMB (0'000)	AUD (0'000)	100%
1	Value of part of properties owned by North Mining Limited	2,476.98	3,904.82	21,727.98	1,427.84	57.64
2	Value of the 80% interest in Northparkes Joint Venture	38,543.38	94,481.45	525,732.58	55,938.07	145.13
2.1	In which: Value of the 80% interest in Northparkes Joint Venture (excluding mining rights)	38,543.38	48,428.08	269,473.21	9,884.70	25.65
2.2	Value of the 80% mining rights in Northparkes Joint Venture	—	46,053.37	256,259.37	46,053.37	—
3	Total:	41,020.36	98,386.27	547,460.56	57,365.91	139.85

The exchange rate adopted for the Report is the central parity rate issued by the State Administration of Foreign Exchange of P.R.C. on 30 November 2013, i.e. AUD: RMB=1: 5.5644.



**(II) The income approach**

As at the reference day, the book value of the 80% interest and related rights and assets in Northparkes Joint Venture acquired by CMOC Mining Pty Limited (a subsidiary of China Molybdenum Co., Ltd.) is AUD410,203,600. Under the income approach, the appraisal value is AUD996,306,600, up by AUD586,103,000, or 142.88%.

**(III) The difference in valuation conclusions between the two valuation approaches**

Under the asset-based approach, the appraisal value of the 80% interest and related rights and assets in Northparkes Joint Venture acquired by CMOC Mining Pty Limited (a subsidiary of China Molybdenum Co., Ltd.) is AUD983,862,700; Under the income approach, the appraisal value is AUD996,306,600, AUD12,443,900 (or 1.26%) higher than that of the asset-based approach. The main reason for the difference in valuation conclusions lies in the different perspectives of the two valuation approaches. The reconstruction of enterprise key assets is the starting point of the asset-based approach, and it reflects the market values of various assets of the enterprise on the reference day. The future profitability of enterprise is the major consideration of the income approach, and it reflects the comprehensive profitability of various assets of the enterprise.

**(IV) Determination of the valuation conclusions**

Considering that the valuation conclusions of adopting asset-based approach (in which mining right is appraised with the discounted cash flow method) are more definite and prudent, the valuers finally adopted the valuation conclusions acquired from the asset-based approach as the final conclusion, i.e. The market value of the 80% interest and related rights and assets in Northparkes Joint Venture acquired by CMOC Mining Pty Limited on 30 November 2013 is AUD983,862,700, equivalent to RMB5,474,605,600.

**XI. SPECIAL INSTRUCTIONS****(I) Suggestive instruction on reference of mining rights valuation conclusion**

In the valuation of mining rights intangible asset declared by the enterprise, Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd appraise according to the same reference day, the same appraisal purpose, and issued the report GSH KPB Zi (2014) No.033 The Mining Right Valuation Report of Northparkes Copper/gold Mines in Central West New South Wales, Australia on 26 August 2014. Valuers made direct reference to the mining right evaluation conclusion on the basis of evaluation object and scope, evaluation purpose, reference day, basis of evaluation, evaluation method, etc, of the abovementioned mining right valuation report mentioned above. For acquaintance of calculating process and results of mining rights, should read the relevant contents of mining rights valuation report signed by the mining right valuer and issued by Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd.

**(II) CPVs give the necessary attention to legal ownership situation of valuation target, and disclosed to examine circumstance, but not guarantee legal ownership to any form of evaluation target, also does not undertake the responsibility of the authenticity, legitimacy and integrity of verification legal ownership information of valuation target. CPVs and other valuers carried out field investigations of the valuation target and its assets involved. CPVs paid necessary attention to the legal ownership situation of the valuation target and its assets involved, inspected the legal ownership information thereof, and made truthful disclosure of the defects that had been found, but no guarantee can be given as to the authenticity of the valuation target's legal ownership.****(III) The restrictions of valuation program**

1. The valuers did not make technical tests on the technical specifications and performance on the equipment as at the reference day but presumed that the technical information and operation records provided by the entities appraised were authentic and effective, and the valuers made judgments through onsite survey without the help of any testing instruments;
2. The valuers did not make technical tests on the hidden projects and internal structures (that could not be seen with eyes) of all buildings and constructions, but presumed that the technical information and operation records provided by the entities appraised were authentic and effective, and the valuers made judgments through onsite survey without the help of any testing instruments.

**(IV) Major events subsequent to the reference day**

By the reference day, land and real estate authority certificate holder in the scope of this included valuation is still the North Mining, Limited. By the day of this valuation report, land and real estate authority certificate holder in the scope of this included valuation renames from the North Mining, Limited to CMOC Mining Pty Limited. CMOC Mining Pty Limited has also completed renewal of exploration license and mining license and the alteration of holders after the reference day (CMOC Mining Pty Limited Holding 80% of the rights and interests of Northparkes Joint Venture).

So far, specific permissions of mining rights of Northparkes copper/gold mine are as follows:

<b>License Number</b>	<b>Expiring date</b>	<b>Status</b>	<b>Type</b>	<b>Area (ha)</b>
EL 5323	17 July 2018	Authorized	Exploration	21,840
EL 5800	8 January 2015	Authorized	Exploration	12,070
EL 5801	7 January 2019	Authorized	Exploration	49,550
ML 1247	26 November 2033	Authorized	Mining	1,629.6
ML 1367	26 November 2029	Authorized	Mining	826.2
ML 1641	25 March 2031	Authorized	Mining	24.42

The valuers conducted due diligence but did not find any material events that might have significant effect on the valuation conclusions from the reference day to the date of the Report. After the reference day and within the effective period of the valuation conclusion, if there is any change in quantity or the pricing standard of assets, the following principles shall be followed:

1. Where there is any change in the quantity of assets, the amount of assets shall be adjusted correspondingly with the original valuation approach;
2. Where there is any change in the pricing standard of assets that have had obvious effects over the appraisal value of assets, the Client shall engage qualified valuation institution to re-determine the appraisal value;
3. In case of changes in quantities and pricing standard of assets after the reference day, the Client shall give full consideration and make corresponding adjustments when the assets are actually appraised.

**(V) As it is impossible to obtain the industry information and relevant transaction of property rights of assets, and due to the absence of analysis basis for the liquidity of the assets, the effect of liquidity of assets on the value of the valuation target is not considered in the valuation.**

- (VI) With respect to potential defect events in the enterprise that may affect the asset valuation and have not been stated during the commission, while the valuers have performed valuation processes but still fail to be aware of such events, the valuation institution and valuers will not assume any relevant liabilities.
- (VII) To the enterprise existence may affect the appraisal value of the defective items, do not make special instructions when commissioned, assessors have performance evaluation program but still unable to know, assessment agencies and assessment personnel do not assume the responsibility.

Users of the Report are requested by valuers to pay attention to the matters mentioned above.

## **XII. RESTRICTIONS ON THE USE OF VALUATION REPORT**

- (I) The Report is only used for the purposes set out herein and shall not be used for other purposes. Any consequence arising from improper use of the Report has nothing to do with the valuers who signed the Report and their valuation institution;
- (II) The Report shall only be used by users of valuation reports set out in the Asset Valuation Engagement Letter signed between Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd. and the Client and those specified by national laws and regulations;
- (III) Any or all parts of the Report shall not be extracted, referenced or disclosed to public media without the consent of the valuation institution;

- (IV) Since the reference day, if there is no material change in the market conditions or the situation of assets, the valuation conclusion of the Report shall be and remain effective for one year as of the reference day, i.e. commencing on 30 November 2013 and ending on 29 November 2014;
- (V) In case the policy adjustments may have material effects on the conclusion of the Report, the reference day shall be re-determined for valuation.

### **XIII. DATE OF VALUATION REPORT**

The date of the Report is 27 August 2014.

Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd.

Legal Representative:

Certified Public Valuers:

27 August 2014

Annex

**Valuation Report of Copper-gold Mining Rights of Northparkes in Central West New South  
Wales, Australia**

**Valuation Report of Copper-gold Mining Rights of  
Northparkes in Central West New  
South Wales, Australia**

GSH KPB Zi (2014) No.033 of Total No.726

**Golden Standard & Headmen Appraisal and Advisory Co., Ltd.  
August 26, 2014**

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**Valuation Report of Copper-gold Mining Rights of  
Northparkes in Central West New  
South Wales, Australia**

**Abstract**

GSH KPB Zi (2014) No.033 of Total No.726

<b>Assessment object:</b>	Copper-gold Mining Rights of Northparkes in Central West New South Wales, Australia
<b>Assessment client:</b>	China Molybdenum Co., Ltd.
<b>Valuer:</b>	Golden Standard & Headmen Appraisal and Advisory Co., Ltd.
<b>Target of assessment:</b>	<p>China Molybdenum Co., Ltd. authorized the Valuer to perform assessment on the “copper-gold mining rights in midwest of New South Wales of Australia”. The fair and reasonable value reference suggestion will be offered on the basis of the various conditions and base date in the report to the appointer for the purpose of the issuance of A share convertible corporate bonds by China Molybdenum Co., Ltd..</p> <p>China Molybdenum Co., Ltd. intends to issue A share convertible corporate bonds for the acquisition of 80% equity of Northparkes Joint Venture, related rights and assets.</p>
<b>Reference date:</b>	Nov. 30. 2013
<b>Appraisal methods:</b>	Discounted cash flow
<b>Conclusion:</b>	<p>Based on the research, understanding and analysis of the object’s actual situation, through reasonable evaluation methods and parameter, the Valuer has established the assessed valuation of “copper-gold mining rights in central west New South Wales of Australia” is AUD575.6671 million after evaluation and estimate in accordance with the principle and procedure of mining rights assessment. The formal expression is five hundred and seventy five million, six hundred and sixty seven thousand and one hundred Australian dollars.</p>

The exchange rate referred in the Report is the central parity rate released by the State Administration of Foreign Exchange of the PRC on 30 November 2013, i.e. the exchange rate of Australian dollar against RMB is 1:5.5644. The denominated assessed value of “copper-gold mining rights in the midwest of New South Wales of Australia” is RMB3203.242 million. The formal expression is three thousand two hundred and three million, two hundred and forty-two thousand Australian dollars.

**Related declaration:**

The validity period of the report is one year, namely, it is valid within one year starting from the base date.

The evaluation report is only used for the purpose of particular valuation of client. The ownership of the report belongs to the appointers. The full or part of contents shall not be copied, quoted or published in the public media without the permission of the valuer except provided by laws and regulations or the parties agree otherwise.

**Important notes:**

1. Valid only after signed and sealed.
2. The rights of mining and prospecting are expired before the mine services years. The evaluation is made on the assumption that the rights of mining and prospecting will continue regularly.

The information above is extracted from “the Valuation Report of Copper-gold Mining Rights of Northparkes in Central west New South Wales, Australia”. Please refer to the full text for having a comprehensive review of this evaluation.

**Legal Representative:** (Chen Dongmei)

**Project Manager:** (Peng Shaoxian)

**Certified Mineral Resources Appraisers:** (Peng Shaoxian, Li Huan)

August 26, 2014



**Valuation Report of Copper-gold Mining Rights of  
Northparkes in Central West New  
South Wales, Australia**

GSH KPB Zi (2014) No.033 of Total No.726

**Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd.** was engaged by China Molybdenum Co., Ltd. to conduct a valuation on the copper-gold mining rights of Northparkes in Central West New South Wales, Australia by using the valuation methods of Valuation Standards of Mining Rights in China and in accordance with the regulations in China on valuation of mining rights and followed the objective, independent, fair and scientific principles. According to necessary valuation procedures, the valuer had conducted market surveys and inquires of the Copper-gold Mining Rights of Northparkes in Central West New South Wales, Australia, and reflected the market value under the designated productivity of the mining rights as 30 November 2013 on a fair basis.

The valuation conditions of the mining rights and the valuation results are reported as follows:

## 1. VALUATION INSTITUTE

Title: Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd.;

Address : Room 707, A block Building, No.1, Zhubang 2000 Business Center, No. 100 Balizhuangxi Li, Chaoyang District, Beijing.;

Legal Representative: Chen Dongmei;

Business License No.: 110000005097372;

Exploration and Mining Valuation Qualification Certificate No.: Kuang Quan Ping Zi [1999] No.002.

## 2. OWNER OF VALUATION APPOINTER AND THE MINING RIGHTS

### 2.1 Title of the Valuation Appointer

Title: China Molybdenum Co., Ltd.;

Premises: North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City;

Legal Representative:	Li Chaochun;
Type of company:	joint stock limited company (joint venture with listing status in Taiwan, Hong Kong and Macau)
Scope of operation:	mining and processing, smelting and deep processing of tungsten and molybdenum series of products; export of tungsten and molybdenum series of products, chemicals (excluding hazardous chemicals, inflammable and explosive materials, easily-made drugs); import of raw and auxiliary materials required for production, mechanical equipment, instrument and spare parts (the above import and export items are operated with qualification certificates); accommodation, catering (limited to branches with qualifications)

## 2.2 The Main Owner of the Mining Rights

Title:	North Mining Limited;
Australian company code:	000 081 434;
Enterprise nature:	limited by shares.

### 3. VALUATION SUBJECT AND SCOPE

#### 3.1 Valuation Subject

Subject to the Valuation Entrusted Letter of Mining Rights, the valuation subject of the project was the Copper-gold Mining Rights of Northparkes in Central West New South Wales, Australia.

#### 3.2 General Information of Mining Rights Certificate

The valuation project is involved with “Transaction and Investment in New South Wales-Mining Certificate of Resources and Energy Administration 1247, 1367,1641 and Mining Rights Certificate 5323,5800,5801”. Subject to the Mining Certificate of 1247,1367,1641 and detailed information of Exploration Rights Certificate 5323,5800,5801”, basic information of six mining rights can be referred to the “Statistical Chart of General Information of Mining Rights Certificate” as at the reference day.

#### Statistical Chart of General Information of Mining Rights as at the Reference Day

No.	Mining Rights No.	Owners	Acquisition Date	Expiry Date	Name of the Mine	Condition at the reference date	Total Areas	Types of Mining Rights
1	ML 1247	NML, SCM and SMM	1991.11.27	2033.11.26	NORTHPARKES	Valid	1,629.6 hectares	Mining Rights
2	ML 1367	NML, SCM and SMM	1995.3.21	2029.11.26	NORTHPARKES	Valid	826.2 hectares	Mining Rights
3	ML 1641	NML	2010.5.25	2031.5.25		Valid	24.42 hectares	Mining Rights
4	EL 5325	NML	1997.7.18	2013.7.17		Applying for extension	76 units	Mining Exploration
5	EL 5800	NML	2001.1.8	2015.1.8		Valid	42 units	Mining Exploration
6	EL 5801	NML	2001.1.8	2014.1.7		Valid	170 units	Mining Exploration

As at the date of the valuation report, according to transfer approval documents, the abovementioned three mining rights certificates and three main owners of mining rights certificates have transferred from North Mining Limited to CMOC Mining Pty Limited. CMOC Mining Pty Limited has also completed the extension of abovementioned mining rights certificates and the change of holders as at the reference day. For general information regarding the six mining rights certificates as at the date of valuation report, please refer to statistical chart of general information of mining rights as at the reporting date.

**Statistical Chart of General Information of Mining Rights as at the Reporting Day**

No.	Mining Rights No.	Owners	Acquisition Date	Expiry Date	Name of the Mine	Condition at the reference date	Total Areas	Types of Mining Rights
1	ML 1247	NML, SCM and SMM	1991.11.27	2033.11.26	NORTHPARKES	Currently valid	1,629.6 hectares	Mining Rights
2	ML 1367	NML, SCM and SMM	1995.3.21	2029.11.26	NORTHPARKES	Currently valid	826.2 hectares	Mining Rights
3	ML 1641	NML	2010.5.25	2031.5.25		Currently valid	24.42 hectares	Mining Rights
4	EL 5323	NML	1997.7.18	2018.7.17		Currently valid	76 units	Mining Exploration
5	EL 5800	NML	2001.1.8	2015.1.8		Currently valid	42 units	Mining Exploration
6	EL 5801	NML	2001.1.8	2019.1.7		Currently valid	170 units	Mining Exploration

### 3.3 Valuation Subject and Scope

Subject to the Valuation Entrusted Letter of Mining Rights, the valuation scope of the project was the same as the scope of the above three mining rights certificates and three exploration certificates. Subject to the Competent Person's Report Copper-gold Mining Rights of Northparkes in Central West New South Wales, Australia Final report of China Molybdenum Co., Ltd., the copper-gold mines of Northparkes were located in the area of above three mining rights certificates and three exploration certificates.

#### 4. PURPOSES OF THE VALUATION

China Molybdenum Co., Ltd. authorized the valuer to perform assessment on the “copper-gold mining rights in the central west New South Wales of Australia”. The fair and reasonable value reference suggestion will be offered on the basis of the various conditions in the report and the reference date to the appointer for the purpose of the proposed issuance of A share convertible corporate bonds by China Molybdenum Co., Ltd.

China Molybdenum Co., Ltd. intends to issue A share convertible corporate bonds for the acquisition of 80% equity of Northparkes Joint Venture, related rights and assets.

#### 5. VALUATION BASE DATE

The valuation base date of the valuation project of mining rights was 30 November 2013. The calculation and valuation standards of the valuation report were subject to the validity of this valuation base date.

#### 6. BASIS FOR VALUATION

- 6.1 Valuation Standards of Mining Rights in China (《中國礦業權評估準則》)
- 6.2 Guidance on the Decision of Valuation Indicators of Mining Rights (《礦業權評估參數確定指導意見》) (CMVS30800-2008) ;
- 6.3 Valuation Entrusted Letter of Mining Rights and Undertakings Letter
- 6.4 Transactions and Investment in New South Wales-Mining Certificate of Resources and Energy Department 1247, 1367,1641 and Mining Rights Certificate 5323,5800,5801 and the conditions of the certificates;
- 6.5 Competent Person’s Report of the Final Report of China Molybdenum Co., Ltd. as to the Copper-gold Mining Rights of Northparkes in Central West New South Wales, Australia (8 November 2013);
- 6.6 The Feasibility Study of the Expanded Project of Selection of the Copper-gold Mines of Northparkes in Central West New South Wales, Australia (2014) (《澳大利亞新南威爾士州中西部Northparkes銅金礦采選擴建工程可行性研究》);
- 6.7 Other related information collected and verified by the valuer.

## 7. COURSE OF ASSESSMENT

- 7.1 The Appointer introduced us an assessment organization some basic information of the assessment object and formulated an intent of assessment and entrustment in early July 2014.
- 7.2 In early July 2014, we formed a mining right assessment group with relevant experts, learnt about specific situation of the object, looked up and collected relevant information.
- 7.3 From July 8 to August 10, 2014, the assessment group analyzed and summarized data, identified the assessment plan by incorporating actual situation of the project, selected assessment parameters and conducted a value assessment to the mining right of Northparkes a copper mine located in the central west part of New South Wales (NSW) state of Australia.
- 7.4 August 11, 2014, prepared the assessment report draft and exchanged ideas with the Appointer.
- 7.5 August 12 to 19, 2014, the assessment report was approved, revised, finalized and printed and formulated the assessment report hardcopy which was submitted to the Appointer on August 26.

## 8. OREFIELD OVERVIEW

### 8.1 Geographical location and transportation of orefield

Northparkes copper and gold mine is a world-class copper and gold mine which is located in a point 27km northwest to the center of Northparkes Town of NSW of Australia. Northparkes is located 350km northwest of Sydney, where can be reached via high-density road networks, trains and planes. Geographical coordinates of related assets are about east longitude 148° 03'56" and south latitude 32°54'63" to 38°32'44".

### 8.2 Overall natural geographic and economic conditions of the orefield

This region's landforms include undulant low hills with height altitudes from 300 to 500 meters. Due to climate, most land of the project site is covered by soil hence its surrounding terrain slopes are of gradual inclines.

This region is of a warm and humid subtropical climate with significant temperature difference in winter and summer. Summer (December to February) mean temperature is about 32 Celsius degrees but often exceeds 35 degrees and the highest is 40 degrees. Winter (June to September) is cool and mostly sunny at temperatures between 4 to 16 Celsius degrees. In winter, costal areas occasionally encounter cold and long-term drizzle and the temperature can reach the lowest. Spring and summer storm seasons have heavy rainfall, the annual average rainfall is 587.5 mm.

Besides mining and exploration services, the main industries and manufacturers of this region include agriculture and local commercial and industrial support services. The main crops include wheat and cotton, livestock products include beef and wool.

RPM's audit result about regionally and locally supported infrastructures shows that, NSW's central west part's power, water conservancy and transportation logistics facilities are very good. The project is neighboring to handy roads, railway construction sites, water resources and towns so it can offer necessary foods and accommodations and supportive services to mining operations and personnel.

### **8.3 Overview of orefield's geological work**

#### ***8.3.1 Past exploration history***

It's the end of 19th century when this region was found to be of a copper mineralization effect for the first time. There was a breakthrough progress in 1976 when the Geopeko Limited (Geopeko) conducted 1kilometer-interval roadside drilling plan discovered the main copper mineralization effect for the first time. Later, it conducted drilling operations which laid an exploration prosperity for E-22 which was already mined and had become a part of the estimated mining work of the project.

Geopeko conducted exploration in Northparkes region in 1972, completed zoning drawings, rock lithogeochemistry sampling and aeromagnetic survey in 1974 so extended the data to the north area of this region yet not finding any mineralization fit for economy benefit.

Conducted spiral drilling exploration to the vertical direction of strata of this zone's strata in 1975. In summer 1976, a landscape spiral drilling exploration operation at a 1km interval along Adavale Lane was conducted. No. ACH697-21 Drill Hole is located in the east side of current E-22 outdoor mining pit. The intersection of 0.25% copper ore at a depth of 2 meters is full of pink potassium feldspar alternation and light copper ore namely regular copper mineralization. In 1977, where a rhombic hole in an irregular sharp peak was drilled found copper ore of 0.61% copper at the depth of 229 meters and gold ore at 0.67gram/ton at the depth of 65 meters. Later, at a spot 1km east of E-22, landscape spiral drilling operation drilled and found the weak copper abnormal zone (0.15% copper ore) and found E-27 in 1978.

Continue to conduct drawing preparation and rock sampling in 1978. E-28, 2km southeast to E-22, was given a deposit drawing which contained the monzonite of quartz-malachite texture. Extracted quartz mica schist at the surrounding area of E-26 but it didn't have a high geochemical value. In 1980, a backcycling drilling of a drilling grid at the south of E-28 found copper-converted foreign ore at a spot right above E-26 deposit (former E-26N deposit). The first rhombic grid drill hole used for testing abnormality is DDH26 which resulted in the finding of the 0.67% copper ore of a thickness of 441 meters at a depth of 63 meters.

In 1992, according to the aeromagnetic survey data of a 120m interval, used characteristics of formerly identified deposits, completed a magnetic positioning program. The magnetic positioning identified that MT9 was located between E-26 and E-27, partially matched with abnormality of copper geological chemical so it's chose to be the drilling exploration testing target (Hooper et al, 1996). At the footage 49 meters to the first backcycling drill hole MT9RP1 and 83 meters to the drill hole extremity, 0.95% of copper ore and 0.15g/ton gold ore were found.

For the exploration works conducted from 1978 to 1998, the result was that rock formations of other porphyries were found at the north of E-20, E-22, E-28, E-31 and E-37 and the west of E-37. All formations were found via backcycling drilling exploration and the west of E-37 was located in the upright west side of E-37, which was a non-continual high magnetic target.

### **8.3.2 Recent exploration progress**

Recent exploration found a large low-angle fault (Altona Fault) and this fault moves large rock blocks to upper layers of possible orefields.

After this regional reversed fault was found, RPM knew that the company had re-assessed many old deposits. The reassessment operations include description of improved regional data sets, historical exploration results, more detailed regional geological environments and massive underground development and drilling works completed during morning operations. Other exploration operations with this basis were conducted and the result was the finding of extended ranges/additional ranges and 5 new rock formations of porphyries and the confirmation to other deposit zones to explore. These systems include Veedas System, Hopetoun Gold System, Hopetoun 2 System, Brazen System and GRP314 Deposit.

China Molybdenum Co., Ltd. authorized RungePincockMinarco (RPM for short) as the brand for conducting an independent technical audit and preparing a report of qualified personnel for the Northparkes copper and gold mine project located in NSW of Australia. On November 8, 2013, RPM prepared the Report of Qualified Personnel (for the Northparkes Copper and Gold Mine in NSW of Australia).



## 9. OREFIELD GEOLOGICAL OVERVIEW

### 9.1 Orefield geological overview

#### 9.1.1 *Geological environment*

The orefield is located in Ordovician Goonumbla volcanic Simpson et al of Goonumbla volcanics, 2000 and Lye, Crook and van Oosterwijk, 2004). Goonumbla volcanics formed Lachlan's orogenesis and a part (Glen et al. 1998) of Junee-Narromine volcanic belt. Within this region, Goonumbla volcanics is a series of trachyandesite connected to rough-surface volcanic rocks and volcanic sedimentary clastic matters, which should be the sedimentary in a seabed environment. Later, isometric monzonite formation invaded Goonumbla volcanics. Quartz monzonite rock pipe and rock wall (partially do with mineralization effect) invaded Goonumbla volcanics and the monzonite formation.

Goonumbla volcanics experienced a small-scale transformation and it also had a phenomenon of light and medium rock stratum decline due to ups and downs of the region. For the time being, the main structure been observed in the project area is Altona Fault (a reversed fault that gradually declines toward the east). This fault cuts off the top of E-48 and is extended from the east of E-26 and E-27.

#### 9.1.2 *Mineralization form*

An ore deposit is a typical porphyry copper system, whose mineralization and alteration are mainly restricted to be within the periphery of the invasion opening of adamellite. The porphyry invasion opening has formed a long (normally with a diameter less than 50 meters) but vertical and deep (over 900 meters) rock pipe. Mineralization effect will take place within these porphyry pipes but will also extend to the main rock formation.

Mineralization of the orefield exists in the forms of chalcopyrite, bornite and covellite and few other types of copper sulphide ore while the formation of the gold ore is mostly formed in the state of melting of sulfur bornite crystals. Sulfur mineralization and quartz stockwork is closely related for loosening and cracking will appear in porphyry pipes. The sources of these stockworks and terrestrial heat fluids are other granite invaded ore veins.

Typical porphyry deposits have very obvious mineralization and are distributed like belts. Mineralization of the highest grade is normally closely related to the alignments of the highest-density stockwork ore veins in the porphyry center. The sulfur matters in the system starts to be belt shaped from the core of bornite. Its center is in the adamellite which goes through the chalcopyrite area outward and extends to the extremity of the iron pyrite. As copper grade (copper of about > 1.2%) increases, the copper content of covellite, digenite and molybdenite related to bornite mineralization will also increase. In the profile map of E-26, the characteristic of the distribution of grades of layers and the vertical extension of the deposit is very distinct.

### ***9.1.3 Alteration***

The mineral deposit is the typical one formed by mineralization of geothermal fluid, which has a rather complicated development of alteration zone. Despite the similar observation on altered morphology, the hierarchical composition and size show great difference due to the chemical change, structural property and basic geological factors of group complex. All the mineral deposits in the item mostly contain quartz monzonite core which is relevant with central potash feldspar alteration zone, surrounded by biotite magnetite alteration zone.

The potash feldspar alteration core in E-26 mineral deposit is well developed and spans 100 meters outward to the group complex. However, E-22, E-27 and E-48 are quite contrary where the alteration range of potash feldspar is not usually more than 10 meters outside of porphyry with well-developed biotite magnetite. Such alteration generally occurs the maximum 200 meters above porphyry and the unique wheel-shaped features are formed in the areas of E-22 and E-27.

In the center of E-26, the white sericite quartz and / or alunite alteration zone will appear, while the range of the alteration zone is relatively smaller in E-48, normally owing to the high grade deposit. In E-48 and adjacent areas, the mica hematite and / or carbonate alteration group will be found.

All the mineral deposits in the item are intruded by the faults formed in the late stage and fill quartz carbonate and / or plaster, anhydrite, common pyrite, chalcopyrite, sphalerite and galena. The relevant sericite alteration reaches the longest extension of 10 meters from the faults.

### ***9.1.4 Morphology and distribution of Porphyry***

The porphyry mines in North Parkes are similar to majority porphyry conditions where numerous independent deposit veins are distributed in groups. What makes it different from the other porphyry is the number of veins and horizontal areas are relatively smaller in North Parks. Besides, some individual deposit veins are very deep, which resemble the vertical tubulose veins.

Part of the deposits is not regularly distributed, but most veins are still arranged in clintheriform resulting from the classification and layer distribution around the deposit veins of quartz monzonite. For the general geological characters of main deposit veins, please refer to “Table 5-1. The General Description of Main Mineral Veins “ from 《Competent Person Report (the Cuproauride in Northparkes of the Midwestern New South Wales in Australia)》.

**Table 5-1. The General Description of Main Mineral Veins.**

	E-22	E-26	E-27	E-48	GRP314
Width	100-300 meters	200-400 meters	100-300 meters	60-400 meters	About 1,200 meters long and 100-300 meters wide
Plan Form	Suborbicular	Suborbicular	Suborbicular	Approximate oval in the north and south side	Approximate oval from northeast to southwest
Vertical Range	700 meters	> 1,100 meters	900 meters	> 1,100 meters	> 1,000 meters
Subject	Goonumbla volcanic rock	Goonumbla volcanic rock	Goonumbla volcanic rock	Goonumbla volcanic rock	Goonumbla volcanic rock; monzonite in deep
Intrusion Mode	QMP; vertically	Almost vertical porphyry	Tube QMP	Tube QMFP; intruding from the steep north	Entirely locate in the intrusion entrance of monzonite
Mineralization	Mostly bornite in core; high grade covellite and blue chalcocite	Bornite in core surrounded by chalcopyrite and common pyrite	Highly developed cupric oxide carbonate (malachite and azurite) and phosphate (pseudomalachite and libethenite)	Bornite in core surrounded by chalcopyrite and common pyrite	Advanced core narrow; quartz network ore in adverse development
Alteration	Starting from porphyritic biotite; K-feldspar core > 10 meters	Starting from porphyritic biotite (center for sericitolite); K-feldspar core > 100 meters	Starting from porphyritic biotite; K-feldspar core > 10 meters	Starting from porphyritic biotite (center for sericitolite); K-feldspar core > 10 meters	Similar to others; with strong phyllite alternation in the late stage
Magnetism	Fierce development	Fierce development	Fierce development		
Oxidation	Fierce development	Fierce development	Fierce development	None (at the bottom of Altona Fault)	None (at the bottom of Altona Fault)

### *9.1.5 Airslake and Oxidation*

Oxidation data are subject to change with the project development, but normally it doesn't exceed 60 meters below surface thickness. Like many mineral deposits in Australia, the deep-seated weathering data will form oxide mineral layers in the grass-roots deposit, especially for E-22 and E-27. The gold content in top of oxide layer is larger than that of copper as a result of different mineral composition from the dissolution of mineral chemistry. The lower supergene layer is rich in copper, where the main oxidized copper ore is cupric oxide carbonate (malachite and azurite) and phosphate (pseudomalachite and libethenite) with less quantity of chalcocite, pyrite, cuprite and chrysocolla. At the top of E-26 deposit, the supergene layer of copper covering takes shape with limited gold content and uncompleted development. The copper oxides of E-26 include atacamite, botallackite and sampleite as well as the copper observed in E-22 and E-27.

The Altona fault in the eastern area of mine shows a descending terrain, which severely affects the formation of mineralized layers in the mines of Brazen and GRP314. The fault will intrude the mineralization of the vein below the declining fault plane. The high grade mineralization of E-48 will also intrude the surface close by of the fault in the same way, though having an influence on the nearby mineralization.

### *9.1.6 Ore Reserve and Resource Distribution Features*

Ore Reserve:

E-48 — As the current exploiting mine, the reserve area is considered as the initial minery of E-48 deposit, which is why it is named for E-48 Lift 1 (E0 48 L1), with the reserve regions range extending from the surface to 500 meters deep.

E-26 — The reserve region is the northern extension area of E-26 Lift 2 exploited previously, which is named for E26L2NN minery, with reserve regions stretching from 600 meters to 900 meters.

E22 — The reserve region is located below the historic open pit mine expanded to 500 meters deep. Currently, it is designed for mining for a short period, which is the reason it is named for E-22 Lift 1 minery.

Resource storage capacity:

E-48 — The resource region lies in the horizontal zone of the present minery and below the E-48 reserve pit, spreading from 500 meters to 1000 meters deep, which is named for E-48 Lift2.

E26 — Most resource regions are in the main mining area of historic E-26 Lift2 and below the planned northern extension area of E26L2NN reserve pit. It is located in the 900 meters to 1400 meters deep, which is called E-26 Lift 3. Moreover, certain small districts around the reserve pits of E26L2NN are included in the resource storage as well.

E22 resource area is located at the resource area surrounding E22 ore reserve pit. This area is located below the open pit with a maximum depth of 500 meters. This area is named as E-22 Lift 2.

GRP-314 is located below Altona fault zone and divided into 2 layers, Layer 1 and Layer 2. Layer one ranges from 280 meters to 560 meters underground and Layer 2 ranges from 560 meters to 1060 meters underground. Most of the mineral resources of this resource area are located at Layer 2.

## 9.2 Ore features

The mine lot is a clustered porphyry type ore deposit containing solid and abrasive adamellite. The ore deposit features higher grade copper core, mainly bornite and its peripheral area contains bornite and copper pyrites, and there is pyrite surrounding the area. In addition to tennantite, there is a small amount of digenite and indigo copper relevant to bornite within the higher grade core. Copper sulphide mineralization is of fine granular (generally <38 microns), indicating that the range of 40 to 50 microns is the best range for flotation process.

Gold mineralization is closely related with copper ore (bornite), mainly as tiny inclusion (<5microns), such as native gold, some AgAu and telluride. As with silver mineralization, gold recovery closely follows copper recovery.

Bornite is fragile (which means it's easily stained with ooze and it will float slower than other copper ore), oxydic (which will affect recovery but this impact may be successfully alleviated by using sodium sulphhydrate) and will also form high grade concentrate (>40% copper). Copper pyrites will float soon and cause lower grade concentrate. Tennantite also float easily and will cause arsenic pollution to copper concentrate, thus its floatation must be alleviated during the processing.

E-22 contains relatively less bornite (more copper pyrites), relatively less tennantite but more gold. Granularity content of E-22 may reach as high as 1 micron. As compared with E-48, E-26 and E-22 are more solid and may contain copper mineralization with finer particles, but contain obviously less tennantite and will produce concentrate with quite low grade arsenic.

### 9.3 Ore technology and processing performance

Dressing plant in the mine lot uses conveyor belt to convey ore which will be pulverized by crushing machines during two stages to produce products which 80% pass through 30 microns. Capable of 1000 tonnes/hour, the crushing machine supplies two material piles and two different semi-autogenous grinding modules. First there is coarse grinding and then other two ball-milling stages. Finer materials are separated in each grinding stage and enter into floatation loopback system, while coarser materials are recovered via scavenging and even coarser materials are returned to ball apping machine loop Floatation loopback system is composed of two stages: The underset in the hydrocyclone of the semi-autogenous grinding machine utilizes “flash flotation” parts to recover coarse grain copper (30% copper recovery) and utilize flotation cell to recover another 30% copper and then enter into traditional roughing- scavenging pool for processing. Flotation cell and roughing-scavenging concentrate is upgraded in “concentrate-concentrate” loopback and its loopback is composed of Grade I and Grade II Jameson concentrate machine and traditional scavenging concentrate pool. And then concentrate is concentrated and stored for transportation.

### 9.4 Mining technical conditions

#### 9.4.1 Hydrogeological conditions

The mine lot is located at a quite complicated hydrogeological environment, which is part of the upper stream of the river source of the catchment area of Macquarie-Bogan River. Approximately there is 74,800 square kilometers of surface water flow to the Murray-Darling basin system. The Company has already started to survey and learn about local and regional groundwater system.

Bogan River is part of Macquarie-Bogan river system and its source is Harvey Range nearby Goonumbla, which flows northwestwards to Nyngan and eventually converge with Darling river nearby Bourke. In the southern part of the drainage basin in the upper half of the catchment area, Bogan River converges rivers from TenandraCreek, Goonumbla Cree and Cookopie Creek.

Within the areas peripheral to the mine, Bogan river and its branches (Tenandra Creek, Goonumbla Creek and Cookopie Creek) usually appear briefly, and surface water will flow only after heavy rain or long-time raining. A flood numerical modeling has been conducted within the mine lot and its peripheral areas, including once-in-a-century average recurrence interval (ARI) annual flood grade numerical modeling.

Water resources are from various places so as to minimize the impact of severe drought and regional floods. Main source of the water resources in PSC and the mine lot includes well areas in Lachlan Valley nearby Forbes, river water of Lachlan river and surface dam nearby Parkes. There are large pools in the old open pits and rear storage facilities, and there are also drainage ponds to store surface water influx.

#### ***9.4.2 Environmental and geological conditions***

The existing mining activities in the mine lot have already caused changes to the natural terrain in the project area, mainly due to Tailing Storage Facilities (TSF), spoil heaps, open pits (E-22), as well as underground ore block caving mining in E-26 and E-48. Although there is appropriate farmland as buffer zone, the flat terrain makes the ground structure (tailing facilities and ore and spoil piles) of the mine lot and mine lot facilities may be possibly seen through vegetation between the mine.

The mine lot is located at the Macquarie-Bogan drainage basin, causing surface water flow from an area of approximately 74,800 square kilometers to the basin system of Murray-Darling. The project is located at the four subbasin in the upper stream of Bogan river and there is a branch called Goonumbla Creek flowing through the mine lot. Surface water resources within the mine lot and its peripheral areas (including Goonumbla Creek, Tenandra Creek and Bogan River) usually exist briefly and surface water will be only stored up after rainstorms.

Areas peripheral to the mine lot are mainly various large farmland reserve areas which are mostly for growing crops or countryside work. The Company owns several agricultural assets and peripheral mine lots. Peripheral places and regions include farmlands which are mostly cleared up with some sporadic vegetation, and they are mainly related to reserved roads, routes for herding droves and state-owned forest land.

There is a quite large farmland buffer zone around the mine lot, which has properly reduced the impact of noise and dust discharge at present. TSF, ore storage area and waste disposal place are more chaotic and may cause the risk of dust discharge in strong winds. The Company recently coated the surface of TSF 1 with polymer additive as a reagent to reduce dust, and regularly offer tailings or water to TSF2 to moisten its surface in order to minimize the dust discharge. There are monitoring networks all over the projects in the mine lot.

10. STATUS OF MINE LOT DEVELOPMENT

Currently, there are four ore deposits, i.e. E-26, E-22, E-27 and E-48 in the mine lot. The mine lot successively applies two mining methods, i.e. open pit mining and underground block caving method. Open pit mining method was carried out from the end of 1993 to 2007 in a small and medium size to form two small-scale mine lots (E-22 and E-27) and E-26 was exploited from 2010. The three mine lots exploit a total of over 31 million tonnes of ore, including stone piles in nearby dressing plants. After 2010, the mining continued via block caving mining method. Block caving is the only underground mining method when the project started to segment E-26 ore deposit in 1995. The mine is the first mine lot to use this mining method in Australia and it's already proved to be one of the best methods in the world to exploit large-scale low grade underground mine ore deposit. Central and western New South Wales has an extensive system of power, water resources, transportation and logistics, which is able to appropriately support the existing and planned capacity of the project. The mine lot is close to well-established road and railroad infrastructure facilities (15 kilometers), water sources and regional cities and towns which are capable of supporting mining operation and accommodating relevant staff.

11. EVALUATION METHODOLOGY

The subject of evaluation is the reconstruction and expansion of producing mines. In 2014, the Architectural Design and Research Institute of Xi'an University of Architecture and Technology completed Feasibility Study on the Expansion of Northparkes Copper and Gold Mining and Beneficiation Project in the Mid-West of New South Wales of Australia, which largely meets the requirement of evaluation based on DCF method. According to the Trial Measures for Mining Rights Evaluation and the Criteria for Income Sources Evaluation Methods (CMVS12100-2008) (hereinafter referred to as "Criteria for Income Sources Evaluation Methods"), it is determined that the DCF method is used for the evaluation. The calculation formula is as below:

$$P = \sum_{t=1}^n (CI-CO)_t \cdot \frac{1}{(1+i)^t}$$

of which:

P — mining right assessment value

CI — annual cash inflow;

CO — annual cash outflow;

(CI — CO)<sub>t</sub> — net annual cash flow;

i — discount rate;

t — serial number of years(t =1,2,3, ..... n);

n — number of years calculated for the evaluation.



## 12. TECHNICAL AND ECONOMIC INDICATORS AND PARAMETERS FOR EVALUATION

The resources and reserves used for the evaluation are mainly based on *Report to Qualified Persons – Final Report of China Molybdenum Co., Ltd. on the Northparkes Copper and Gold Mine in Mid-West of New South Wales of Australia* (herein after referred to as “Report to Qualified Persons”).

Other key technical and economic indicators and parameters are selected based on *Feasibility Study on the Expansion of Northparkes Copper and Gold Mining and Beneficiation Project in the Mid-West of New South Wales of Australia* (hereinafter referred to as “Feasibility Study”), *Basic Principles for Mining Rights Evaluation Technique, Guidance for Determination of Mining Rights Evaluation Parameters, Categorization of Solid Mineral Resources and Reserves, Criteria for Income Sources Assessment Methods, and other relevant policies, regulations, technical and economic criteria and other materials held by assessors.*

The *Feasibility Study* compiled by the Architectural Design and Research Institute of Xi’an University of Architecture and Technology made an overall planning for the development of mineral resources within the mining tenement based on analytical research and argument regarding resources and conditions of the tenement, and set mining technology solutions and technical indicators according to relevant criteria in combination with circumstances of the tenement, and calculated such technical and economic parameters as investment and mining costs. Therefore, the “*Feasibility Study*” can be used as the basis for selecting relevant indicators and parameters for the evaluation.

## 12.1 Available Resources and Reserves on the Evaluation Base Date

### 12.1.1 Available Resources and Reserves

According to the “Report to Qualified Persons”, the ore reserves and mineral resources on the JORC basis as of June 30, 2013 are shown in the table below (from Tables 7-1 and 8-1 of the “Report to Qualified Persons”).

**Table 7-1 JORCE mineral resources report of blocks of proposed transaction that apply copper cutoff grade of 0.4% as of 30 June 2013**

Block	JORC Classification	Volume <i>mn tons</i>	Cu %	Au <i>g/t</i>	Ag <i>g/t</i>	CuEq3* %	Cu <i>kt</i>	Au <i>kOz</i>	Ag <i>Moz</i>	CuEq* <i>Kt</i>
E26	Measure	143.4	0.64	0.17	1.8	0.77	923.7	762.7	8.3	1,102.0
	Indicated	71	0.52	0.12	1.5	0.61	369.9	273.9	3.4	435.2
	Inferred	0.7	0.46	0.09	1.2	0.53	3.3	2	<0.1	3.7
	Sub-total	215.1	0.6	0.15	1.7	0.71	1,296.9	1,038.6	11.8	1,536.9
E22	Measure	0.7	0.48	0.33	2.6	0.72	3.4	7.4	0.1	5.0
	Indicated	0.5	0.47	0.3	1.7	0.68	2.4	4.8	0.0	3.4
	Inferred	—	—	—	—	—	—	—	—	—
	Sub-total	1.2	0.48	0.32	2.2	0.71	5.7	12.3	0.1	8.5
E48	Measured	73.7	0.55	0.27	1.9	0.74	401.7	630.3	4.5	548.5
	Indicated	49.6	0.52	0.18	1.8	0.65	257.9	287	2.9	324.9
	Inferred	—	—	—	—	—	—	—	0.0	—
	Sub-total	123.3	0.53	0.23	1.9	0.70	659.6	917.3	7.4	861.1
GRP314	Measured	71.9	0.54	0.15	1.7	0.65	391.7	353.0	3.9	470.6
	Indicated	60.2	0.52	0.12	1.7	0.62	313.6	252.3	3.2	370.3
	Inferred	—	—	—	—	—	—	—	0.0	—
	Sub-total	132.1	0.53	0.14	1.7	0.64	705.4	585.2	7.1	842.8
Total	Measured	289.7	0.59	0.19	1.8	0.73	1,720.5	1,753.4	16.8	2,119.0
	Indicated	181.3	0.52	0.14	1.6	0.63	943.8	798.1	9.6	1,136.7
	Inferred	0.7	0.46	0.09	1.2	0.53	3.2	2	0.0	3.7
	Sub-total	471.1	0.57	0.17	1.8	0.70	2,667.6	2,553.5	26.4	3,294.7

*Note:* Ore reserves are not included in mineral resources. Parts may not sum to total due to rounding error.

**Table 8-1. JORC ore reserves of blocks of proposed transaction as of 30 June**

Block	JORC Classification	Ton	Cu	Au	Ag	CuEq3*	Cu	Au	Ag	CuEq*
		<i>mn tons</i>	<i>%</i>	<i>g/t</i>	<i>g/t</i>	<i>%</i>	<i>kt</i>	<i>kOz</i>	<i>Moz</i>	<i>Kt</i>
Block E-48	Proved	—	—	—	—	—	—	—	—	—
	Probable	50.4	0.76	0.27	2.6	0.94	383	437.5	4,213.0	471.2
	Sub-total	50.4	0.76	2.7	2.6	0.94	383	437.5	4,213.0	471.2
Block E26 Lift 2	Proved	—	—	—	—	—	—	—	—	—
	Probable	7.6	0.67	0.14	2	0.76	50.9	34.2	488.7	57.8
	Total	7.6	0.67	0.14	2	0.76	50.9	34.2	488.7	57.8
Block E-22	Proved	—	—	—	—	—	—	—	—	—
	Probable	41.3	0.49	0.69	2.6	0.72	202.4	478	3,054.0	298.7
	Sub-total	41.3	0.49	0.69	2.6	0.72	202.4	478	3,054.0	298.7
Surface stockpile	Proved	8.2	0.39	0.24	1.8	0.55	32	63.3	487.8	44.7
	Probable	—	—	—	—	—	—	—	—	—
	Sub-total	8.2	0.39	0.24	1.8	0.55	32	63.3	487.8	44.7
Total	Proved	8.2	0.39	0.24	1.8	0.55	32	63.3	487.8	44.7
	Probable	99.3	0.64	0.3	2.5	0.83	635.5	957.8	8,086.8	828.6
	Total	107.5	0.62	0.29	2.4	0.81	666.5	1,002.30	8,574.6	868.6

*Note:* Rounding may lead to minor tabulation errors.

The “Feasibility Study” built a 3D model for porphyry, monzonite and geological bodies controlled by Altona fault structure based on geological materials, and made categorization and estimation on ores according to China’s classification standard. Please see the following table for details.

**Table 12-1 JORC reserve estimate of producing blocks of proposed transaction  
as of 30 June 2013**

Block	JORC Classification	Chinese Classification	Ore Reserves (*0000 t)	Metal Content			Grade		Remark	
				Cu(t)	Au (kg)	Ag (kg)	Cu (%)	Au (g/t)		Ag (g/t)
Block E-48	Proved	(111)								
	Probable	(122)	5040	383000	13608	131039	0.76	0.27	2.6	Dilution rate and loss rate
	Sub-total		5040	383000	13608	131039	0.76	0.27	2.6	during exploitation has
Block E26 Lift 2	Proved	(111)								been taken into
	Probable	(122)	760	50900	1064	15200	0.67	0.14	2.0	consideration by the
	Total		760	50900	1064	15200	0.67	0.14	2.0	Australian JORC standard
Block E-22	Proved	(111)								for reserve estimate, so
	Probable	(122)	4130	202400	14867	94990	0.49	0.36	2.3	the estimated reserve is
	Sub-total		4130	202400	14867	94990	0.49	0.36	2.3	equivalent to the volume
Surface stockpile	Proved	(111)	820	32000	1969	15172	0.39	0.24	1.9	of recovered ore
	Probable	(122)								
	Sub-total		820	32000	1969	15172	0.39	0.24	1.9	
Total	Proved	(111)	820	32000	1969	15172	0.39	0.24	1.9	
	Probable	(122)	9930	636300	29539	241229	0.64	0.30	2.4	
	Total		10750	668300	31508	256402	0.62	0.29	2.4	

**Table 12-2 JORC resource estimate of additional resources in blocks of proposed transaction as of 30 June 2013**

Block	JORC Classification	Chinese Classification	Ore Reserves ('0000 t)	Metal Content			Grade		
				Cu(t)	Au(kg)	Ag(kg)	Cu(%)	Au (g/t)	Ag (g/t)
E-26	Measured	(331)	14340	923700	23723	258159	0.64	0.17	1.8
	Indicated	(332)	7100	369900	8519	105752	0.52	0.12	1.5
	Inferred	(333)	70	3300	62	<3110	0.46	0.09	1.2
	Sub-total		21510	1296900	32304	367021	0.60	0.15	1.7
E-22	Measured	(331)	70	3400	230	3110	0.48	0.33	2.6
	Indicated	(332)	50	2400	149	0	0.47	0.30	1.7
	Inferred	(333)							
	Sub-total		120	5700	383	3110	0.48	0.32	2.2
E-48	Measured	(331)	7370	401700	19605	139966	0.55	0.27	1.9
	Indicated	(332)	4960	257900	8927	90200	0.52	0.18	1.8
	Inferred	(333)							
	Sub-total		12330	659600	28531	230166	0.53	0.23	1.9
GRP314	Measured	(331)	7190	391700	10980	121304	0.54	0.15	1.7
	Indicated	(332)	6020	313600	7225	99531	0.52	0.12	1.7
	Inferred	(333)							
	Sub-total		13210	705400	18202	220835	0.53	0.14	1.7
Total	Measured	(331)	28970	1720500	54537	522539	0.59	0.19	1.8
	Indicated	(332)	18130	943800	24824	298594	0.52	0.14	1.6
	Inferred	(333)	70	3200	62	0	0.46	0.09	1.2
	Total		47170	2667600	79423	821132	0.57	0.17	1.8

Based on comparison between the “Report to Qualified Persons” and the “Feasibility Study”, the results of reserves and resources estimates as of June 30, 2013 are slightly different. The metal content of each block in the reserves and resources table of the “Feasibility Study” is the same as that of each block in the “Report to Qualified Persons”, but the totals vary slightly because the total amount in the “Feasibility Study” is calculated by adding up the ore and metal content of each block while the note of the “Report to Qualified Persons” indicates that “rounding may lead to minor tabulation errors”. Therefore, the “Feasibility Study” made classification, estimation and consolidated calculation of the available ores as of June 30, 2013 in the “Report to Qualified Persons” based on Chinese classification standards. The project uses the estimated results regarding reserves and resources provided by the “Feasibility Study” as the basis of reserves estimation.

### ***12.1.2 Used Reserves between June 30, 2013 and the Evaluation Reference Date***

According to the schedule of used reserves provided by the Company, from July to November of 2013, 2,596,000ton of ores were mined, and 27,258ton of copper, 1,168kg of gold and 8,084kg of silver were recovered. The E-48 block currently being mined adopts the underground natural caving method where all ores are transported to the beneficiation plant after overall caving along the mine.

### ***12.1.3 Available Resources and Reserves as of the Evaluation Reference Date***

Based on the “Report to Qualified Persons”, the Company currently has many surface stockpiles of ores placed by grade and mineral type. They are labeled as red, green and blue stockpiles, and hence are not counted in as available resources and reserves for estimation; the E-48 block is a pit currently being mined and the used resources and reserves are deducted from that block; newly added resources and reserves have not been used. The available resources and reserves as of the Evaluation Base date are shown in the table below.

**Table 12 Evaluation of recoverable ore reserves in producing blocks as of 30 Nov. 2013**

Block	JORC Classification	Chinese Classification	Ore Reserves (*0000 t)	Metal Content			Grade		
				Cu(t)	Au(kg)	Ag(kg)	Cu(%)	Au (g/t)	Ag (g/t)
Block E-48	Probable	(122)	4780.40	355742	12440	122991	0.74	0.26	2.57
	Sub-total		4780.40	355742	12440	122991	0.74	0.26	2.57
Block E26 Lift2	Probable	(122)	760.00	50900	1064	15200	0.67	0.14	2.00
	Sub-total		760.00	50900	1064	15200	0.67	0.14	2.00
Block E-22	Probable	(122)	4130.00	202400	14867	94990	0.49	0.36	2.30
	Sub-total		4130.00	202400	14867	94990	0.49	0.36	2.30
Total		(122)	9670.40	609042	28371	233181	0.63	0.29	2.41

*Note:* Data in the table above has taken into account the probable dilution.

**Table 12-4 Estimate of available resources of additional resources as of 30 Nov 2013**

Block	JORC Classification	Chinese Classification	Ore Reserves (*0000 t)	Metal Content			Grade		
				Cu(t)	Au(kg)	Ag(kg)	Cu(%)	Au (g/t)	Ag (g/t)
E-26	Measured	(331)	14340	923700	23723	258159	0.64	0.17	1.8
	Indicated	(332)	7100	369900	8519	105752	0.52	0.12	1.5
	Inferred	(333)	70	3300	62	<3110	0.46	0.09	1.2
	Sub-total		21510	1296900	32304	367021	0.60	0.15	1.7
E-22	Measured	(331)	70	3400	230	3110	0.48	0.33	2.6
	Indicated	(332)	50	2400	149	0	0.47	0.30	1.7
	Inferred	(333)							
	Sub-total		120	5700	383	3110	0.48	0.32	2.2
E-48	Measured	(331)	7370	401700	19605	139966	0.55	0.27	1.9
	Indicated	(332)	4960	257900	8927	90200	0.52	0.18	1.8
	Inferred	(333)							
	Sub-total		12330	659600	28531	230166	0.53	0.23	1.9
GRP314	Measured	(331)	7190	391700	10980	121304	0.54	0.15	1.7
	Indicated	(332)	6020	313600	7225	99531	0.52	0.12	1.7
	Inferred	(333)							
	Sub-total		13210	705400	18202	220835	0.53	0.14	1.7
Total	Measured	(331)	28970	1720500	54537	522539	0.59	0.19	1.8
	Indicated	(332)	18130	943800	24824	298594	0.52	0.14	1.6
	Inferred	(333)	70	3200	62	0	0.46	0.09	1.2
	Total		47170	2667600	79423	821132	0.57	0.17	1.8

## 12.2 Evaluation of Recoverable Ore Reserves

Pursuant to evaluation of recoverable ore reserves at producing sites as of the base date, the Feasibility Study compiles the Mining Schedule for the Current System based on a production scale of 6.4mt p.a. Mining operations are carried out at existing producing sites in parallel with construction of underground mining infrastructure at four ore bodies, including E-48, E-26, E-22 and GRP314. The infrastructure will commence production in 2016. According to the design of the Feasibility Study, E-22 is consolidated into the original production system rather than be allocated an independent mining system due to limited remaining resources. Therefore, deep (the new system) resource mining is targeted at E-48, E-26 and GRP314, and the Deep Mining Schedule is compiled.

To sum up, evaluation of recoverable ore reserves at existing producing sites, i.e., total recoverable ore reserves in Table 12-3, is consolidated with additional recoverable ore reserves of E-22, which stand merely at 720,000t, bringing total recoverable ore reserves evaluation at existing producing sites to 97.4240mt, containing Cu 612,498.00t, Au 28,601.40kg and Ag 234,765.00kg.

With recoverable reserves selected as per the Feasibility Study, and according to the Deep Mining Schedule, ore recovery of the new system totals 281.8800mt, containing Cu 1,578,528.00t, Au 47,919.60kg and Ag 493,290.00kg.

*Note:* After confirmation with the compiler of the Feasibility Study, the amount of resources within the range of the mining target and the grade as described in the Feasibility Study refer to the recovery amount and the average geological grade, respectively.

## **12.3 Mining, Dressing and Smelting Methodologies and Product Plan**

### ***12.3.1 Mining Methodology***

According to the design of the Feasibility Study, the mining methodology is underground mining characterized by the use of vertical shaft – ramp opening and natural caving method.

### ***12.3.2 Dressing Process***

Ore dressing involves the process of semi-autogenous grinding – ball grinding – flotation – re-grinding – flotation – filtration of concentrates with ceramic filters, the final product being copper concentrates (with concentration of gold and silver).

### ***12.3.3 Product Plan***

According to the design of the Feasibility Study, the final product is copper concentrates that contain Cu 32.71%, Au 10g/t and Ag 100g/t. This constitutes the selection basis of the evaluation.

## **12.4 Production Capacity**

The mining and dressing scale of the existing production system reaches 6.4mt p.a. According to the design of the Feasibility Study, the production scale of either the original system or the new system is 6.4mt p.a. Upon completion of the infrastructure construction for the new system, the production scale of the producing (original) system and the new system can add up to 12.8mt p.a. Selection of production capacity for the evaluation is selected as per the Feasibility Study.



### 12.5 Dressing Indicator

Considering the current production conditions, the Feasibility Study provides an overall design, on which basis the dressing indicator is selected, resulting in a dressing recovery rate of Cu 90.5%, Au 75% and Ag 91% for this evaluation.

### 12.6 Evaluation and calculation of LoM

LoM can be calculated using the following formula based on fixed production capacity of the mine.

$$T = \frac{Q}{A \cdot (1 + \rho)}$$

Definitions: T — LoM;

Q — Recoverable reserve;

A — Production capacity of mine;

$\rho$  — Rate of ore dilution.

LoM can be derived by substituting the parameters into the above formula.

Original system:  $9742.40 \div 640 \approx 15.22$  (years).

New system:  $28188.00 \div 640 \approx 44.04$  (years).

As fore-mentioned, the mining schedule prepared for the feasibility study is based on existing production system and deeper new system, which is basis for sourcing production volume each year in the Evaluation.

With regard to original system, it is designed to be put into production in 2014 while base date of the evaluation is set at Nov. 30, 2013. Considering that the mine is under normal production, its production volume as of Dec., 2013 is sourced from production information provided by the Company under principle of objectivity. Starting from 2014, annual production volume is sourced from feasibility study.

With regard to new system, its designed infrastructure construction period is 2 years and it will reach its full capacity upon commencing production in Y3 and base date of the evaluation is set at Nov. 30, 2013. In order to simplify the calculation, infrastructure construction period is 2 years and 1 month or commencing production in 2016, annual production volume is sourced from feasibility study.

LoM is estimated to be 46 years and 2 months, of which, from Dec., 2013 to Dec., 2015 is infrastructure construction period of deeper new system and Original system is under normal production; From Jan. 2016 to Feb., 2029 is production period of both original system and new system; From Mar., 2029 to Jan., 2060 is independent production period of new system.

(Please refer to Exhibit II for more details).

## 12.7 Sales revenue

### 12.7.1 Sales production

As mentioned above, the production volume of the proposed transaction has been directly estimated based on the “feasibility study”. Taking into no account the ore dilution, the formula for estimating the production is as below:

Contained metal in concentrate output = ROM production × output grade × recovery of processed ore

Copper concentrate output = Contained metal in copper concentrate output ÷ copper concentrate grade

The output grade of the proposed transaction will demonstrate dynamic changes every year. To take the original system in the mining period of 2015 as an example, 6.4 mt/year of mine output, output grade: 0.96% of copper, 0.36 g/t of gold, 3.28 g/t of silver, recovery of processed ore: 90.5% of contained copper in copper concentrate, 75% of contained gold, 91% of contained silver, 32.71% of copper concentrate grade. To feed the above parameters into the above formula, then:

Contained copper in copper concentrate output =  $640 \times 0.96\% \times 90.5\% \times 10000 = 55603.20(t)$

Similarly, the estimated contained gold in copper concentrate output is 1728000g, contained silver is 19102720g.

Copper concentrate output =  $55603.20 \div 32.71\% = 169988.38(t)$

### 12.7.2 Selling price

Based on the “feasibility study”, the designed price of copper, gold and silver is AUD8300/t, US\$1380/oz and US\$30/oz, respectively.

Upon enquiry with the appraisers, the average spot price of copper, silver and gold for the five years from December 2008 to November 2013 as quoted by London Metal Exchange (LME) was USD7321.27/t, US\$24.81/oz and US\$1362.59/oz, respectively. As of the base date of the evaluation on November 30, 2013, AUD1 = US\$0.9151 and 1 oz = 31.1035g. Based on the foreign exchange rate and the unit conversion, the average spot price of copper, silver and gold for the said five years as quoted by LME was AUD8000.51/t, AUD 0.87/g and AUD47.87/g, respectively.

To compare the “feasibility study” with the product prices for the said five years as quoted by LME, the designed price is basically higher than the average price for the said five years. By making reference to the Chinese Standards for Mining Right Evaluation, as for the medium- and large-size mines with high volatility of product price and long LoM, the product price for evaluation may be determined on the basis of the average product price for the five years prior to the base date of the evaluation. Given the large reserve and production size of the subject to be evaluated, the average product price for the five years prior to the base date of the evaluation is used in this evaluation for conservatism.

According to the “copper concentrate sales agreement” signed on November 24, 2010 as provided by the Company: the copper TC, copper RC, silver RC and gold RC shall be deducted in accordance with the relevant clauses of such agreement; the USD prices of grade-A copper, gold and silver as quoted daily by LME shall be used as the copper, gold and silver prices; the payment shall be made in proportion to the percentage of contained metal of the product. Upon verification with the Company, the TC and RC of relevant product are charged into cost and the amount payable is based on the quantity of contained metals upon sale. According to the “feasibility study”, as the TC and RC have been taken into consideration in the estimation of the production cost, they are not deducted from the selling price.

To sum up, the copper concentrate product plan in the proposed transaction (32.71% of contained copper, 10 g/t of contained gold, 100 g/t of contained silver) will be made reference to the “copper concentrate sales agreement”. In this regard, where the contained copper in copper concentrate is higher than or equivalent to 32% and lower than or equivalent to 38%, the payment percentage is 96.65%; where the contained gold is higher than 5 g/t and lower than or equivalent to 10 g/t, the payment percentage is 95%; where the contained silver is higher than 30 g/t, the payment percentage is 90%. According to the base prices of the products to be used in this evaluation and based on the respective payment percentage of copper concentrate product plan (32.71% of contained copper, 10 g/t of contained gold, 100 g/t of contained silver), the estimated selling price of contained copper, silver and gold in copper concentrate is AUD7732.49/t, AUD0.78/g and AUD45.48/g, respectively.

### 12.7.3 Sales revenue to be used in the evaluation

The annual sales revenue of the subject to be evaluated (take 2015 as an example) is:

$$\begin{aligned} \text{Annual sales revenue} = & \text{Annual output of contained copper in copper concentrate} \\ & \times \text{selling price of contained copper in copper concentrate} \\ & + \text{annual output of contained gold in copper concentrate} \\ & \times \text{selling price of contained gold in copper concentrate} + \\ & \text{annual output of contained silver in copper concentrate} \times \\ & \text{selling price of contained silver in copper concentrate} = (55 \\ & 603.20 \times 7732.49 + 1728000 \times 45.48 + 19102720 \times 0.78) \div 10000 = \\ & 52344.07 \text{ (in AUD10,000)} \end{aligned}$$

(Please refer to Exhibit II for details)

## 12.8 Investment

### 12.8.1 Fixed asset investment

The fixed assets of this project consist of the investment of the original production system and the investment of the new production system. The former is selected according to the asset appraisal results, while the latter is chosen by referring to the “feasibility study”.

The fixed asset investment of the original system: In accordance with the asset appraisal results of Beijing Golden Standard & Headmen Appraisal and Advisory Co., this appraisal includes the houses & buildings into the houses & buildings, the mining-specific properties into the mining wells, the equipment into the machineries while the lands into the intangible assets. Therefore the fixed asset investment of the original system is listed as follows:

No.	Item	Original fixed assets (Unit: AUD10,000)	
		Original value	Net value
1	Houses & buildings	3570.60	1727.39
2	Machineries	54995.44	21051.71
3	Mining wells	51863.39	29132.95
3.1	Of which: original well projects used after the expansion	10613.48	5033.18
3.2	Other original well projects	41249.91	24099.77
4	Total	110429.43	51912.05

The fixed asset investment of the original system was made at the net value on the base date of the appraisal.

Fixed asset investment of the new system: As per the “feasibility study”, this appraisal includes the construction cost into the houses & buildings, the mining well cost into the mining wells, the installation engineering and equipment engineering cost into the machineries while other expenses are shared proportionally by houses & buildings, mining wells and machineries. The appraisal doesn’t consider the preparation fees. As a result, the new fixed asset investment of the new system is totalized to AUD734.7891mn, including AUD181.6921mn for houses & buildings, AUD342.2187mn for mining wells and AUD210.8784mn for machineries.

The fixed asset investment of the new system was made evenly during the infrastructure construction period.

(Please see the Exhibit III and Exhibit IV for more information)

### ***12.8.2 Current capital***

Current capital refers to the all working capital used to maintain the production. The current capital is estimated by expanding the indicators for estimation. The amount of the current capital is calculated by multiplying the fixed asset investment amount by the fixed asset capital ratio. The fixed asset capital ratio of nonferrous metal mines is usually at 15-20%, and the 15% is chosen in this appraisal.

Current capital of original system	=Original value of original fixed assets x fixed asset capital ratio =110429.43×15% =AUD165.6441mn
Total current capital	=Total fixed asset investment × fixed asset capital ratio =(110429.43+73478.91)×15% =AUD275.8625mn

Current capital is invested stage by stage based on the production load. Current capital of AUD165.6441mn had been invested as of the base date of the appraisal, and the current capital of AUD110.2184mn will be expected in 2016.

Pursuant to the “feasibility study”, it is designed that the new system, after its commencement, will operate together with the existing system that is currently under production. When the mining of the ore body being mined and the E-26 body is finished, the existing buildings and some wells will still be used, while all other assets of the original system will retire and only the new system will work. Therefore, after the production of the original system comes to the end, the current capital of AUD144.3680mn for maintaining the production of the original system will be recovered from the retired assets by 2029. Our appraisal shows that the current capital of AUD131.4945mn will be recovered by the period end.

### ***12.8.3 Intangible asset investment***

As mentioned above, this project includes the land value of AUD14,510,800 assessed by Beijing Golden Standard & Headmen into the intangible asset investment.

## **12.9 Costs**

The parameters for the cost assessment are chosen in accordance with the “feasibility study”, and a few of parameters are re-estimated by referring to the Guiding Opinions on Deciding the Parameters for Tenement Appraisal.

### ***12.9.1 Mining cost***

According to the “production cost estimate” and the “total cost estimate sheet” in the “feasibility study”, the direct mining cost, or the mining cost, of both the original system and the new system after the expansion is AUD2.5 per ton, which is used by our appraisal.

### ***12.9.2 Milling cost and logistics***

According to the “production cost estimate” and the “total cost estimate sheet” in the “feasibility study”, the direct milling and logistics (transporting the concentrates to the wharfs) cost of both the original system and the new system after the expansion is AUD5 per ton, which is used by our appraisal.

### ***12.9.3 Exploration cost***

According to the “production cost estimate” and the “total cost estimate sheet” in the “feasibility study”, the exploration cost is AUD0.47 per ton. In our appraisal, we also use this number for both the original system and the new system.

#### ***12.9.4 Depreciation Cost***

According to the Guiding Opinions on Deciding the Parameters for Tenement Appraisal, the straight line method is usually used for the depreciation of the fixed assets. The minimum period for the depreciation of the fixed assets is calculated as follows: 20 years for houses and buildings, 10 years for airplanes, trains, ships, machineries and other production equipment; 5 years for production and operation-related appliances, tools and furniture; and 3 years for electronic equipment. In our appraisal, we use 30 years for the depreciation of houses and buildings while 15 years for machineries. In this project, mining wells will work till the end, so mining wells are depreciated at net value; the original mining wells take 15.22 years as the depreciation period, while those original wells still used after the expansion use 46.12 years (the service life of the mine) as the depreciation period, with no residue value to be recovered. As a result, the depreciation cost per ton of fixed assets in this appraisal is as follows: (take the year 2015 as an example):

Annual depreciation amount of houses and buildings= $3570.60 \times 95\% \div 30 =$   
AUD1.1307mn

Annual depreciation amount of mining wells= $24099.77 \div 15.22 + 5033.18 \div 46.12 =$   
AUD16.9256mn

Annual depreciation amount of machineries= $54995.44 \times 95\% \div 15 =$  AUD34.8304

Depreciation amount per ore =  $(113.07 + 1692.56 + 3483.04) \div 640 = 8.26$  (AUD/t)

When the depreciation of machineries and houses & buildings in this project is completely provisioned, additional investment equaling the initial investment (or original value) will be made and the residual value will be recovered. The appraisal calculates the residue value of various fixed assets to be recovered at the end of the period. A total of AUD156.3641 of residue value from machineries and houses & buildings will be recovered by the end of the period.

(Please see the Exhibit IV and Exhibit V for more details)

#### ***12.9.5 Fees for keeping the mine production***

According to the “production cost estimate” and the “total cost estimate sheet” in the “feasibility study”, the fees for keeping the mine production is AUD1.68 per ton. Therefore our appraisal uses this number for both the original system and the new system.

### *12.9.6 Royalties*

According to the “production cost estimate” and the “total cost estimate sheet” in the “feasibility study”, every ton of the raw ore is subject to the royalty payment, which is calculated as USD0.1 per pound of copper or AUD240.92 per ton of copper (AUD1=USD0.9151 and 1 ton=2,204.62 pounds). As this project estimates the annual mining outputs in accordance with the mining schedule in the “feasibility study”, while the products produced are varied year by year. As this cost takes the metal as the estimation base, so it is also variable year by year. This project is designed to produce the copper concentrates containing copper. For the purpose of simplification, the copper concentrates containing copper are used as the estimate base. Take the year 2015 as an example, where the outputs of the copper concentrates containing copper are 55603.20 tons, the royalty per ton will be AUD2.09 ( $=55603.20 \times 240.92 \div 6400000$ ).

### *12.9.7 Asset management fees*

According to the “production cost estimate” and the “total cost estimate sheet” in the “feasibility study”, the asset management fee is AUD2.5 per ton, which is used by our appraisal for both the original system and the new system.

### *12.9.8 Management fees*

According to the “production cost estimate” and the “total cost estimate sheet” in the “feasibility study”, the treatment charge, refining charge, transportation cost to the smelting factories and other management fees for the copper concentrates are planned as a part of the management fees. By referring to the “feasibility study”, this appraisal includes above fees and costs into the management fees, which are also amortized as intangible asset investment.

Fees for processing, refining and transportation: Based on the experience of the existing production, the “feasibility study” designs the TC as USD92 per ton of zinc concentrates or AUD100.54 per ton of zinc concentrate, RC as USD0.092 per pound of copper or AUD221.64 per ton of copper. The transportation cost is planned as AUD80 per ton of concentrates. Same as the “12.9.6 Royalties”, we take the year 2015 as an example, when the outputs of copper concentrates containing copper are 55603.20 t and the outputs of copper concentrates are 169988.38t, then the royalty per ton of ore will be AUD6.72.

Amortization charge: The intangible asset investment of this project is AUD14.5108mn. For the purpose of simplification, the amortization charge of intangible assets for the original system is used, which stands at AUD0.15 ( $=1451.08 \div 9742.40$ ).



Other management fees: It is designed that the annual ore outputs are 6.4mn tons at present, and other management fees are AUD4.34 per ton, which will drop to AUD3.49 per ton after the expansion. Our appraisal uses these number as the basis.

Take the year 2015 as an example. The open-air management fees per ton of ore for the original system is AUD11.21 (=6.72+0.15+4.34)

#### ***12.9.9 Operating cost***

According to the “feasibility study”, the logistic expense in the operating cost is designed as a part of the production cost, so in our appraisal the operating cost is zero.

#### ***12.9.10 Financial cost***

In accordance with the Explanation for Current Capital Raising of Australian NorthParks Copper-Gold Mine provided by the Company, the capital needed by the operation of NorthParks Copper-Gold Mine is raised by the enterprise or contributed by partners. Referring to the “feasibility study”, all needed funds will be raised by the enterprise, without any financial cost to occur. Therefore we assess there has no financial cost.

#### ***12.9.11 Unit operating cost and total cost***

Total cost is the sum of the production (manufacturing) cost. Operating cost is calculated by deducting the fixed asset depreciation charge and the financial cost from the total cost.

Take the year 2015 as an example. The unit total cost of the assessed object is AUD33.71/t, and the unit operating cost is AUD25.30/t.

(Please see the Exhibit V and Exhibit VI for more information.)

### **12.10 Income tax**

As indicated by the Guiding Opinions on Deciding the Parameters for Tenement Appraisal, the enterprise income tax is charged with the total profit as the base without considering any loss makeup or income tax credit. The taxable income will be total incomes less total cost and sales tax and surcharge. As provided by the Australian tax law and by referring to the “feasibility study”, this project pays the income tax at a rate of 30% of total profits.

(Please see the Exhibit VII for more information)

### 12.11 Discount rate

The discount rate is generally decided on the basis of the risk-free return rate and the rate of risk return, in which the social average ROI is factored.

The discount rate is used to discount future cash flows to the present value. This rate is generally composed of the risk-free return rate and the rate of risk return. The risk-free return rate usually can be determined by referring to the coupon of the long-term or midterm government bonds or the deposit rate of the banks during the same period. The rate of risk return is based on the aggregation of the rate of risk return at the exploration and development stages, the rate of risk return of the industry, the rate of risk return of the financial operation and the social risk. With all the above factors considered, the discount rate is determined as 13%.

## 13. APPRAISAL CONCLUSIONS

On the basis of investigating, understanding and analyzing the actual situation of the assessed object, we choose reasonable appraisal method and parameters in accordance with the principles and procedures for the tenement appraisal. Based on our appraisal and measurement, the tenement of Northparkes Copper-Gold Mine in the Central West of New South Wales of Australia is valued at AUD575.6671 million. The formal expression is five hundred and seventy five million, six hundred and sixty seven thousand and one hundred Australian dollars.

The exchange rate referred in the Report is the central parity rate released by the State Administration of Foreign Exchange of the PRC on 30 November 2013, i.e. the exchange rate of Australian dollar against RMB is 1:5.5644. The denominated assessed value of “copper-gold mining rights in the midwest New South Wales of Australia” is RMB3,203.242 million. The formal expression is three thousand two hundred and three million, two hundred and forty-two thousand Australian dollars.

## 14. EXPLANATIONS TO RELATED APPRAISAL ISSUES

### 14.1 Explanations to material appraisal issues

According to the mining rights certificates 1247, 1367 and 5801 and the mining rights 5323, 5800 and 5801 as at the reference day, the main owner is North Mining Limited. In particular: the expiry date of EL5323 is 17 July 2013 and application for extension is underway.

As at assessment reporting day, according to transfer approval documents, the abovementioned three mining rights certificates and three main owners of mining rights certificates have transferred from North Mining Limited to CMOC Mining Pty Limited. CMOC Mining Pty Limited has also completed the extension of abovementioned mining rights certificates and the change of holders as at the reference day.

**14.2 Important notes to related appraisal issues**

All mining rights and mining claims involved in this project will get mature become the end of the mine's service life, and our appraisal assumes that they'll be renewed upon their maturity.

As verified by the provider of the "feasibility study", the resources of the mined object within the defined scope as described in the feasibility study refer to the outputs, while the grade is the average geological grade.

**14.3 Valid period of appraisal conclusions**

As provided by the prevailing rules and regulations, our appraisal conclusions shall be valid for 12 months since the base date of the appraisal. If the time when these appraisal conclusions are used is beyond the valid period of this report, we shall not assume any liability for any losses to any party for using any conclusion herein.

**14.4 Adjustments after base date of appraisal**

In case of any change to the specific quantity of the assets owned by the assessed object during the validity of the appraisal conclusions herein, the consignor should ask us to make corresponding adjustments to the valuation based on the original appraisal method; for any irresistible change to the asset pricing criteria used by this appraisal that significantly affects the asset value, the consignor should timely employ us to revalue the assets.

**14.5 Other conditions for the validity of appraisal conclusions**

With the special appraisal purpose as the premise, the appraisal conclusions herein determine the value of the tenement based on the principle that the tenement and the mineral resources are dependent on each other. Our appraisal considers neither how the tenement value will be affected if the tenement is used for other purpose nor the influence of other force majeure on it. If these premises are changed, the appraisal conclusions shall accordingly change and hence becoming invalid.

**14.6 Use scope of appraisal report**

This report is only for the special appraisal purpose of the consignor and is owned by the consignor. Without the consent of the tenement appraiser, all content of the report shall not be abstracted, cited or disclosed in full or part on the public media, except as required by laws and regulations or otherwise agreed by involved parties.

**14.7 Division of other duties**

The appraisal institution of this project is only responsible for whether the appraisal conclusions are in compliance with the codes of the practice. The appraisal conclusions herein are only for the reference of the defined special appraisal purpose and shall not be used for any other purpose.

This tenement appraisal report shall only take effective with signature and seal stamped on it.

**15. ASSUMPTIONS**

- 15.1 The prices of mineral products and the state's related economic policies will not be changed markedly in a short term;
- 15.2 The mining technology of the mine is based on the defined production level;
- 15.3 Supplies and demands on the market keep broadly unchanged;
- 15.4 All permits and claims of the mine shall be renewed upon their maturity, and the mining of deep resources shall be permitted.

**16. REPORT DATE**

The date of valuation report shall be on August 26, 2014

**17. PERSONS RESPONSIBLE FOR THE APPRAISAL**

Legal Representative: (Chen Dongmei)  
Project Manager: (Peng Shaoxian)  
Certified Mineral Resources Appraisers: (Peng Shaoxian, Li Huan)

August 26, 2014

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors, supervisors and chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

### (b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, as far as is known to the Directors, supervisors and the chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings:

Name	Number of shares held	Capacity	Class of Share	Approximate percentage of shareholding in relevant class of shares
LMG	1,776,593,475	Beneficial owner	A Shares	47.19%
Luoyang Guohong Investment Group Co., Ltd. <sup>(1)</sup>	1,776,593,475	Interested in a controlled corporation	A Shares	47.19%
CFC	1,726,706,322	Beneficial owner	A Shares	45.86%
	101,000,000(L)	Interested in a controlled corporation	H Shares	7.70%
Cathay Fortune Investment Limited <sup>(2)</sup>	101,000,000(L)	Beneficial owner	H Shares	7.70%
Yu Yong <sup>(3)</sup>	1,726,706,322	Interested in a controlled corporation	A Shares	45.86%
	101,000,000(L)	Interested in a controlled corporation	H Shares	7.70%

Notes: (L) — Long position

1. LMG is a wholly owned subsidiary of Luoyang Guohong Investment Group Co., Ltd.
2. Cathay Fortune Investment Limited is a wholly owned subsidiary of CFC.
3. Yu Yong held 99% interest in CFC.

Save as disclosed above, so far as is known to the Directors, supervisors or chief executives of the Company, no other person (not being a Director, supervisors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

None of the Directors or supervisors of the Company had any direct or indirect interest in any assets which had since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

**3. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or is proposed to have a service contract with the Company or any of its associated corporations which will not expire or is not determinable by the Company within one year without payment of compensation other than statutory compensation.

**4. MATERIAL CHANGES**

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up.

**5. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or their respective associates had any competing interest (as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them was a controlling shareholder of the Company for the purpose of the Hong Kong Listing Rules).

**6. DOCUMENT AVAILABLE FOR INSPECTION**

Copy of this circular is available for inspection at the principal place of business in Hong Kong of the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong during normal business hours (from 8:45 a.m. to 5:45 p.m., Monday to Friday, excluding public holidays) from the date of this circular for a period of 14 days and at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting.

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## NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING

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洛陽欒川鉬業集團股份有限公司

**China Molybdenum Co., Ltd. \***

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

(Stock Code: 03993)

### NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2014 first extraordinary general meeting of China Molybdenum Co., Ltd.\* (the “**Company**”) will be held at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People’s Republic of China (“**PRC**”) on Friday, 19 September 2014 at 1:00 p.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions. Unless otherwise defined, capitalized items used herein have the same meanings as those defined in the announcement of the Company dated 4 August 2014.

#### SPECIAL RESOLUTIONS

1. “To consider and approve the proposal in respect of amendments to articles 5, 14, 81, 108, 109 and 215 of the Articles of Association of China Molybdenum Co., Ltd.\*”
2. “To consider and approve the proposal in respect of amendments to articles 1, 69 and 105 of the Articles of Association of China Molybdenum Co., Ltd.\*”

#### ORDINARY RESOLUTIONS

3. “To consider and approve the proposal in respect of the adoption of Implementation Rules of Cumulative Voting System of the Company.”
4. “To consider and approve the proposal in respect of the Special Basis Financial Statements and the Special Audit Report regarding the acquisition of 80% interest and the business of the relevant assets in Northparkes Joint Venture by China Molybdenum Co., Ltd.\* and of the acquisition target.”

\* *For identification purposes only*



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## NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING

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### SPECIAL RESOLUTION

5. “To consider and approve the proposal in respect of the extension of validity period of the resolutions passed in Shareholders’ general meetings and relevant authorisations regarding the issuance of A Share Convertible Bonds by the Company.”

### CIRCULAR

A circular containing further information in respect of, among other things, the proposed amendments to the Articles of Association; the proposed adoption of Implementation Rules of Cumulative Voting System; the Special Basis Financial Statements and the Special Audit Report regarding the acquisition of 80% interest and the business of the relevant assets in Northparkes Joint Venture and of the acquisition target; and the proposed extension of validity period of the resolutions passed in Shareholders’ general meetings and relevant authorisations regarding the issuance of A Share Convertible Bonds, will be despatched to the Shareholders as soon as practicable.

By Order of the Board  
**China Molybdenum Co., Ltd.\***  
**Li Chaochun**  
*Chairman*

Luoyang City, Henan Province, the PRC, 5 August 2014

*Notes:*

- (1) All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Hong Kong Listing Rules.
- (2) H Shareholders who intend to attend the EGM in person or by proxy should return the reply slip to the office of the Board at the Company’s principal place of business in the PRC 20 days before the meeting, i.e. before Saturday, 30 August 2014 by hand, by post or by fax. The contact details of the Company’s office of the Board are set out in note (8) below.
- (3) Each H Shareholder of the Company who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM. The instrument appointing a proxy must be in writing under the hand of the appointor or his/her attorney duly authorised in writing. In case that an appointor is a body corporate, the instrument must be either under the common seal of the body corporate or under the hand of its director or other person, duly authorised. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be certified by a notary public. For H Shareholders, the form of proxy and the notarially certified power of attorney or other documents of authorisation must be delivered to the Company’s H Share registrar at the address stated in note (7) below by post or facsimile (for H Shareholders only), not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a Shareholder from attending and voting at the EGM or any adjournment should he/she so wish.

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## NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING

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- (4) In order to determine the list of H Shareholders who will be entitled to attend and vote at the EGM, the H Shares register of members of the Company will be closed from Wednesday, 20 August 2014 to Friday, 19 September 2014 (both days inclusive) during which period no transfer of shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company at 4:30 p.m. on Tuesday, 19 August 2014 shall be entitled to attend and vote at the EGM. In order for the H Shareholders to qualify for attending and voting at the EGM, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 19 August 2014.
- (5) Shareholders or their proxies must present proof of their identities upon attending the EGM. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.
- (6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.
- (7) The address and contact details of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:
- 17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Telephone No.: (+852) 2862 8555  
Facsimile No.: (+852) 2865 0990 / (+852) 2529 6087
- (8) The address and contact details of the Company's office of the Board at its principal place of business in the PRC are as follows:
- North of Yihe  
Huamei Shan Road  
Chengdong New District  
Luanchuan County  
Luoyang City  
Henan Province  
People's Republic of China  
Postal code: 471500  
Telephone No.: (+86) 379 6865 8017  
Facsimile No.: (+86) 379 6865 8030
- (9) The EGM is expected to last not more than one day. Shareholders or proxies attending the EGM are responsible for their own transportation and accommodation expenses.

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## NOTICE OF THE 2014 FIRST CLASS MEETING OF H SHAREHOLDERS

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洛陽欒川鉬業集團股份有限公司

**China Molybdenum Co., Ltd.\***

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

(Stock Code: 03993)

### NOTICE OF THE 2014 FIRST CLASS MEETING OF H SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the 2014 first class meeting of H shareholders of China Molybdenum Co., Ltd.\* (the “**Company**”) will be held after the EGM and the 2014 first class meeting of A shareholders or any adjournment thereof, on Friday, 19 September 2014 at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People's Republic of China (the “**PRC**”) for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolution. Unless otherwise defined, capitalized items used herein have the same meanings as those defined in the announcement of the Company dated 4 August 2014.

#### SPECIAL RESOLUTION

“To consider and approve the proposal in respect of the extension of validity period of the resolutions passed in Shareholders' general meetings and relevant authorisations regarding the issuance of A Share Convertible Bonds by the Company.”

#### CIRCULAR

A circular containing further information in respect of, among other things, the extension of validity period of the resolutions passed in Shareholders' general meetings and relevant authorisations regarding the issuance of A Share Convertible Bonds, will be despatched to the Shareholders as soon as practicable.

By Order of the Board  
**China Molybdenum Co., Ltd.\***  
**Li Chaochun**  
*Chairman*

Luoyang City, Henan Province, the PRC, 5 August 2014

\* *For identification purposes only*

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## NOTICE OF THE 2014 FIRST CLASS MEETING OF H SHAREHOLDERS

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*Notes:*

- (1) All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Hong Kong Listing Rules.
- (2) H Shareholders who intend to attend the Class Meeting of H Shareholders in person or by proxy should return the reply slip to the office of the Board at the Company’s principal place of business in the PRC 20 days before the meeting, i.e. before Saturday, 30 August 2014 by hand, by post or by fax. The contact details of the office of the Board are set out in note (8) below.
- (3) Each H Shareholder of the Company who has the right to attend and vote at the Class Meeting of H Shareholders is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the Class Meeting of H Shareholders. The instrument appointing a proxy must be in writing under the hand of the appointor or his/her attorney duly authorised in writing. In case that an appointor is a body corporate, the instrument must be either under the common seal of the body corporate or under the hand of its director or other person, duly authorised. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be certified by a notary public. The form of proxy and the notarially certified power of attorney or other documents of authorisation must be delivered to the Company’s H Share registrar at the address stated in note (7) below by post or facsimile, not less than 24 hours before the time appointed for holding the Class Meeting of H Shareholders or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a Shareholder from attending and voting at the Class Meeting of H Shareholders or any adjournment should he/she so wish.
- (4) In order to determine the list of H Shareholders who will be entitled to attend and vote at the Class Meeting of H Shareholders, the H Shares register of members of the Company will be closed from Wednesday, 20 August 2014 to Friday, 19 September 2014 (both days inclusive) during which period no transfer of shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company at 4:30 p.m. on Tuesday, 19 August 2014 shall be entitled to attend and vote at the Class Meeting of H Shareholders. In order for the H Shareholders to qualify for attending and voting at the Class Meeting of H Shareholders, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company’s H Share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 19 August 2014.
- (5) Shareholders or their proxies must present proof of their identities upon attending the Class Meeting of H Shareholders. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.
- (6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the Class Meeting of H Shareholders.

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## NOTICE OF THE 2014 FIRST CLASS MEETING OF H SHAREHOLDERS

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- (7) The address and contact details of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:

17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Telephone No.: (+852) 2862 8555  
Facsimile No.: (+852) 2865 0990 / (+852) 2529 6087

- (8) The address and contact details of the Company's office of the Board at its principal place of business in the PRC are as follows:

North of Yihe  
Huamei Shan Road  
Chengdong New District  
Luanchuan County  
Luoyang City  
Henan Province  
People's Republic of China  
Postal code: 471500  
Telephone No.: (+86) 379 6865 8017  
Facsimile No.: (+86) 379 6865 8030

- (9) The Class Meeting of H Shareholders is expected to last not more than one day. Shareholders or proxies attending the Class Meeting of H Shareholders are responsible for their own transportation and accommodation expenses.



洛陽欒川鉬業集團股份有限公司  
China Molybdenum Co., Ltd. \*

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

(Stock Code: 03993)

**SUPPLEMENTAL NOTICE OF  
THE 2014 FIRST EXTRAORDINARY GENERAL MEETING**

Reference is made to the notice (the “**Notice**”) of the 2014 first extraordinary general meeting published by China Molybdenum Co., Ltd.\* (the “**Company**”) on 5 August 2014 which set out the EGM to be held at 1:00 p.m. on Friday, 19 September 2014 at International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People’s Republic of China (“**PRC**”) and contains resolutions proposed to be considered and, if thought fit, passed at the EGM. Unless otherwise defined, capitalized items used herein have the same meanings as those defined in the Notice and the circular of the Company dated 3 September 2014 (the “**Circular**”).

Subsequent to the issuance of the Notice, the Company received a written notice on 1 September 2014 from CFC for proposing the resolutions in respect of the Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds as well as the proposal in respect of the addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company. CFC is a controlling shareholder (as defined by the Hong Kong Listing Rules) of the Company which beneficially owns approximately 36.01% of the total issued share capital of the Company. Pursuant to Article 77 of the Articles of Association, when the Company convenes a general meeting, Shareholders individually or collectively holding more than 3% of the Company’s shares can make a temporary motion and submit in writing to the convener ten (10) days before the date of Shareholders’ general meeting. Details of the above proposals are set out in the Circular.

\* For identification purposes only

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## SUPPLEMENTAL NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING

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**SUPPLEMENTAL NOTICE IS HEREBY GIVEN** that the EGM, which will be held on the same date, at the same time and at the same place as originally scheduled in the Notice, will consider and, if thought fit, pass the following supplemental resolutions in addition to the resolutions set out in the Notice:

### ORDINARY RESOLUTION

“To consider and approve the Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds.”

### SPECIAL RESOLUTION

“To consider and approve the proposal in respect of the addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company.”

By Order of the Board  
**China Molybdenum Co., Ltd. \***  
**Li Chaochun**  
*Chairman*

Luoyang City, Henan Province, the PRC, 3 September 2014

*Notes:*

- (1) This supplemental notice should be read in conjunction with the Notice and the Circular.
- (2) Save for the inclusion of the newly submitted resolutions, there are no other changes to the resolutions set out in the Notice. Please refer to the Notice and the Circular for details of other resolutions to be tabled at the EGM, closure of register of members, eligibility for attending the EGM, registration procedures for attending the EGM, the voting arrangements, the poll procedure at the EGM and other relevant matters.
- (3) **PROXY FORM**

Since the First Proxy Form despatched on 5 August 2014 for use at the EGM does not contain the proposed additional resolutions as set out in this supplemental notice, the Second Proxy Form has been prepared and is enclosed with this supplemental notice.

- (i) Each Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company.
- (ii) Shareholders can appoint a proxy by an instrument in writing (i.e. by using the Second Proxy Form enclosed). The Second Proxy Form shall be signed by the appointor or his/her attorney duly authorised in writing, or if the appointor is a body corporate, either under the common seal or signed by a director or a duly authorised attorney of the body corporate. If the Second Proxy Form is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other document of authorisation must be notarized.
- (iii) To be valid, for H Shareholders, the Second Proxy Form and notarized power of attorney or other documents of authorisation (if applicable), must be delivered to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited not less than 24 hours before the time for holding the EGM or any adjournment thereof.

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## SUPPLEMENTAL NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING

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- (iv) Shareholders who have lodged the First Proxy Form with the Company should note that:
- (i) If the Second Proxy Form is lodged with the Company's H Share registrar 24 hours prior to the time designated for convening the EGM (the "**Closing Time**"), the Second Proxy Form will revoke and supersede the First Proxy Form previously lodged by him/her. The Second Proxy Form will be treated as a valid form of proxy lodged by the Shareholder if correctly completed and signed and returned in accordance with the instructions printed thereon.
  - (ii) If no Second Proxy Form is lodged with the Company's H Share registrar as at the Closing Time, the First Proxy Form will be treated as a valid form of proxy lodged by him/her if correctly completed. The proxy so appointed by the Shareholder will be entitled to vote at his/her discretion or to abstain from voting on any resolution properly put to the EGM including the proposed resolutions in relation to the Assets Valuation Report on the 80% interest in Northparkes Joint Venture and relevant rights and assets involved in the proposed issuance of Convertible Corporate Bonds, as well as the proposal in respect of the addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company as set out in this supplemental notice.
- (v) Completion and return of the First Proxy Form or the Second Proxy Form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.
- (4) All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to a procedural or administrative matter to be voted on by a show of hands pursuant to the Hong Kong Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Hong Kong Listing Rules.
- (5) Shareholders or their proxies must present proof of their identities upon attending the EGM. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.
- (6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.
- (7) The address and contact details of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:

17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Telephone No.: (+852) 2862 8555  
Facsimile No.: (+852) 2865 0990 / (+852) 2529 6087



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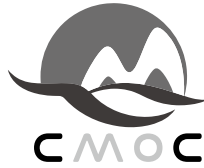
## SUPPLEMENTAL NOTICE OF THE 2014 FIRST EXTRAORDINARY GENERAL MEETING

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- (8) The address and contact details of the Company's office of the Board at its principal place of business in the PRC are as follows:

North of Yihe  
Huamei Shan Road  
Chengdong New District  
Luanchuan County  
Luoyang City  
Henan Province  
People's Republic of China  
Postal code: 471500  
Telephone No.: (+86) 379 6865 8017  
Facsimile No.: (+86) 379 6865 8030

- (9) The EGM is expected to last not more than one day. Shareholders or proxies attending the EGM are responsible for their own transportation and accommodation expenses.



**洛陽欒川鉬業集團股份有限公司**  
**China Molybdenum Co., Ltd.\***

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

(Stock Code: 03993)

**SUPPLEMENTAL NOTICE OF  
THE 2014 FIRST CLASS MEETING OF H SHAREHOLDERS**

Reference is made to the notice (the “**Notice**”) of the 2014 first class meeting of H Shareholders published by China Molybdenum Co., Ltd.\* (the “**Company**”) on 5 August 2014 which set out the H Shareholders’ Class Meeting to be held immediately after the EGM and the A Shareholders’ Class Meeting or any adjournments thereof, on Friday, 19 September 2014 at International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People’s Republic of China (“**PRC**”) and contains resolution proposed to be considered and, if thought fit, passed at the H Shareholders’ Class Meeting. Unless otherwise defined, capitalized items used herein have the same meanings as those defined in the Notice and the circular of the Company dated 3 September 2014 (the “**Circular**”).

Subsequent to the issuance of the Notice, the Company received a written notice on 1 September 2014 from CFC for proposing the resolution in respect of the proposal in respect of the addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company. CFC is a controlling shareholder (as defined by the Hong Kong Listing Rules) of the Company which beneficially owns approximately 36.01% of the total issued share capital of the Company. Pursuant to the Article 77 of the Articles of Association, when the Company convenes a general meeting, Shareholders individually or collectively holding more than 3% of the Company’s shares can make a temporary motion and submit in writing to the convener ten (10) days before the date of Shareholders’ general meeting. Details of the above proposal are set out in the Circular.

**SUPPLEMENTAL NOTICE IS HEREBY GIVEN** that the H Shareholders’ Class Meeting, which will be held on the same date, at the same time and at the same place as originally scheduled in the Notice, will consider and, if thought fit, pass the following supplemental resolution as special resolution in addition to the resolution set out in the Notice:

\* *For identification purposes only*

**SPECIAL RESOLUTION**

“To consider and approve the proposal in respect of the addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company.”

By Order of the Board  
**China Molybdenum Co., Ltd.\***  
**Li Chaochun**  
*Chairman*

Luoyang City, Henan Province, the PRC, 3 September 2014

*Notes:*

- (1) This supplemental notice should be read in conjunction with the Notice and the Circular.
- (2) Save for the inclusion of the newly submitted resolution, there are no other changes to the resolution set out in the Notice. Please refer to the Notice and the Circular for details of other resolution to be tabled at the H Shareholders' Class Meeting, closure of register of members, eligibility for attending the H Shareholders' Class Meeting, registration procedures for attending the H Shareholders' Class Meeting, the voting arrangements, the poll procedure at the H Shareholders' Class Meeting and other relevant matters.
- (3) **PROXY FORM**

Since the First Proxy Form despatched on 5 August 2014 for use at the H Shareholders' Class Meeting does not contain the proposed additional special resolution as set out in this supplemental notice, the Second Proxy Form has been prepared and is enclosed with this supplemental notice.

- (i) Each Shareholder entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company.
- (ii) Shareholders can appoint a proxy by an instrument in writing (i.e. by using the Second Proxy Form enclosed). The Second Proxy Form shall be signed by the appointor or his/her attorney duly authorised in writing, or if the appointor is a body corporate, either under the common seal or signed by a director or a duly authorised attorney of the body corporate. If the Second Proxy Form is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other document of authorisation must be notarized.
- (iii) To be valid, for H Shareholders, the Second Proxy Form and notarized power of attorney or other documents of authorisation (if applicable), must be delivered to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited not less than 24 hours before the time for holding the H Shareholders' Class Meeting or any adjournment thereof.
- (iv) Shareholders who have lodged the First Proxy Form with the Company should note that:
  - (i) If the Second Proxy Form is lodged with the Company's H Share registrar 24 hours prior to the time designated for convening the H Shareholders' Class Meeting (the “**Closing Time**”), the Second Proxy Form will revoke and supersede the First Proxy Form previously lodged by him/her. The Second Proxy Form will be treated as a valid form of proxy lodged by the Shareholder if correctly completed and signed and returned in accordance with the instructions printed thereon.
  - (ii) If no Second Proxy Form is lodged with the Company's H Share registrar as at the Closing Time, the First Proxy Form will be treated as a valid form of proxy lodged by him/her if correctly completed. The proxy so appointed by the Shareholder will be entitled to vote at his/her discretion or to abstain from voting on any resolution properly put to the H Shareholders' Class Meeting including the proposed resolution in relation to the proposal in respect of the addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds by the Company as set out in this supplemental notice.

## SUPPLEMENTAL NOTICE OF THE 2014 FIRST CLASS MEETING OF H SHAREHOLDERS

- (v) Completion and return of the First Proxy Form or the Second Proxy Form will not preclude you from attending and voting in person at the H Shareholders' Class Meeting or any adjournment thereof should you so wish.
- (4) All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to a procedural or administrative matter to be voted on by a show of hands pursuant to the Hong Kong Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Hong Kong Listing Rules.
- (5) Shareholders or their proxies must present proof of their identities upon attending the H Shareholders' Class Meeting. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.
- (6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the H Shareholders' Class Meeting.
- (7) The address and contact details of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:
- 17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Telephone No.: (+852) 2862 8555  
Facsimile No.: (+852) 2865 0990 / (+852) 2529 6087
- (8) The address and contact details of the Company's office of the Board at its principal place of business in the PRC are as follows:
- North of Yihe  
Huamei Shan Road  
Chengdong New District  
Luanchuan County  
Luoyang City  
Henan Province  
People's Republic of China  
Postal code: 471500  
Telephone No.: (+86) 379 6865 8017  
Facsimile No.: (+86) 379 6865 8030
- (9) The H Shareholders' Class Meeting is expected to last not more than one day. Shareholders or proxies attending the H Shareholders' Class Meeting are responsible for their own transportation and accommodation expenses.

The Circular (“**Circular**”) in Chinese and English version has been published on the Company's website (<http://www.chinamoly.com>). Shareholders that choose to receive the corporate communications of the Company (including but not limited to annual reports, summary financial reports (if applicable), interim reports, interim summary reports (if applicable), notice of meeting, listing documents, circulars and proxy forms) and have difficulties in receiving corporate communications published on the Company's website for any reason can request for the free printed circular sent by post. Shareholders can change the way of receiving the corporate communications of the Company and the selection of language version at any time.

Shareholders can request for the printed circular or to change the way of receiving the corporate communications of the Company and the selection of language version by giving notice to the Company within a reasonable period of time. Such a written notice should be given to the share registrar for H shares of the Company, i.e. the Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), or e-mail to [chinamoly@computershare.com.hk](mailto:chinamoly@computershare.com.hk).