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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)

**DISCLOSEABLE TRANSACTION:  
ACQUISITION OF EXPLORATION RIGHTS**

The Board announces that on 12 November 2010, Xinjiang Luomu (the “**Purchaser**”), a non wholly-owned subsidiary of the Company, entered into an exploration rights transfer agreement (“**Transfer Agreement**”) with No.2 Geological Institution (the “**Vendor**”) and other parties, pursuant to which the Vendor has agreed to transfer, and the Purchaser has agreed to acquire, the Exploration Rights in relation to a molybdenum mine located in East Gobi Hami, Xinjiang, the PRC (“**Mine**”) at a consideration of RMB 1.036 billion (the “**Acquisition**”).

The Acquisition constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

## **BACKGROUND**

Reference is made to the Company's Annual Report and the Company's Interim Report. As disclosed in the Annual Report and the Interim Report, on 2 February 2010, the Company entered into a Framework Agreement with Henan Bureau in relation to the Mine and a Deposit of RMB50 million was advanced by the Company to Henan Bureau for the Acquisition of Exploration Rights of the Mine. In addition, under the terms of Framework Agreement, Henan Bureau and the Company agreed that following the review of the Mine to be carried out by Henan Bureau and subject to the negotiations between the parties, the Exploration Rights in the Mine would be transferred to a joint venture to be formed by Henan Bureau and the Company. In July 2010, Xinjiang Luomu, a joint venture owned as to 70% by the Company and as to 30% by Xinyuan Mining was formed to acquire the Exploration Rights.

On 12 November 2010, Xinjiang Luomu, a non wholly-owned subsidiary of the Company entered into the Transfer Agreement with No. 2 Geological Institute and other parties, pursuant to which No. 2 Geological Institute agreed to transfer, and Xinjiang Luomu agreed to acquire, the Exploration Rights of the Mine at a consideration of RMB1.036 billion.

## **THE TRANSFER AGREEMENT**

### **Date**

12 November 2010

### **Vendor and Purchaser**

Vendor: No. 2 Geological Institution

Purchaser: Xinjiang Luomu

### **Other Parties**

the Company  
Xinyuan Mining  
Henan Bureau

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the counterparties and their ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

### **Asset to be acquired**

The Exploration Rights, the details of which are listed as follows:

Title Owner	:	No. 2 Geological Institution
Name	:	新疆哈密市東戈壁鉬礦普查 (molybdenum general prospecting and exploration in East Gobi, Hami, Xinjiang*)
License Number	:	T65120080602009571
Exploration Area	:	16.77 sq.km.
Coordinates of the Mine	:	Coordinates of the inflection points (Beijing Geodetic Coordinate System 1954)  (1) 93°18'45", 41°56'00"  (2) 93°22'00", 41°56'00"  (3) 93°22'00", 41°54'00"  (4) 93°18'30", 41°54'00"  (5) 93°18'30", 41°54'15"  (6) 93°18'45", 41°54'15"
Issuing Authority	:	The Land Resources Department of Xinjiang Uyghur Autonomous Region*
Validity Period	:	From 16 July 2009 to 16 July 2011

Estimated resources : Molybdenum ore: 350 mt

Molybdenum metal contained: 0.3961 mt with the average grade of 0.113%, among which the molybdenum metal contained of (332) accounts for 0.2069 mt with the average grade of 0.125%

Value as stated in Valuation Report : RMB1.024 billion

### **Increase in Registered Capital in Xinjiang Luomu**

Pursuant to the Transfer Agreement, the Company and Xinyuan Mining have agreed to increase the registered capital of Xinjiang Luomu from RMB 100 million to RMB 1.4 billion, of which the Company shall contribute RMB 0.91 billion within 10 business days after the signing of Transfer Agreement and Xinyuan Mining shall contribute RMB 0.39 billion, which will be set off against the Consideration (the “**Set-off**”). The respective shareholding of the Company and Xinyuan Mining shall remain unchanged after the increase of registered capital in Xinjiang Luomu.

### **Consideration**

Pursuant to the Transfer Agreement, the Consideration is RMB1.036 billion. After the Set-Off, the Purchaser shall pay the Vendor 0.646 billion, which will be satisfied in the following manner:

- (a) the first installment of RMB 0.4 billion shall be paid by the Purchaser to the Vendor within 5 business days after the Company has contributed RMB 0.91 billion to the increased registered capital of Xinjiang Luomu and SPLRD has accepted the application of the transfer of Exploration Rights; and
- (b) the second installment of RMB0.246 billion shall be paid by the Purchaser to the Vendor after 30 June 2013 or the production is launched, whichever is the earlier.

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to a Valuation Report prepared by an independent professional valuer.

## **Other Provisions of the Transfer Agreement**

It is confirmed that the Company has provided a loan for the sum of RMB30 million to Xinyuan Mining for the purpose of Xinyuan Mining's contribution of registered capital to the Purchaser. It is agreed that upon the Purchaser's paying the first installment in accordance with the Transfer Agreement, the Vendor or Xinyuan Mining shall repay the RMB30 million to the Company.

The Company and Xinyuan Mining have agreed to increase the registered capital of the Purchaser from RMB100 million to RMB1.4 billion in accordance with the manner aforesaid and the Consideration will be satisfied by internal capital of the Group.

If the Purchaser is not able to pay the Consideration in accordance with the time and manner as stipulated in the Transfer Agreement, the Company shall be jointly liable for the repayment of Consideration.

Xinyuan Mining confirms that after reviewing the information stated in the Valuation Report and the actual situation of Exploration Rights, there is no material omission, mistake or inaccuracy in view of the current requirements.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Mine is a large-scale and high-grade molybdenum deposit with significant exploration upside potential and suitable for open-pit mining. As a result of the Acquisition, the Group will substantially increase its molybdenum resources base, which will enable the Group to expand its molybdenum production in the future. The Acquisition provides an opportunity for the Group to further enhance its position as one of the leading molybdenum producers in the world.

The Directors, including the non-executive Directors, consider that the terms of the Transfer are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As some of the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

# INFORMATION ON THE PARTIES TO THE TRANSFER AGREEMENT

## **The Company**

The Company is one of the leading molybdenum producers in the PRC. The Company's primary business operations involve molybdenum mining, flotation, roasting, smelting and downstream processing. In addition, the Group is a fast-growing producer of tungsten concentrates and an emerging producer of precious metals.

## **Xinjiang Luomu**

Xinjiang Luomu is a joint venture established by the Company and Xinyuan Mining, which is owned as to 70% by the Company and as to 30% by Xinyuan Mining.

## **No. 2 Geological Institution**

No. 2 Geological Institution is a geological unit directly under Henan Bureau. Its principal aims and scope of services include provision of geological survey services to the State, conduct geological survey and mineral exploration, regional geological survey, hydrogeology and engineering geology exploration, environmental engineering geological survey, geophysical and geochemical exploration, geological mapping and engineering survey, geology and mineral exploration; prospecting and geological exploration engineering construction, carry out rocks, minerals and water quality analyses and identifications, and conduct geological data collection and analyses.

## **Xinyuan Mining**

Xinyuan Mining is limited-liability company indirectly controlled by Henan Bureau, the principal business scope of which includes sales of mineral, mineral resources survey services, geological technology services, and mining rights information consulting services.

## **Henan Bureau**

Henan Bureau is a public service unit at the departmental level directly under the People's Government of Henan Province. The scope of its services includes supervision and administration of the conduct of geological surveys and mineral exploration; examination and evaluation of geological survey reports, and management of subordinate geological institutions.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Acquisition”	Acquisition of the Exploration Rights of the Mine
“Annual Report”	2009 annual report of the Group dated 21 March 2010
“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, whose H Shares are listed on the Stock Exchange
“Consideration”	the consideration of RMB1.036 billion (equivalent to approximately HK\$1.202 billion) paid by Xinjiang Luomu for the Acquisition
“Deposit”	RMB50 million advanced by the Company to Henan Bureau for the Acquisition of the Exploration Rights
“Directors”	the directors of the Company
“Exploration Rights”	the exploration rights of molybdenum pursuant to a exploration license issued by the SPLRD with the license number of T65120080602009571
“Framework Agreement”	The framework agreement entered into by and between the Company and Henna Bureau on 2 February 2010 in relation to a molybdenum mine located in East Gobi, Hami, Xinjiang, the PRC
“Group”	The Company and its subsidiaries
“Henan Bureau”	河南省地質礦產勘查開發局 (Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource*), a public service unit at the departmental level directly under the People’s Government of Henan Province

“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Interim Report”	2010 interim report of the Company dated 16 August 2010
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mine”	molybdenum mine located in East Gobi, Hami, Xinjiang, the PRC, which is the subject of the Exploration Rights
“mt”	million tonnes
“No. 2 Geological Institution”	河南省地質礦產勘查開發局第二地質勘查院 (No. 2 Geological Institution of Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource*), a public service unit directly under Henan Bureau
“Purchaser”	Xinjiang Luomu
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Set-off”	RMB 0.39 billion which will be set off against the Consideration
“Shareholders”	the shareholders of the Company
“SPLRD”	新疆維吾爾自治區國土資源廳 (the Land Resources Department of Xinjiang Uyghur Autonomous Region*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.km.”	square kilometres



“Transfer Agreement”	the exploration rights transfer agreement entered into on 12 November 2010 amongst No. 2 Geological Institution, Xinjiang Luomu, Xinyuan Mining, Henan Bureau and the Company, in relation to the transfer of the Exploration Rights
“Valuation Report”	A mining rights valuation report dated 2 November 2010 prepared by 北京中寶信資產評估有限公司(Beijing Zhongbaoxin Assets Appraisal Co., Ltd. *), an independent professional valuer in the PRC
“Vendor”	No.2 Geological Institution
“Xinjiang Luomu”	新疆洛鉬礦業有限公司 (Xinjiang Luomu Mining Co., Ltd. *), a joint venture Company owned as to 70% by the Company and as to 30% by Xinyuan Mining
“Xinyuan Mining”	河南豫礦鑫源礦業有限公司 (Henan Yukuang Xinyuan Mining Co., Ltd. *) , a limited liability company established in the PRC

By order of the Board of  
**China Molybdenum Co., Ltd.**  
**Duan Yuxian**  
*Chairman*

Luoyang, the People’s Republic of China, 15 November 2010

*As at the date of this announcement, the executive Directors are Mr Duan Yuxian, Mr Li Chaochun, Mr Wu Wenjun, Mr Li Faben and Mr Wang Qinxi; the non-executive Directors are Mr Shu Hedong and Mr Zhang Yufeng; and the independent non-executive Directors are Mr Gao Dezhu, Mr Zeng Shaojin, Mr Gu Desheng and Mr Ng Ming Wah, Charles.*

*For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.16 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute representation that any amount in RMB or HK\$ has been, could have been or may be converted at such rate.*

\* For identification purpose only.