

STRATEGIES AND COMPETITIVE STRENGTHS OF THE ENLARGED GROUP

PRINCIPAL STRENGTHS

1. The Enlarged Group will be a major international base metals mining group with large, high quality resources and reserves

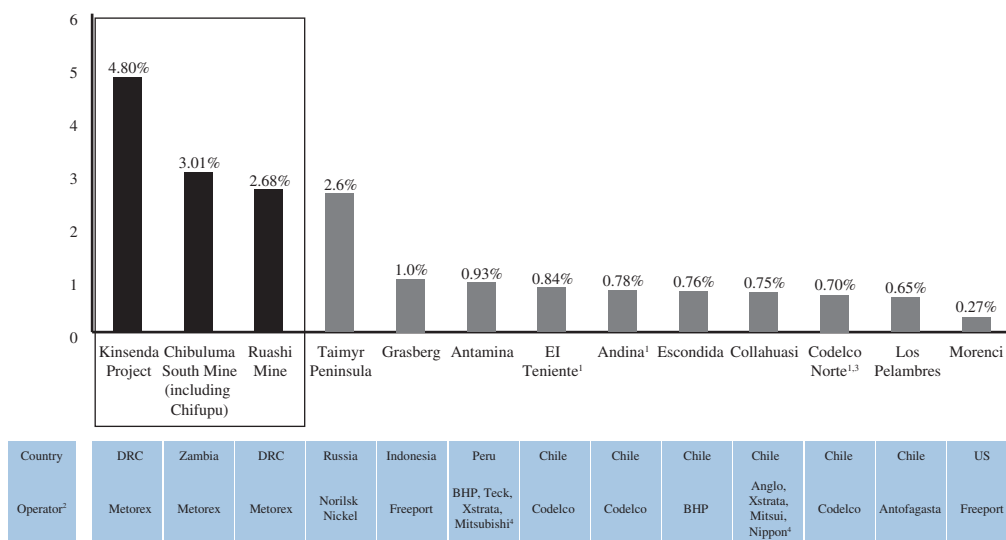
Metorex is a copper focused mining company with significant copper and cobalt reserves and resources. It currently operates two operating copper mines and holds a portfolio of highly attractive development and advanced stage exploration projects. It produced 44.9 kt of copper and 3.0 kt of cobalt in 2012. As at 30 June 2013, it has SAMREC-compliant total Mineral Reserves of approximately 744 kt of contained copper metal (22.5 Mt at 3.30% Cu) and 59 kt of contained cobalt metal (22.5 Mt at 0.26% Co) and Mineral Resources (inclusive of Mineral Reserves) of approximately 4,736 kt of contained copper metal (182.3 Mt at 2.04% Cu) and 389 kt of contained cobalt metal (182.3 Mt at 0.21% Co). Through its acquisition of the Metorex Group's portfolio of diversified mineral assets focused on copper, the Enlarged Group will be an important international base metals mining group with scalable, high quality resources and reserves. It will be able to capitalise the growth in global demand for copper and benefit from a favourable copper market outlook.

2. High grade projects with competitive cost structures

The Enlarged Group will own and operate some of the highest grade copper projects in the world. Mineral Resources at the Chibuluma South Mine and the Ruashi Mine have average grades of 3.58% copper and 2.18% copper, respectively. The Kinsenda Project is one of the world's highest grade copper deposits, with Mineral Resources grade averaging 5.51% copper. In addition, the advanced stage exploration projects also benefit from relatively high grade Mineral Resources with average copper grades ranging between 1.96% and 2.90%.

Cu grade of the Metorex Group's projects Mineral Reserves compared to Cu grade of top 10 global copper mines (by production) reserves/resources

Cu Grade (%)



Source: ICSG, annual reports and public information of respective companies, Competent Person's Report

Notes: (1) Grade for resources which is inclusive of reserves

(2) Reserves and resources for global top 10 producing copper mines are not SAMREC-compliant and are based on publicly available information which may not be comparable as the same time horizon as the information of the Metorex Group as at 30 June 2013

(3) Includes Chuquicamata, Radomiro Tomic, Mina Ministro Hales projects

(4) Jointly operated

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The higher grade deposits combined with operational efficiency at the Chibuluma South Mine and the Ruashi Mine provide Metorex with a competitive cost structure. The operating cost per tonne of copper produced at the Chibuluma South Mine and the Ruashi Mine in 2012 averaged approximately US\$3,887/t and US\$4,146/t (after cobalt credits in respect of the Ruashi Mine) of copper produced, and in the first half of 2013 averaged approximately US\$3,594/t and US\$5,249/t (after cobalt credits in respect of the Ruashi Mine) of copper produced, respectively. This is significantly lower than the average 2012 LME copper price of approximately US\$7,958/t and the average first half 2013 LME copper price of approximately US\$7,543/t, respectively.

3. A strong growth profile supported by an attractive pipeline of development and advanced stage exploration projects

The Enlarged Group will control a diversified portfolio of mineral assets with two operating mines, a development project and two advanced stage exploration projects. Through its operating mines, the Ruashi Mine and the Chibuluma South Mine, the Enlarged Group is expected to derive a steady stream of income and cash flows which can be reinvested into its development and advanced stage exploration projects.

The Kinsenda Project is one of the world's highest grade copper deposits, with total Mineral Resources of 21.0 Mt at 5.51% copper grade. Upon commissioning, the Kinsenda Project is expected to produce, on average, approximately 24 ktpa of copper. Development and capital expenditures for the Kinsenda Project have been approved and the project is expected to be in operation by 2015. The Lubembe Project and the Musonoi Est Project are both advanced stage exploration projects. An extensive exploration program has also been undertaken at the Chifupu deposit which is located close to the Chibuluma South Mine. If developed, it is expected to be able to support the mining operations of the entire Chibuluma complex (including the Chifupu deposit) until 2019. It should be noted that there was some 1.2 Mt of material included in the LoM plan, 0.7 Mt and 0.5 Mt from the Chibuluma South Mine and the Chifupu deposit, respectively, which was removed from the Mineral Reserves as SRK downgraded the resource classification of this material. If included, this would extend the LoM for the Chibuluma South Mine and the Chifupu deposit by approximately two years and Chibuluma plc plans to undertake the necessary work to potentially upgrade these resources.

The Company believes that the diversified portfolio of mineral assets of the Enlarged Group will allow it to deliver consistency in performance but yet position it for long term organic growth.

4. Strategic footprint in the Central African copperbelt

All of the Metorex Group's mining projects are located in the DRC and Zambia in the Central African copperbelt, which hosts some of the world's largest copper and cobalt deposits, containing over a tenth of the world's copper mineral reserves and a third of the world's cobalt mineral reserves. The grades of the copper deposits generally found within the Central African copperbelt range from 1.0% to 4.0% and grades of 7.0% to 8.0% have been recorded in some instances according to "The Democratic Republic of Congo and Zambia: A Growing Global 'Hotspot' for Copper-Cobalt Mineral Investment and Exploration" published on 6th Southern Africa Base Metals Conference 2011, which is significantly higher than the average grade of global copper deposits in the range of 0.2% to 2%, according to British Geological Survey. The abundant and high grade mineral resources in the DRC and Zambia have attracted numerous international mining conglomerates, such as Glencore, First Quantum, Minmetals and Freeport McMoran to establish a mining presence in this region. The DRC and Zambia are likely to remain attractive destinations for the Enlarged Group going forward.

The Company believes that its strategic footprint in the Central African copperbelt positions itself to identify value enhancing exploration, development and acquisition opportunities.

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5. The Company will be the flagship and listed international base metals platform of Jinchuan Group and is well positioned to leverage on its relationships, expertise and support

The Enlarged Group's ultimate controlling shareholder, Jinchuan Group, founded in 1958, is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province. Other minority shareholders include Baosteel Group Corporation and Taiyuan Iron & Steel (Group) Co., Ltd.. Jinchuan Group is a large-scale non-ferrous mining conglomerate, specializing in mining, concentrating, metallurgy, chemical engineering and further processing, with principal businesses in the production of nickel, copper, cobalt, platinum group metals, non-ferrous metal plates, chemical products and chemicals of non-ferrous metals. With the world's third largest mine of nickel sulphides associated with cobalt sulphides, Jinchuan Group is the fourth largest nickel producer and second largest cobalt producer in the world, the largest producer of nickel, cobalt and platinum group metals in the PRC and the third largest copper producer in the PRC. Jinchuan Group maintains an extensive marketing and distribution network through its seven regional offices in Shanghai, Beijing, Guangzhou, Wuhan, Lanzhou, Shenyang and Lhasa in the PRC and exports its products to customers in Japan, the United States of America, Southeast Asia and Europe.

As it seeks to expand its business internationally, the Enlarged Group will benefit from the strong support of Jinchuan Group as its listed international base metals platform, including but not limited to, Jinchuan Group's extensive marketing and distribution network in the PRC and globally, access to PRC banks for competitive financing and support from Jinchuan Group for future acquisition opportunities.

6. A strong and experienced management team comprising of PRC and international professionals with a strong local workforce

Experienced mining personnel with established industry experience are critical to the success of mining activities and operations. Upon completion of the Acquisition, the senior management team of Metorex will continue to be in charge of the day-to-day management and operational decisions of the Metorex Group. The senior management team of the Enlarged Group will comprise of existing senior management members of both the Group and the Metorex Group who possess significant experience and expertise in the various aspects of the mining business and operations of the Enlarged Group, including exploration, mine design and construction, mining, processing and sales and marketing of minerals. Many of these senior management members have had extensive on-the-ground mining related experience in the DRC and Zambia and possess the industry knowledge, skills and contact networks to successfully engage with local government bodies and other authorities. The combination of the senior management teams of the Group and the Metorex Group will result in a unique mix of PRC and international management qualifications and expertise in the senior management of the Enlarged Group.

The Enlarged Group will also benefit from Metorex's strong local workforce. A vast majority of the Metorex Group's employees are locally employed in the DRC and Zambia. This local workforce will provide the Enlarged Group with strong insights and an understanding of the local culture and provide the Enlarged Group with a competitive advantage over new entrants into the region. The Metorex Group regards its employees as its most important asset and is committed to enhancing the value contribution of its employees through various training initiatives covering technical and job specific expertise as well as knowledge of safety, health, environment and communities issues.

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STRATEGIES

The strategy of the Enlarged Group is to generate shareholder value by becoming one of the world's leading upstream base metals companies. The Enlarged Group will consider pursuing a number of strategic initiatives to achieve this long term objective, including:

1. Commit to excellence in operations, safety, environmental protection and community relations

The Enlarged Group will continue to place the highest priority on the health and safety of its workforce, the protection of its assets and the environment, and fostering close ties with the communities in which its operations are located as it recognizes that excellence in these areas are critical drivers for its continued success. To achieve excellence in these areas, Metorex will continue to implement and improve its SHEC policies and management plans that are currently in place to guide the safety, health, environment and community performance across the Metorex Group. Metorex Group's efforts in this regard have delivered marked improvement in safety performance with the Kinsenda Project having reported no non-lost time injury, no lost time injury and no lost days due to accidents (being injured person not able to return to work) for the six months ended 30 June 2013.

The Enlarged Group recognises that employees are an integral part of its operations and will continue to focus on ensuring that all employees and contractors accept as their shared responsibility that zero harm and loss is a priority when performing all work-related activities.

To ensure that its operations are in compliance with relevant environmental laws and regulations and to minimize damage caused to the environment, the Enlarged Group intends to continue integrating environmental management considerations into its overall management practices and conduct environmental impact studies, including the annual Equator Principle audit and internal audits on its assets.

The Enlarged Group has been dedicated in and intends to continue undertaking efforts to improve the living standards in communities where it conducts its operations and to manage existing and develop new relationships with such communities through stakeholder engagement and its corporate social investment projects. The main corporate social investment projects of Metorex include: the electrification of 1,000 residences in the Kawama, Zambia and Luwoshwi areas within the Ruashi Township together with the upgrade of 16 historic sub-stations to improve overall supply to the Ruashi Township, construction of dormitory and rehabilitation of local schools in Ruashi area and near the Chibuluma South Mine, clean-up of water trenches, repairs of roads in the Ruashi area, and recruitment of local full-time/casual posts in the villages near the Chibuluma South Mine.

2. Continue to optimize existing operations

The Enlarged Group aims to continue improving its current mining operational processes and implement new measures to increase efficiencies in its mining operations, including technical and labour efficiencies.

(a) Increase efficiency

The Enlarged Group will continue to develop and undertake initiatives to reduce the cost of production at its projects and extend the mine-life of its existing operations. The Metorex Group has started to implement efficiency initiatives which include the recent commissioning of the H₂SO₄/SO₂ plant and the construction and commissioning of the ASFDs at the Ruashi Mine. The construction of the H₂SO₄/SO₂ plant has resulted in higher efficiencies of processing operations at the Ruashi Mine. Two ASFDs have been commissioned in July 2013 and the third ASFD has been commissioned in August 2013 to reduce moisture content in the cobalt hydroxide which will reduce transportation costs and increase prices received for its cobalt hydroxide. For further details of these initiatives, please refer to the sub-section headed “Information of the Target Group – Business of the Metorex Group – Ruashi Mine – Initiatives to improve efficiencies in mining and processing operations” in this circular. The Enlarged Group will also optimise its workforce selection system in order to attract qualified and experienced management and technical personnel in the mining industry and put in place the necessary management succession plans to ensure that the Enlarged Group maintains the skill sets necessary for carrying out its mining operations effectively for the longer term. The Enlarged Group will continuously improve its procurement and supply chain practices to reduce working capital requirements and to develop further strategies to optimize working capital.

(b) Stabilise electricity supply

The Enlarged Group’s projects in the DRC are faced with the challenge of an unreliable electricity supply. In an effort to improve the availability of power supplies at the Ruashi Mine, Ruashi Mining purchased seven diesel powered generators, which have been commissioned in August 2013. These generators will be capable of supplementing power with SNEL and will significantly reduce the possibility of disruptions in its mining operations. As an interim measure pending the commissioning of the seven new diesel power generators with a combined generation capacity of 15 MW, Ruashi Mining entered into a six month lease agreement for diesel powered generators with a combined generation capacity of 13 MW. Ruashi Mining plans to purchase these leased diesel powered generators during the second half of 2013 following the expiry of the lease term as an additional measure for the Ruashi Mine to reduce its reliance on power supplies from SNEL and Zambia and become fully self-sufficient in power supply and therefore minimising the negative impact on the mining operations when national grid power disruptions and/or reductions occur. The Chinese government through China Railway Group Limited and Sinohydro Corporation Limited, its state construction companies, had in 2007 committed US\$6 billion in a resources-for-infrastructure deal for the nationwide construction of infrastructure including hydroelectric dams and electricity distribution networks in the DRC. The Enlarged Group believes that it stands to benefit from such investments made by the Chinese government in the DRC and plans to tap into such improved electricity infrastructure as an additional and reliable source of power for its mining operations.

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3. Develop the Kinsenda Project and its advanced stage exploration projects and evaluate an extension of the Ruashi Mine

The Enlarged Group will push forward with the development of the Kinsenda Project and exploration program at the Lubembe Project, the Musonoi Est Project and the Chifupu project. Development and capital expenditures for the Kinsenda Project have been approved and the mine is expected to be in operation by 2015. Upon commissioning, Kinsenda is expected to produce, on average, approximately 24 ktpa of copper in concentrate.

The Enlarged Group will also focus its efforts on the viability of mining and processing the sulphide ores at the Ruashi Mine which would significantly extend the life of mine of the Ruashi Mine. The development of these projects will enable the Enlarged Group to unlock the value attributable to these projects.

4. Pursue acquisition and expansion opportunities

The Enlarged Group intends to establish an exploration and development division within Metorex to pursue exploration, acquisition and expansion opportunities. This division will be responsible for assessing new greenfields opportunities and brownfields projects. In identifying opportunities, the Enlarged Group will utilise existing relationships held by Jinchuan Group and Metorex with other PRC and international mining groups. There is also an intention to investigate the potential of developing a central multi-user processing facility in order to achieve economies of scale through partnerships. The Enlarged Group may also consider acquisitions of neighbouring tenements of its existing assets in the DRC as well as the potential to consolidate international upstream base metals assets currently owned by Jinchuan Group. As at the Latest Practicable Date, the Target Group has been presented with possible acquisition or investment opportunities of the neighbouring tenements of its existing assets in the DRC and the Target Group is conducting a preliminary assessment of these opportunities. However, no negotiations which are material have commenced and no definitive and legally binding agreements or contracts have been entered into in this regard. To the best knowledge, information and belief of the Directors, the Enlarged Group currently has no plans to consolidate international upstream base metal assets owned by Jinchuan Group (apart from the Target) and is not aware of any intention of Jinchuan Group to inject such assets into the Enlarged Group.

5. Continue to develop the minerals and metals trading business of the Group

The Group has been engaged in the business of trading of minerals and metals since 2012 and the Enlarged Group intends to continue to develop and grow this business. The Directors believe that the existing minerals and metals trading business of the Group and the upstream mining and processing operations of the Metorex Group are complementary in nature. The combination of both lines of business will enable the Enlarged Group to gain greater market intelligence, diversify its income base and provide additional opportunities for its future development. In addition, the minerals and metals trading business is expected to optimise the value chain of the business of the Enlarged Group to maximise returns to Shareholders.