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

VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF INTEREST IN NORTHPARKES JOINT VENTURE
AND CERTAIN ASSOCIATED ASSETS OF THE BUSINESS
CHANGE IN USE OF PROCEEDS FROM A SHARE ISSUE
PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS
USE OF PROCEEDS FROM A SHARE CONVERTIBLE BONDS AND PROJECT FEASIBILITY
PROVISION OF GUARANTEE
STATEMENT ON USE OF PROCEEDS FROM PREVIOUS FUNDS RAISING ACTIVITY
AND
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Exclusive financial adviser to the Company in respect of the Proposed Acquisition



A letter from the Board is set out on pages 1 to 44 of this circular.

Notices convening the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting together with reply slips were despatched to the Shareholders on Thursday, 10 October 2013. For ease of reference, the notices convening the EGM and the H Shareholders' Class Meeting to be convened on Monday, 25 November 2013 are set out on pages 555 to 562 of this circular.

Whether or not you are able to attend the said meetings in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. For H Shareholders, the proxy form 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, or for A Shareholders, to the Office of the Board at the Company's principal place of business in the PRC at North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the PRC, as soon as possible but in any event not less than 24 hours before the time appointed for holding the relevant meetings or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, the A Shareholders' Class Meeting, the H Shareholders' Class Meeting or at any adjourned meetings should you so wish.

8 November 2013

* For identification purposes only

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IMPORTANT

FORWARD-LOOKING STATEMENTS

Certain information contained in this circular constitutes forward-looking statements. Investors and Shareholders are cautioned that forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause actual results, performance or achievements of the Group or the Business to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements include, without limitation, statements relating to the business strategies, ability to integrate the Business, future business development, financial conditions and results of operations. No assurance can be given that such forward-looking statements will prove to have been correct. In addition, specific reference is made to the section headed “Risk Factors” in this circular. Whilst the Company may elect to update the forward-looking information at any time, the Company does not undertake to update it at any particular time or in response to any particular event. Investors and Shareholders are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this circular.

DEFINITIONS

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

“A Share Issue”	the allotment and issue of 200 million A Shares which were listed and traded on the Shanghai Stock Exchange on 9 October 2012
“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 2013 second class meeting of A Shareholders to be held on Monday, 25 November 2013 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 Bonds”, “Convertible Bonds” or “CB”	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
“Articles of Association”	the articles of association of the Company as amended, modified or otherwise supplemented from time to time
“Asset Sale and Purchase Agreement”	the asset sale and purchase agreement with an effective date of 26 July 2013 entered into between the Vendor, the Purchaser and the Company in relation to the Proposed Acquisition
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“AUD”	Australian dollars, the lawful currency of Australia
“Board”	the board of directors of the Company
“Business”	the mining, product transportation, product sales and related businesses and operations conducted by or on behalf of the Vendor in connection with the Northparkes Joint Venture, including but not limited to the Vendor’s interest in the Northparkes Joint Venture

DEFINITIONS

“CB Holder(s)”	holders of the Convertible Bonds
“CFC”	Cathay Fortune Corporation* (鴻商產業控股集團有限公司), a controlling shareholder of the Company
“Chairman”	the Chairman of the Board
“CMOC Limited”	CMOC Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Company”	China Molybdenum Co., Ltd.* (洛陽欒川鉬業集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares and the A Shares of which are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“Competent Evaluator”	has the meaning ascribed to it under Chapter 18 of the Listing Rules
“Competent Person”	has the meaning ascribed to it under Chapter 18 of the Listing Rules
“Competent Person’s Report”	has the meaning ascribed to it under Chapter 18 of the Listing Rules, the competent person’s report dated 8 November 2013 prepared by Runge Asia Limited (trading as RungePincockMinarco)
“Completion”	the completion of the Asset Sale and Purchase Agreement
“Completion Date”	the date of Completion, a date which is the first business day of the month following the date on which all of the conditions precedents to the Asset Sale and Purchase Agreement have been satisfied or waived or such other date as the Vendor and the Purchaser may agree
“controlling shareholder(s)”	has the meaning given to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS

“Deloitte China”	Deloitte Touche Tohmatsu Certified Public Accountants LLP
“Deloitte Australia”	Deloitte Touche Tohmatsu in Australia
“EGM”	the 2013 first extraordinary general meeting of the Company to be held on Monday, 25 November 2013 at the International Conference Room of Mudu-Lee Royal International Hotel at No.239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC, to consider, and if thought fit, to approve, among other things, the resolutions contained in the notice of the EGM
“Enlarged Group”	the Group immediately after the Completion
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee to be provided by the Company for CMOC Mining and CMOC Limited, to obtain financing, letter of standby credit and/or letter of guarantee from domestic and overseas banks in an amount not exceeding USD1 billion
“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 2013 second class meeting of H Shareholders to be held on Monday, 25 November 2013 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
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Interest Rate”	the daily buying rate displayed at or about 10:30 (Sydney time) on the Reuters screen BBSW page for Australian bank bills of a three month duration plus a margin of 3%
“Latest Practicable Date”	1 November 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“LMG”	Luoyang Mining Group Co., Ltd.* (洛陽礦業集團有限公司), a controlling shareholder of the Company
“Longstop Date”	22 January 2014 or such later day as agreed in writing by the Vendor and the Purchaser (the Vendor may elect to extend to 26 July 2014, if it relates to obtaining the relevant PRC regulatory approvals)
“MOFCOM”	the People’s Republic of China Ministry of Commerce
“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 between the Vendor, SMM and SCM in respect of the Northparkes mines pursuant to the terms of the Northparkes Joint Venture Agreement
“Northparkes Joint Venture Agreement”	the joint venture agreement entered into between the Vendor, SMM and SCM dated 22 July 1993
“Northparkes Management Agreement”	the management agreement entered into between the Vendor, SMM and SCM dated 22 July 1993
“PRC” or “China”	the People’s Republic of China (for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

DEFINITIONS

“Proposed Acquisition”	the proposed acquisition of the Sale Interest by the Purchaser from the Vendor pursuant to the Asset Sale and Purchase Agreement
“Provisional Purchase Price”	USD820 million
“Purchaser” or “CMOC Mining”	CMOC Mining Pty Limited, a company incorporated in Australia with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency in the PRC
“Rio Tinto”	Rio Tinto Limited and its subsidiaries
“Sale Interest”	the assets of the Vendor which related to the Business, being the Vendor’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
“SCM”	SC Mineral Resources Pty Ltd, a company incorporated in Australia with a 6.7% interest in the Northparkes Joint Venture as at the Latest Practicable Date
“SFO”	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
“SMM”	Sumitomo Metal Mining Oceania Pty Ltd, a company incorporated in Australia with a 13.3% interest in the Northparkes Joint Venture as at the Latest Practicable Date
“USD”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“VALMIN Code”	the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005 edition), as prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association as amended from time to time
“Valuer”	Censere (Far East) Limited, an independent valuer
“Valuation Report”	has the meaning ascribed to it under Chapter 18 of the Listing Rules, the valuation report dated 8 November 2013 prepared by the Valuer
“Vendor” or “NML”	North Mining Limited, a company incorporated in Australia with an 80% interest in the Northparkes Joint Venture as at the Latest Practicable Date
“Vendor Employees”	certain officers and employees of the Vendor in relation to the Business
“%”	per cent.

The translations of AUD into HKD and USD into HKD and RMB into HKD throughout this circular are based on the exchange rate of AUD1.00 to HKD7.20, USD1.00 to HKD7.80 and RMB1.00 to HKD1.20, respectively and are provided for information purposes only and do not constitute a representation that any amounts in AUD, HKD and USD have been, could have been or may be converted at such or any other rates or at all.

GLOSSARY

This glossary contains explanations of certain technical terms used in this circular in connection with the Enlarged Group. As such, these terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“Au”	the chemical symbol for gold
“benefication”	the dressing or processing of copper ore for the purpose of (i) regulating the size of a desired product, (ii) removing unwanted constituents, or (iii) improving the quality, purity, or assay grade of a desired product
“CAGR”	compound annual growth rate
“concentrate”	a powdery product containing an upgraded mineral content resulting from initial processing of mined ore to remove waste materials. A concentrate is an intermediary product, subject to further processing, such as smelting, to effect recovery of metal
“copper”	copper is a chemical element with the symbol Cu and atomic number 29. It is commonly described as a reddish-brown, malleable, and ductile metal that is one of the best conductors of heat and electricity. The melting point and boiling point for copper are 1083°C and 2567°C respectively. Pure copper is rather soft and malleable and a freshly-exposed surface has a pinkish or peachy color. It is used as a thermal conductor, an electrical conductor, a building material, and a constituent of various metal alloys
“copper concentrate”	concentrate produced from copper sulphide ore, which typically contains approximately 23% to 36% of copper
“Cu”	the chemical symbol for copper
“deposit”	a body of mineralization containing a sufficient average grade of metal or metals to warrant further exploration and/or development expenditure. A deposit may not have a realistic expectation of being mined, therefore it may not be classified as a resource or a reserve

GLOSSARY

“drilling”	the process of making a circular hole in the ground with a drill, which is typically used to obtain a cylindrical sample of ore. Alternatively, blast hole drilling is a technique used to create a hole to house an explosive charge in preparation for blasting a zone of rock
“exploration”	activity to prove the location, volume and quality of an ore body
“gangue”	rocks and minerals of no economic value that occur with valuable minerals in ore
“geochemical”	A prospecting technique which measures the chemical content of certain metals in soils and rocks and defines anomalies for further testing
“grade” or “ore grade”	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate
“g/t”	gram per tonne
“indicated resource”	as defined by the JORC Code, a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, of which the locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
“inferred resource”	as defined by the JORC Code, a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability

GLOSSARY

“JORC”	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004
“kt”	thousand tonnes
“lb”	pound(s) (2.204lb = 1kg)
“measured resource”	mineral resource that has been intersected and tested by drill holes or other sampling procedures at locations close enough to confirm continuity and where geoscientific data are reliably known, as defined by the JORC Code
“mine life”	the number of years that a mine is expected to continue operations based on the current mine plan
“mineral deposits”	a natural occurrence of a useful mineral in a sufficient degree of concentration and size to suggest it may be economically extracted
“mineral resource(s)” or “resource(s)”	a concentration or occurrence of material of intrinsic economic interest in or on the earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge
“mineralization”	an area with discontinuous distribution belts of mineralization, including the occurrence of deposits, mine sites and alteration of waste rock, as exploration indicators and under control of same geology conditions. It is a key zone for estimation and further planning of exploration of minerals
“mining rights”	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
“mm”	millimeters

GLOSSARY

“moisture content”	the amount of moisture in material, expressed as a percentage of the weight of the coal. Two types of moisture can be found in material: (i) free or surface moisture, which can be removed by exposure to air, and (ii) inherent moisture, which is trapped in the material and can be removed by heating the material
“molybdenum concentrate”	concentrate whose main mineral content is molybdenum, usually containing 45% to 53% of molybdenum
“molybdenum oxide”	roasted molybdenite concentrate, also known as technical molybdenum oxide, which typically contains 56% to 58% molybdenum and no more than 0.5% copper
“Mt”	million tonnes
“nonferrous products”	metals other than the ferrous metals such as iron, manganese and chromium
“open-pit”	a pit open to surface and usually carried out by stripping overburden materials
“ore”	mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions
“ore body”	natural mineral accumulations that can be extracted for use under existing economic conditions and using existing extraction techniques
“ore processing” or “processing”	the process of extracting usable portions of ores using physical and chemical methods
“ore reserve(s)” or “reserve(s)”	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses occurring when the material is mined. Appropriate assessments and studies have been carried out, taking consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors into account. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided into probable and proved

GLOSSARY

“overburden”	the soil and rock that must be removed in order to expose an ore deposit
“recovery rate”	the percentage of valuable mineral resource that is able to be recovered from mining and processing activities
“refining”	the final stage of the metallurgical process of refining crude metal products to a pure or very pure end-product
“refining charge”	the price paid by a mining company to a smelter for refining the contained precious metals (and copper) in their concentrate’s to produce a payable metal
“rehabilitation”	revegetation of mining disturbed areas by planting an appropriate mixture of trees, shrubs and ground covers
“smelter”	individuals or companies engaging in smelting
“smelting”	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed
“SX-EW”	solvent extraction – electrowinning
“tailing”	finely ground waste materials produced after processing ore to extract target minerals
“tonne” or “t”	metric tonne
“underground mine”	openings in the earth accessed via shafts and tunnels below the land surface to extract minerals
“vein”	sheet-like body of minerals formed by fracture filling or replacement of host rock



洛陽樂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:

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

Non-executive Director:

Zhang Yufeng

Independent Non-executive Directors:

Bai Yanchun
Xu Shan
Cheng Gordon
Xu Xu

Registered office:

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

*Principal place of business
in Hong Kong:*

Level 54
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183 Queen's Road East
Hong Kong

8 November 2013

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF INTEREST IN NORTHPARKES JOINT VENTURE
AND CERTAIN ASSOCIATED ASSETS OF THE BUSINESS
CHANGE IN USE OF PROCEEDS FROM A SHARE ISSUE
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ACTIVITY
AND
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR**

* For identification purposes only

LETTER FROM THE BOARD

A. INTRODUCTION

References are made to the announcements of the Company dated 1 November 2013, 30 September 2013, 2 September 2013, 23 August 2013 and 30 July 2013 in relation to the Proposed Acquisition; the announcement of the Company dated 30 September 2013 in relation to the change in use of proceeds from A Share Issue, proposed issuance of A Share Convertible Bonds, use of proceeds from the A Share Convertible Bonds and project feasibility, provision of Guarantee, statement on use of proceeds from previous funds raising activity and proposed appointment of a non-executive Director, and the notices of the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting despatched to Shareholders on Thursday, 10 October 2013.

The purpose of this circular is to provide you with, among other things, (i) further information on the Proposed Acquisition, including (a) the financial information of the Business; (b) the pro forma financial information on the Enlarged Group; (c) the Competent Person's Report; and (d) the Valuation Report, (ii) change in use of proceeds from A Share Issue, (iii) proposed issuance of A Share Convertible Bonds, (iv) use of proceeds from the A Share Convertible Bonds and project feasibility, (v) provision of Guarantee, (vi) statement on use of proceeds from previous funds raising activity, and (vii) proposed appointment of a non-executive Director, to enable you to make an informed decision on whether to vote for or against those resolutions proposed for voting at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

B. PROPOSED ACQUISITION

The Purchaser, an indirect wholly-owned subsidiary of the Company, and the Company entered into the Asset Sale and Purchase Agreement with the Vendor, pursuant to which: (i) the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Interest; and (ii) the Company, as guarantor, has agreed to guarantee the due and punctual performance of the Purchaser with its obligations under the Asset Sale and Purchase Agreement.

Upon completion of the Proposed Acquisition, the Purchaser will hold the Sale Interest.

Asset Sale and Purchase Agreement

Effective Date

26 July 2013

LETTER FROM THE BOARD

Parties

- (i) the Vendor
- (ii) the Purchaser
- (iii) the Company

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third party independent of the Company, and are not connected persons of the Company or its connected persons (as defined in the Listing Rules). The Directors also confirm that to the best of their knowledge, information and belief after having made all reasonable enquiries, there is no prior transaction with each of the Vendor or its ultimate beneficial owners which is required to be aggregated with the Proposed Acquisition pursuant to Rule 14.22 of the Listing Rules.

Business to be Acquired

The Northparkes complex comprises a fully operating, state of the art, block caving operation with semi-autogenous grinding (SAG) mills producing high quality copper concentrates containing gold and silver, at the lowest quartile cost, for the international markets. Northparkes situated 27 km northwest of the Central West New South Wales regional town of Parkes, approximately 350 km west of Sydney, Australia, with well-established mining infrastructure and good relationship with local governments and communities. Northparkes has industry-leading block caving technology, experienced management team and skillful staff, high standard operational and managerial best practice especially in health, safety and environment. In 2012, Northparkes produced 53.8 thousand tonnes of copper and 72 thousand ounces of contained gold in concentrate at a cash cost of less than USD1 per pound of copper (net of by-products) and generated over AUD200 million operating cash flow, and is the fourth largest producing copper mine in Australia. Northparkes is a long lived asset with significant reserves with approximately 17 years of production and substantial resources that can extend the mine life to over 30 years. Northparkes has JORC compliant reserves of 107.5 million tonnes of ore at 0.81% copper equivalent grade containing 667,000 tonnes of copper, and in addition to the reserves, measured and indicated resources of 471 million tonnes at 0.70% copper equivalent grade containing 2.67 million tonnes of copper. Please refer to "Information on Northparkes" in this circular and Competent Person's Report in Appendix V of this circular for further information.

LETTER FROM THE BOARD

Mineral Resources and Ore Reserves

Information relation to the JORC Ore Reserves of Northparkes (100% basis) as at 30 June 2013:

Area	JORC	Tonnes <i>Mt</i>	Cu %	Au <i>g/t</i>	Ag <i>g/t</i>	CuEq* %	Cu <i>Kt</i>	Au <i>KOz</i>	Ag <i>Koz</i>	CuEq* <i>Kt</i>
	Classification									
Total	Proven	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	8,086.80	828.6
	Grand Total	107.5	0.62	0.29	2.4	0.81	666.5	1,002.30	8,574.60	868.6

Information relation to the JORC additional Mineral Resources of Northparkes (100% basis), as at 30 June 2013 reported at a cut off of 0.4% Cu:

Reporting Area	JORC	Quantity <i>Mt</i>	Cu %	Au <i>g/t</i>	Ag <i>g/t</i>	CuEq* %	Cu <i>kt</i>	Au <i>kOz</i>	Ag <i>Moz</i>	CuEq* <i>Kt</i>
	Classification									
Grand Total	Measured	289.7	0.59	0.19	1.8	0.73	1,720.50	1753.4	16.8	2,119.00
	Indicated	181.3	0.52	0.14	1.6	0.63	943.8	798.1	9.6	1,136.70
	Inferred	0.7	0.46	0.09	1.2	0.53	3.2	2	0	3.7
Total		<u>471.7</u>	<u>0.57</u>	<u>0.17</u>	<u>1.8</u>	<u>0.7</u>	<u>2,667.60</u>	<u>2,553.50</u>	<u>26.4</u>	<u>3,294.70</u>

The ore reserves have not been included in the mineral resources.

The Purchaser will acquire the Sale Interest free from all encumbrances (other than certain permitted encumbrances such as those that may arise in the ordinary course of business, for example, retention of title arrangements) and together with all rights attaching and accruing thereto from the Completion Date.

Further information on the Sale Interest and the Business is set out below in the section headed "Information on the Sale Interest and the Business".

LETTER FROM THE BOARD

Consideration

The consideration for the Proposed Acquisition is the amount of USD820 million (equivalent to approximately HKD6.396 billion), subject to standard adjustments for a transaction of this nature, namely a working capital adjustment. The consideration will be paid to the Vendor on the Completion Date with working capital adjustments to follow (further information on the working capital adjustment is set out below).

The consideration was determined on an arm's length basis following due diligence and financial analysis by the Company and its professional advisers on information provided by the Vendor and negotiations with the management and professional advisors of the Vendor as part of a very competitive auction process that included a number of international mining companies and natural resources funds.

As part of its detailed due diligence investigations, the Company considered a number of valuation metrics, including fundamental valuation analysis and methodologies widely accepted for assets of this type. As a result of detailed financial analyses, the Board has a high level of confidence in the fundamental valuation of Northparkes.

In addition to financial analyses, the Board took into accounts the following factors when determining the appropriate valuation for the Proposed Acquisition:

- (i) Northparkes is a scarce, high-quality, long-life and large-scale producing copper asset;
- (ii) The Proposed Acquisition provides the Company with substantial portfolio exposure to highly-attractive long-term copper fundamentals;
- (iii) The Proposed Acquisition provides the Company with geographic diversification into Australia, which is a mining-friendly and resource-rich country;
- (iv) The Proposed Acquisition significantly enhances the Company's cash flow generation;
- (v) The Proposed Acquisition better positions the Company to participate in further consolidation in the region and the broader mining sector;
- (vi) The Proposed Acquisition leverages the operating experience and strength of the Company, and meanwhile brings industry-leading block caving technology to the Group;

LETTER FROM THE BOARD

- (vii) The Proposed Acquisition is expected to be substantially accretive to the Shareholders;
and
- (viii) The Proposed Acquisition aligns with the corporate strategy of the Company.

The Vendor conducted a confidential two-stage sale process which required non-binding indicative proposals to be submitted at the end of the first stage, and final bids capable of being executed to be submitted at the end of the second stage. After a short period of negotiation, the Vendor and the Company executed the Asset Sale and Purchase Agreement effective on 26 July 2013.

Further, the Valuation Report has concluded that the fair market value of the Vendor's 80% interest in Northparkes (excluding land and residential properties) is approximately USD0.83 billion to USD0.99 billion (equivalent to approximately HKD6.47 billion to HKD7.72 billion) as at 30 June 2013. The Valuation Report's assessment of fair market value is above the Provisional Purchase Price. Importantly, the Valuation Report has applied valuation parameters with conservative long term prices for copper and gold. The Valuation Report, including details of the assumptions, basis and methodology of the valuation, and sensitivities to metal price assumptions are contained in Appendix VI to this circular. Reference is also made to the announcement of the Company dated 9 October 2013 in relation to the valuation prepared by a PRC certified assets valuer dated 5 October 2013 (subsequent to the effective date of the Asset Sale and Purchase Agreement) in accordance with the listing rules of the Shanghai Stock Exchange. No reference was made to the PRC valuation report or the Valuation Report in determining the terms and consideration for the Proposed Acquisition. According to the PRC valuation report, as at 30 June 2013, the assessed aggregate value of (i) parts of the property owned by the Vendor; and (ii) 80% interest in the Northparkes Joint Venture (including mining rights) was AUD996.91 million (equivalent to approximately HKD7.2874 billion). Shareholders can refer to the PRC valuation report (in Chinese only) published by the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

The Company conducted its own valuation analysis during the sale process and notes the Consideration is consistent with a key comparable valuation benchmark from relevant precedent transactions. Based on average enterprise value to resources multiples (i.e. enterprise value / copper equivalent resources) of relevant precedent transactions, the valuation of the Vendor's 80% interest in Northparkes is USD1.138 billion (equivalent to approximately HKD8.876 billion). This valuation metric is relevant for assessing the value of mining companies.

LETTER FROM THE BOARD

The list of precedent transactions below includes acquisitions of copper producing assets over the period of 2009-2013 with a value of over USD200 million of a controlling interest.

Relevant copper precedent transactions

Acquirer	Target	Transaction date	Size (USD million)	Cu-eq. Resources (billion lbs) ⁽¹⁾	EV/Cu-eq. Resources (USD/lb)
Minmetals	Oz Minerals (mining assets)	Apr 2009	\$1,354	34.2	\$0.04
Jinchuan	Metorex	Jul 2011	\$1,414	11.3	\$0.13
Barrick	Equinox	Apr 2011	\$7,824	17.7	\$0.44
Minmetals	Anvil	Sep 2011	\$1,260	3.7	\$0.34
KGHM	QuadraFNX	Dec 2011	\$2,316	30.0	\$0.08
First Quantum	Inmet	Dec 2012	\$3,492	54.7	\$0.06
Capstone	Pinto Valley	Apr 2013	\$650	8.8	\$0.07
Chinese & South African Consortium ⁽²⁾	Palabora (57.7%)	Dec 2012	\$373	4.4 (57.7% basis)	\$0.04
Average					\$0.15

Source: company filings, press releases

- (1) Copper equivalent resources based on long term consensus copper price of USD2.90/lb, long term consensus gold price of USD1,300/ounce and long term consensus silver price of USD23/ounce.
- (2) The Consortium comprised of the following parties: Hebei Iron & Steel Group (35%), the Industrial Development Corporation of South Africa Limited (20%), Tewoo Group Ltd. (20%) and General Nice Development Ltd. (25%).

As stated in the announcement of the Company dated 30 July 2013, consideration payable for the Proposed Acquisition will be settled through a combination of existing cash resources, debt financing or such other means as the Company considers appropriate.

Since the receipt of the notice from the Vendor that SCM and SMM have waived their pre-emptive rights under the Northparkes Joint Venture Agreement, the Board has considered and assessed a number of funding options. In light of the recent market conditions, the Company proposed to apply the proceeds raised from A Share Issue (as at 31 December 2012, the amount of proceeds available was approximately RMB570.46 million (equivalent to approximately HKD684.55 million) and to raise further funding for the Proposed Acquisition by launching the A Shares Convertible Bonds in the principal amount of not more than RMB4.9 billion (equivalent to approximately HKD5.88 billion).

LETTER FROM THE BOARD

Given the time required to complete the issuance of the A Shares Convertible Bonds, the Company proposed to settle the consideration in accordance with the terms of the Asset Sale and Purchase Agreement through its existing cash resources and/or bank loans. As at 30 June 2013, the amounts of cash balances and short-term treasury products were approximately RMB2.87 billion (equivalent to approximately HKD3.44 billion) and RMB1.8 billion (equivalent to approximately HKD2.16 billion), respectively.

In view of the relatively low funding costs and the likelihood of the CB Holders to exercise their conversion rights attaching to their A Shares Convertible Bonds, the Board considers that A Shares Convertible Bonds is the most appropriate financing option for the Proposed Acquisition and is in the best interests of the Company and the Shareholders as a whole. Please refer to the section headed “D. Proposed Issuance of A Share Convertible Bonds — Reasons for A Share Convertible Bonds” for details of the A Share Convertible Bonds.

Adjustment to Consideration

The consideration is subject to a working capital adjustment, to ensure that, at Completion, the Business has an adequate level of working capital as pre-agreed between the Vendor and the Purchaser. The agreed adequate working capital for the Business is USD50 million (equivalent to approximately HKD390 million) less AUD14 million (equivalent to approximately HKD100.8 million) at the exchange rates used by the Vendor at the final calendar date of the month preceding the Completion Date. To the extent that the working capital is different to that at Completion, an adjustment to the purchase price will be made for 80% of the difference.

The adjustment amount, plus simple interest on that amount from (and including) the Completion Date to (and including) the date of payment calculated daily at the rate per annum equal to the Interest Rate on the date of payment, must be paid to the Vendor or to the Purchaser (as the case requires) within five business days after the pro forma statement of working capital relating to the Sale Interest is received by the Purchaser and becomes final and binding. The statement must be prepared in accordance with the agreed accounting principles and calculated immediately before midnight on the final calendar day of the month preceding the Completion Date.

LETTER FROM THE BOARD

Conditions Precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of a number of conditions, including but not limited to the following:

- (a) Sumitomo Pre-emption: SMM and SCM waive, or do not exercise, their pre-emptive rights under the Northparkes Joint Venture Agreement within the 60-day period for pre-emption;
- (b) Sumitomo Consent: SMM and SCM provide their written consents to the assignment of the Vendor's interest in the Northparkes Joint Venture to the Purchaser as required pursuant to the Northparkes Joint Venture Agreement;
- (c) PRC regulatory approvals: the receipt of all PRC regulatory approvals, being:
 - (1) approval of outbound investment from the National Development and Reform Commission;
 - (2) Enterprise Overseas Investment Certificate from MOFCOM;
 - (3) Foreign Exchange Registration Certificate from State Administration of Foreign Exchange; and
 - (4) merger control approval from MOFCOM.
- (d) Shareholder approval: the Shareholders approve the Proposed Acquisition;
- (e) NSW regulatory approvals:
 - (1) the assignment to the Purchaser of the Northparkes Joint Venture tenements issued pursuant to the Mining Act 1992 (NSW) and any regulations made under the Act, is approved by the minister on acceptable conditions; and
 - (2) all necessary consents and approvals have been received from the relevant governmental agencies in relation to the transfer to the Purchaser of the Vendor's interest in the Environmental Protection Licence No 4784 on acceptable conditions; and
- (f) No material adverse change: no material adverse change has occurred since the date of the Asset Sale and Purchase Agreement.

LETTER FROM THE BOARD

The above conditions (except conditions (d) and (f)) may be waived by mutual consent of each of the Vendor and the Purchaser. Conditions (d) and (f) are conditions for the Purchaser's benefit only. As at the Latest Practicable Date, the Purchaser has no intention to waive condition (d). If the conditions precedent (save for the condition (c) which the Vendor may extend by an additional 185 days) have not been satisfied or waived (as the case may be) on or before the Longstop Date, the Asset Sale and Purchase Agreement may be terminated by notice given by the Purchaser or the Vendor.

The Company has received an unconditional statement of no objection for the Proposed Acquisition from the Australian Foreign Investment Review Board.

As at the Latest Practicable Date, conditions (a), (b), (c)(1), (c)(2), (c)(3) and (c)(4) have been fulfilled. In addition to the fulfillment of conditions (a) and (b), Completion remains subject to the signing of routine documents by the Vendor, the Purchaser, SMM and SCM to effect the transfer of the Sale Interest to the Purchaser, including in relation to the cross charge detailed below.

Guarantee

The Company unconditionally and irrevocably guarantees to the Vendor the due and punctual compliance of the Purchaser of all its obligations under the Asset Sale and Purchase Agreement.

Completion

Completion shall take place on the Completion Date or such other date as the Vendor and the Purchaser may agree.

Employees

The Purchaser has covenanted and agreed that the Vendor Employees shall be offered employment on terms and conditions substantially similar to and, considered on an overall basis, no less favourable than those provided to such Vendor Employees immediately prior to the Completion Date.

LETTER FROM THE BOARD

Deposit and Break Fee

The Purchaser has arranged a deposit of USD40 million (equivalent to approximately HKD312 million) to be provided to the Vendor, by way of bank guarantee.

The Purchaser has agreed that the deposit of USD40 million (equivalent to approximately HKD312 million) will be forfeited if Completion does not occur as a result of a default by the Company under the Asset Sale and Purchase Agreement, or if the Company fails to obtain the PRC regulatory approvals or the Shareholders' approval on or prior to the Longstop Date. The deposit was determined after an arm's length negotiation between the Company and the Vendor as part of a very competitive auction process, and by reference to, among others, the amount involved (representing less than 5% of the consideration payable), the irrevocable undertakings given by the controlling shareholders of the Company to vote in favour of the resolutions to approve the Proposed Acquisition, the Company's confidence in obtaining the PRC regulatory approvals and the benefits of the Proposed Acquisition to the Group and the Shareholders as a whole.

The Vendor has separately agreed under a process deed entered into with the Company with effective date of 26 July 2013, to pay the Company a break fee of USD5 million (equivalent to approximately HKD39 million), if SMM or SCM elects to exercise its pre-emptive rights prescribed in accordance with the Northparkes Joint Venture Agreement. Reference is made to the announcement of the Company dated 2 September 2013, confirming that the Company has received notification from the Vendor that SMM and SCM have waived and would not exercise their pre-emptive rights under the Northparkes Joint Venture Agreement to acquire the Vendor's 80% interest in the Northparkes Joint Venture. SMM and SCM have also consented to the assignment of the Vendor's interest in the Northparkes Joint Venture to the Purchaser.

Irrevocable Undertakings by Controlling Shareholders

LMG and CFC, the controlling shareholders of the Company who in aggregate hold approximately 69% equity interest in the Company, have irrevocably undertaken to vote in favour of the resolutions to approve the Proposed Acquisition.

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Joint Venture Agreement and Management Agreement

As part of the Proposed Acquisition, the Purchaser will become party to the Northparkes Joint Venture Agreement and the Northparkes Management Agreement. The Northparkes Joint Venture Agreement governs the relationship between NML as to its 80.0% interest (which will be assigned to the Purchaser as part of the Proposed Acquisition), SMM as to its 13.3% interest and SCM as to its 6.7% interest. The Northparkes Joint Venture Agreement sets out the respective rights and obligations of the participants in relation to their joint development and operation of Northparkes.

The Northparkes Joint Venture Agreement is typical of unincorporated joint venture agreements found in Australia providing for each participant's interest in that joint venture and the holding of joint venture assets in proportion to those interests. Each participant is entitled to take its share of production in proportion to its interest. Each participant is obliged to pay joint venture costs in proportion to its interest and assumes the liabilities of the joint venture in proportion to its interest.

As part of the Proposed Acquisition, the Purchaser will be appointed as manager to manage the day to day operations of Northparkes in accordance with the Northparkes Management Agreement. The Purchaser's performance as manager of the joint venture will be subject to the supervision and control of the policy committee of the Northparkes Joint Venture, comprising representatives of each participant entitled to vote in accordance with their participating interest.

There is a ready, worldwide market for copper concentrates as many copper smelters in the world are short of concentrates including China and Japan. Pursuant to the Northparkes Joint Venture Agreement, Northparkes Joint Venture participants will take their own share of copper concentrates and market them on their own behalf. The manager of Northparkes Joint Venture, may occasionally assist in identifying and arranging for the sales of copper concentrates for and on behalf of other Northparkes Joint Venture participants. Northparkes Joint Venture currently has a number of existing customers in China and Japan. As most copper smelters operate their own ports, customs clearance is done routinely at ports of entry by the buyers.

For further information on unincorporated joint venture arrangements in general, refer to Appendix VII of this circular.

LETTER FROM THE BOARD

Cross Charge

Under the Northparkes Joint Venture arrangements, each joint venture participant (the “chargor”) has entered into a deed of cross charge with each other joint venture participant and NML (in its capacity as manager of the Northparkes Joint Venture) (the “chargees”) pursuant to which the chargor grants a charge over its interest in the Northparkes Joint Venture, the Northparkes Joint Venture assets, its share of production from the Northparkes Joint Venture and contracts for the sale of that share of production and any insurance proceeds in connection with the Northparkes Joint Venture to secure the payment of amounts and performance of obligations owed under the Northparkes Joint Venture Agreement and the Northparkes Management Agreement between the Northparkes Joint Venture participants dated 22 July 1993. Upon the chargor becoming a defaulting participant under the Northparkes Joint Venture arrangements, the chargees are entitled under the deed of cross charge to (i) sell the chargor’s share of production and apply the proceeds to the relevant default, or (ii) appoint a receiver to the charged property who is empowered to, among other things, sell the charged property and apply the proceeds firstly to the receiver’s costs, then to the relevant default and the balance to the chargor. These deeds of cross charge are also typical of unincorporated joint venture arrangements used in Australia.

As part of the Proposed Acquisition, the Purchaser is to enter into a deed of cross charge in the form of the current deeds of cross charge between the Northparkes Joint Venture participants in favour of SCM and SMM (as chargees). At the same time, the Vendor is to transfer its interest (as chargee) in the current deeds of cross charge granted by SCM and SMM (as chargors) to the Purchaser so that the Purchaser obtains the benefit of the charges granted by SCM and SMM.

Information on the Vendor

The Vendor is a wholly-owned subsidiary of Rio Tinto. The Vendor holds an 80% interest in the Northparkes Joint Venture. The remaining interests in the Northparkes Joint Venture are held by SMM (13.3%) and SCM (6.7%). The Northparkes Joint Venture operates Northparkes.

Rio Tinto acquired its interest in the Northparkes Joint Venture as part of its acquisition of the Vendor in 2000.

Rio Tinto is a leading international mining group headquartered in the United Kingdom, combining Rio Tinto plc, which is listed on the London Stock Exchange and New York Stock Exchange, and Rio Tinto Limited, which is listed on the Australian Securities Exchange. Rio Tinto’s business is finding, mining, and processing mineral resources. Major products include aluminum, copper, diamonds, thermal and metallurgical coal, uranium, gold, industrial minerals (borax, titanium dioxide and salt) and iron ore. Rio Tinto’s activities span the world and are strongly represented in Australia and North America with significant businesses in Asia, Europe, Africa and South America.

LETTER FROM THE BOARD

Rio Tinto is among the world's largest producers of copper with assets in Chile, Indonesia, Mongolia, Peru and the United States. Rio Tinto produced approximately 549 thousand tonnes of mined copper in 2012, making it the world's sixth largest supplier.

Information on the Purchaser and the Company

The Purchaser

The Purchaser is a limited liability company incorporated in Australia and is indirectly wholly-owned by the Company. The principal business activity of the Purchaser is investment holding.

Directors of the Purchaser

Brief resumes of each of the existing and proposed directors of the Purchaser are set out below:

Mr. Kalidas Madhavpeddi, aged 58 joined the Group in 2008 as the overseas chief executive officer. Before that, Mr. Madhavpeddi was a Senior Vice President of Phelps Dodge Corporation, at the relevant time, the world's largest publicly traded copper and molybdenum company with gold and silver by-products. Mr. Madhavpeddi has worked at Phelps Dodge from 1980 to 2006 and has over 30 years of experience in the mining industry. Mr. Madhavpeddi's career began at the Morenci copper mining complex in 1980, and throughout his extensive career has had diverse roles associated with various mines, smelters, refineries, rod mills, sales, trading, mergers and acquisitions. Mr. Madhavpeddi was responsible for establishing various joint ventures including ones with Buenaventura and Sumitomo. Mr. Madhavpeddi is an alumnus of the I.I.T Madras, University of Iowa and Harvard Business School. Mr. Madhavpeddi also holds independent directorship and committee roles for other international base and precious metal mining companies.

Mr. Dahui Zhang, aged 48, joined the Group in August 2013 as a director of CMOC Mining Pty Ltd. Mr. Zhang was previously the CEO of Shandong Gold International Mining Corporate Ltd. (a subsidiary of Shandong Gold Group). Prior to that he was Assistant President of Zijin Mining Group Ltd. and General Manager of Gold Mountains H.K. International Mining Co., Ltd. (a wholly-owned subsidiary of Zijin Mining Group Ltd.). Mr. Zhang was appointed to the board of Sino Gold Mining Ltd. (a position he held for three years in Australia) as a representative director of China Minmetals Group Corporation. Mr. Zhang was the financial controller of Sino Gold Mining Ltd. based in Australia for 6 years. He held various management positions in China Minmetals Group Corporation before joining Sino Gold Mining Ltd. Mr. Zhang has a bachelor of arts majoring in economics and a master's degree in business administration.

LETTER FROM THE BOARD

Mr. Ching-Yung Chen, aged 63, joined the Group in 2008 as the overseas chief financial officer. Prior to that, Mr. Chen was the Managing Director, Asia Business Development at Phelps Dodge Corporation. Mr. Chen joined the Ajo mining complex in 1978 and served in various accounting and financial roles at the mine, corporate controller's group including as a director of Global Consolidation Accounting and Cost Accounting and was responsible for financial aspects relating to acquisitions and divestitures in the company. Mr. Chen is a U.S. Certified Public Accountant and obtained his master's degree in accounting from the University of Arizona.

Mr. Chaochun Li, vice chairman of the Company is also a member of the board of directors of the Purchaser.

The Company

The Company is primarily engaged in the mining, processing, smelting, downstream processing, trade, research and development of molybdenum, tungsten and precious metals. The Company is one of largest molybdenum producers and second largest tungsten concentrate producer in the world. The key assets of the Company include the Sandaozhuang molybdenum-tungsten mine located in Luoyang Luanchuan, the East Gobi molybdenum project located in Xinjiang Hami and the Shangfanggou molybdenum-iron ore mine in Luoyang Luanchuan.

Reasons and Benefits of Proposed Acquisition

The Board views the Proposed Acquisition as a compelling opportunity which is in line with the Company's strategy to grow its portfolio of high-quality base, specialty and precious metals assets and establish an international platform for growth. The Board expects to grow the business of Northparkes by leveraging the Group's financial strength, operating experience and its leading market position in the PRC.

As previously disclosed in the Company's 2008 annual report, the Company has since 2008 stepped up its efforts in identifying suitable overseas opportunities to expand its presence in other markets. The Company has assessed a number of acquisition opportunities across a range of commodities and geographies at various points in the commodity cycle, but, until the acquisition of the Sale Interest, has not executed any such opportunities given its disciplined approach to overseas acquisition and capital allocation.

LETTER FROM THE BOARD

Although the Group did not own any copper mine at as the Latest Practicable Date, the operations of molybdenum mines and copper mines are very similar in terms of mining and flotation processes. The Group and its members of senior management have extensive mining and exploration experience in similar specialty and precious metals mines in the PRC, which share many common characteristics with copper mines. Further, the Company's overseas executives have extensive experience and expertise in the copper sector, having held a broad variety of roles in one of the world's largest copper companies. Furthermore, a substantial majority of Northparkes' existing experienced management team and employees will remain employed on site and continue running the operation, which will allow the retention of substantial technical knowledge within Northparkes and the Company.

The Company is of the strong view that the long-term fundamentals of the copper sector are attractive. In particular, the Company is of the view that, on one hand, the supply of copper is likely to be constrained in the medium to longer term as discoveries of high-quality copper projects are likely to become more infrequent, and supply disruptions at existing projects are likely to persist, and, on the other hand, demand for copper, particularly from emerging markets, is likely to remain robust. According to Wood Mackenzie, world refined copper consumptions increased from 14.9Mt in 2002 to 19.6Mt in 2012, representing an annual growth rate of 2.8%. In addition, refined copper consumption in China increased from 2.4Mt in 2002 to 8.2Mt in 2012, representing an annual growth rate of 13.0%, as industrial production in China has grown at over 10% per annum during this period. According to Thomson Reuters GMFS, gold is expected to continue its upward trend in the fourth quarter and test the USD1,480/oz level, and that gold could test the USD1,500/ oz level as early as the first quarter of the next year. Accordingly, the Company is of the view that acquisitions of producing copper-gold assets, particularly those that have a relatively low cost structure and long mine life, such as Northparkes, are likely to generate an attractive long-term return to Shareholders.

During the sales process conducted by Rio Tinto, over the course of several months, the Company conducted extensive due diligence on Northparkes, including on-site visits, review of geological information, operating results, financial results, and key contracts, and access to Northparkes and Rio Tinto management.

During this due diligence process, the Company developed the view that Northparkes is an attractive acquisition opportunity. This opinion was formed not only through review of the confidential information made available to the Company, but also with consideration by the Company of the other acquisition opportunities that were then available, or likely to become available, in the mining sector. Northparkes represents a rare opportunity to acquire a low-cost, long-life producing copper project of scale, located in a stable jurisdiction, with significant upside potential and without material capital or development risk. The scarcity and quality of the Northparkes asset was reflected in the contested sale process for the mine, with strong interest from a range of global mining companies.

LETTER FROM THE BOARD

The Proposed Acquisition will provide the Company with an international platform for growth. From a regulatory and fiscal regime perspective, Australia is among the world's most established mining jurisdictions. More specifically, the state of New South Wales, where Northparkes is situated, has a long history of mining. The mining infrastructure in Central Western New South Wales is well established, and local governments and communities are generally supportive of mining in the region.

It is expected that the Proposed Acquisition will enhance the Group's business and performance in the following aspects:

1. Northparkes is a scarce, high-quality, long-life and large-scale producing copper asset

The Board believes that Northparkes, which is the fourth largest copper producer in Australia, represents a unique high-quality producing copper and gold asset, assets of this scale and quality of Northparkes are rarely available for acquisition and it is of sufficient size to materially enhance the portfolio of the Company in a low risk jurisdiction like Australia. In 2012, Northparkes produced 53.8 thousand tonnes of copper and 72 thousands ounces of contained gold in concentrate at an operating cash cost of approximately USD1 per pound of copper equivalent (net of by-products).

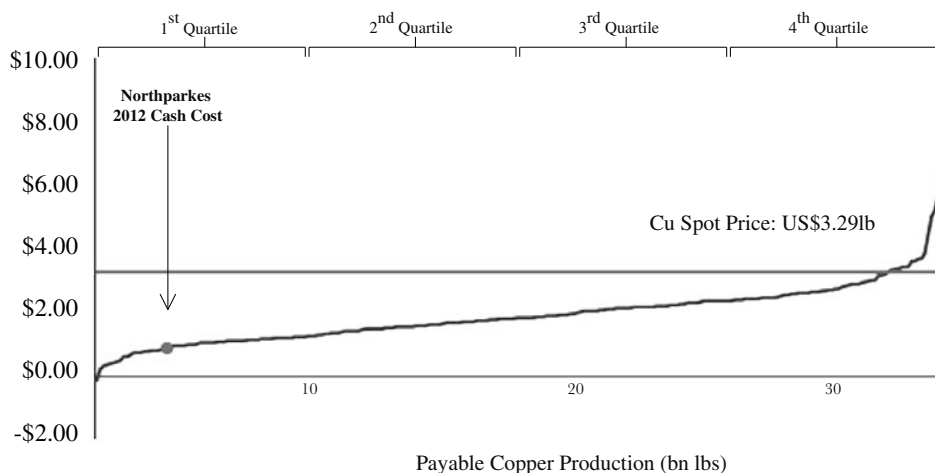
Northparkes is a porphyry style Cu-Au operation which has been in continuous production for over 19 years. The project has sold in excess of 800 thousands of tonnes of Cu metal and 1.1 million troy ounces of Au in concentrate form since commissioning in 1994. In 2012, Northparkes produced 53.8 thousand tonnes of copper which makes it the fourth largest copper mine in Australia by copper production.

In 2012, Northparkes' cash costs were below USD1 per pound of copper, placing it in the bottom quartile of the copper cash cost curve. The cost structure of Northparkes benefits from the efficiency of the particular mining method and the significant gold and silver by-products:

- Northparkes is a well-established block caving mine with 40% of the mining operations automated. According to the Competent Person's Report, the forecast operating cash cost for the life of mine is estimated to be AUD1.55 per pound copper-equivalent; and
- In 2012, Northparkes produced 72,000 ounces of contained gold and 563, 000 ounces contained silver in concentrate. Further, as at 30 June 2013, Northparkes has 1.0 million ounces gold and 8.6 million ounces of silver contained within the 107.5 million tonnes JORC compliant Ore Reserve and 472 million tonne JORC compliant Mineral Resource (containing 2.55 million ounces of gold and 26.4 million ounces of silver).

LETTER FROM THE BOARD

2012 copper C1 cash cost curve (US\$/lb payable Cu)



Source: Wood Mackenzie

(1) Copper spot price as at 18 October 2013.

Northparkes has a significant JORC compliant resources and reserves base. As at 30 June 2013, Northparkes has:

- JORC compliant measured and indicated Mineral Resources of 471 mt tonnes at 0.70% copper equivalent grade ^(Note);
- JORC compliant copper and reserves of 107.5 million tonnes of ore at 0.81% copper equivalent grade.

Note: Copper equivalent grade computed by converting gold and silver ounces to equivalent copper pounds at USD1,300/oz gold, USD23/oz silver and USD2.90/lb copper price

The reserve alone supports a mine life of approximately 17 years, and the resources could support an extended mine life to up to and in excess of 30 years. Further, the Company believes that there is substantial exploration upside at Northparkes, with potential for further mineralization to be discovered beneath or in proximity to the existing orebodies. According to Competent Person's Report, three high priority targeted mineralization areas have been identified. These present opportunities to increase the currently defined resource and reserve base.

LETTER FROM THE BOARD

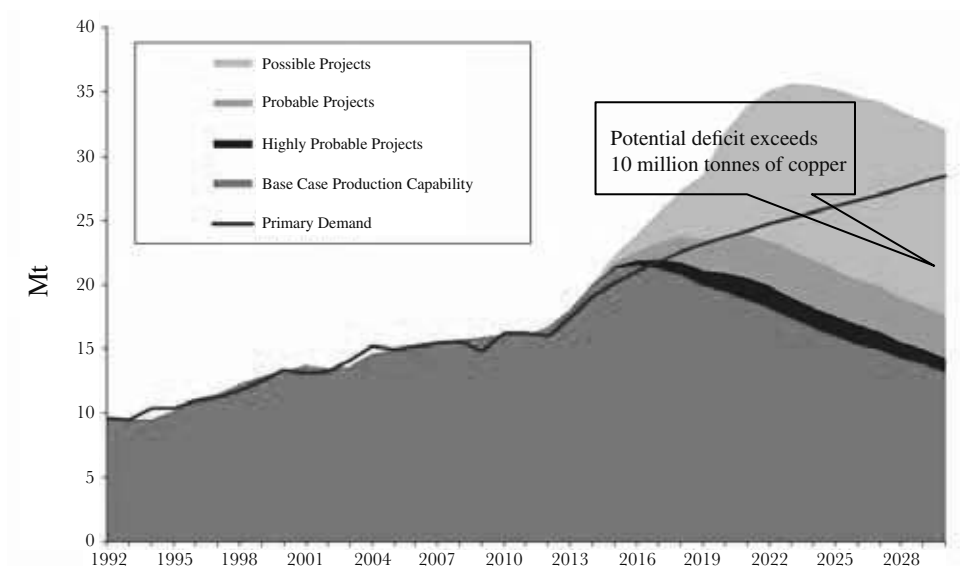
Northparkes is well serviced by established infrastructure. Parkes is located approximately 350 km west of Sydney and is easily accessible via a network of sealed highways and regular rail and flight services from Sydney, the largest capital city in Australia. The regional and local supporting infrastructure in the Central West NSW area is well developed with extensive power, water and transport logistics suitable to support the Northparkes' current and planned production capacity. Northparkes is located close to well established highways and rail infrastructure (15 km), water sources and regional towns which provide accommodation and support services for the mining operation and its personnel. The Competent Person Report notes that the regional infrastructure will likely support production requirements if production capacity expands beyond the current capacity.

2. *Provides substantial portfolio exposure to highly-attractive long-term copper fundamentals*

The Board strongly believes that copper positively complements the current portfolio of the Company, which mainly includes molybdenum and tungsten metals that are specialty metals with small markets and substantial price volatility. According to the pro forma financial information of the Enlarged Group, the Company would have been generated approximately 31% of its 2012 revenue from the sale of copper.

The Board believes that long-term copper fundamentals are highly attractive and that a structural undersupply of copper is expected to emerge in 2017.

New Mine Supply from Probable and Possible Projects versus Primary Demand



Source: Wood Mackenzie.

LETTER FROM THE BOARD

A number of large scale copper projects have encountered development challenges, increasing the likelihood that those projects will be reduced in scale, delayed or cancelled. In 2013, Wood Mackenzie has delayed or downgraded from the “probable category” 820 thousand tonnes per annum from global production capacity, due to a range of factors including escalating capital costs and subsequent declining returns. Further, Wood Mackenzie has reviewed large scale projects due to start production in the second half of this decade and identified combined project capacity in excess of 2.2 million tonne per annum as being at risk. Most of these major copper projects are owned by major global mining companies, who continue to adopt a cautious approach allocating capital to new development projects.

Projects Downgraded from Probable or Delayed During 2013

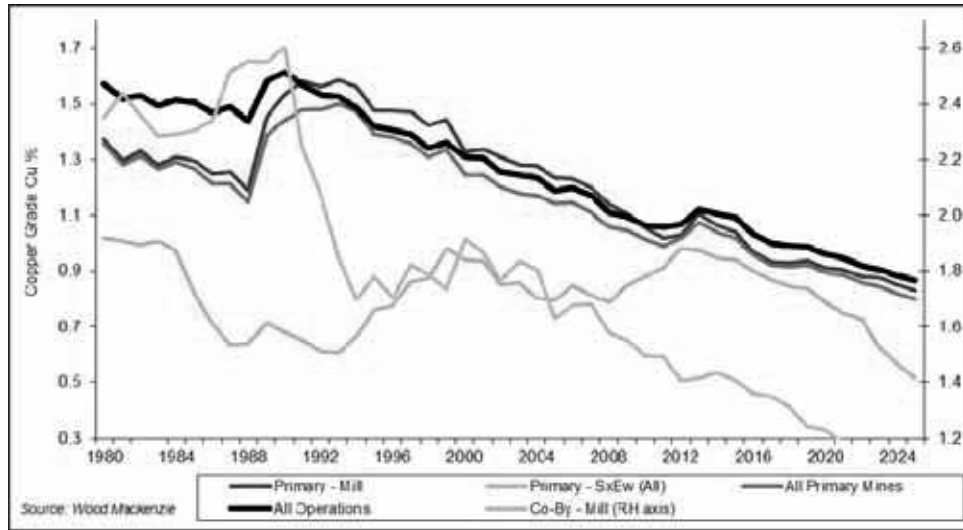
Project	Developer	Country	Start	Kt/a	Comment
Quellaveco	Anglo American	Peru	—	250	Reported to be on hold
Haquira	First Quantum Minerals	Peru	—	210	FQM to prioritize other projects
Quebrada Blanca Mill	Teck Resources	Chile	—	200	Development delayed
Northparkes expansion	Rio Tinto	Australia	—	75	Prior to sale Rio shelved expansion project
Kambove	Gecamines	DRC	—	50	No progress reported
Inchimpe	Zhonghui Mining	Zambia	—	35	Mining license dispute
Total				820	

Source: Wood Mackenzie.

Separately, declining head grades are expected to pressure total costs of copper production. The average head grade in 2012 was 1.07% which compares with the equivalent figure of 1.57% Cu in 1980 (32% decline) with an average head grade of 0.86% Cu predicted for 2025. The downward trend reflects the depletion of the higher grade ores over the past 30 years.

LETTER FROM THE BOARD

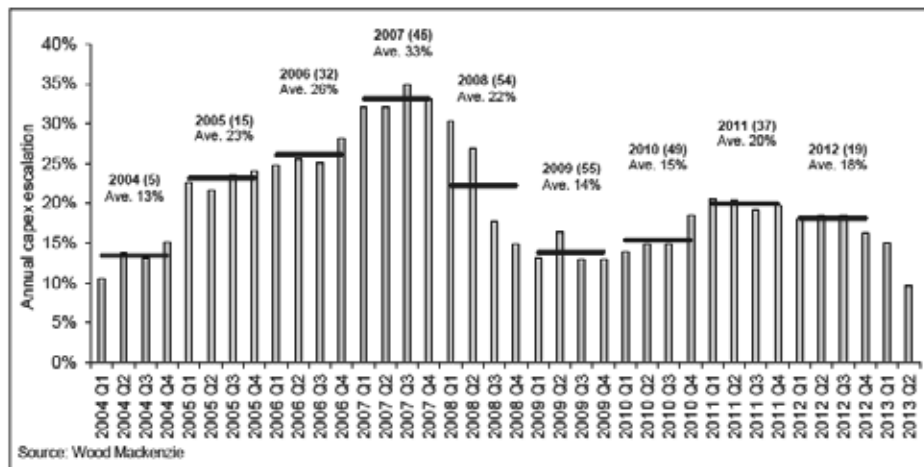
Head Grade Trends (Weighted by Paid Copper)



Source: Wood Mackenzie

Continuing escalation in the capital intensity of new development projects will reduce expected return profiles thereby increasing the likelihood of further project delays and cancellations. Annual capital expenditure escalation has been above 10% since 2004.

Capital Expenditure Escalation 2004 to 2013

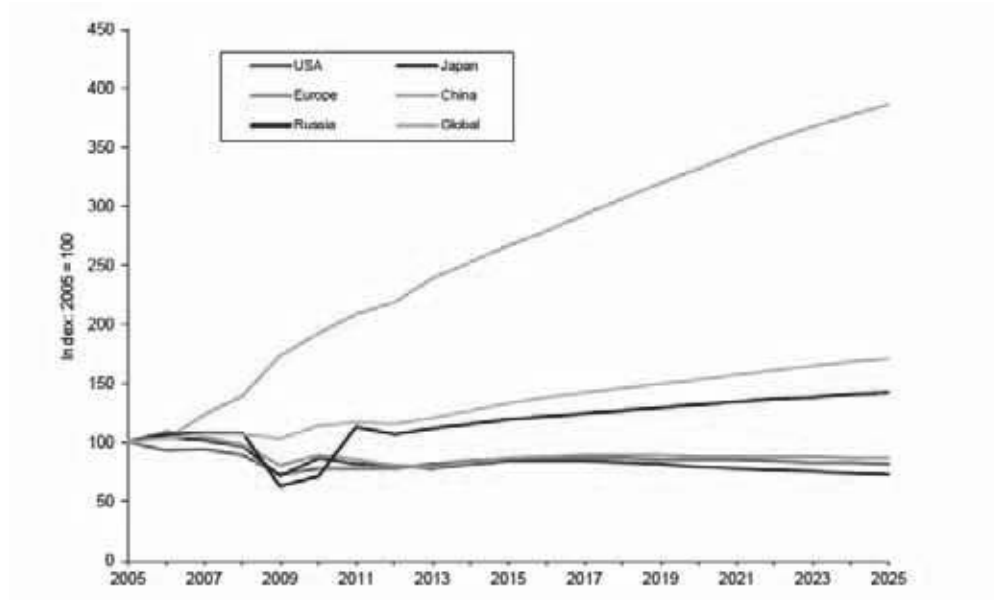


Source: Wood Mackenzie.

LETTER FROM THE BOARD

Robust copper demand is expected to continue the BRIC nations, all of which are expected to continue their path of industrialisation. Copper consumption is expected to grow at CAGRs for 2012-2030 of 5%, 1.4%, 6.3% and 3.5% for Brazil, Russia, India and China, respectively.

Indexed Copper Consumption Growth (2005=100)



Source: Wood Mackenzie.

Please refer to the section headed “Industry Overview” for further information in relation to the copper sector.

3. ***The Proposed Acquisition provides the Company with geographic diversification into Australia, which is a mining-friendly and resource-rich country***

The Proposed Acquisition diversifies the geographic profile of the Company into Australia, which is widely regarded as a favorable mining jurisdiction relative to other jurisdictions in which large-scale mining projects are located. From a regulatory and fiscal regime perspective, Australia is among the world’s most established mining jurisdictions. Numerous large-scale miners have operations in Australia, and the mining infrastructure is well established. The Proposed Acquisition will provide the Company with an international platform for growth.

LETTER FROM THE BOARD

More specifically, the state of New South Wales has a long history of mining, and Central Western New South Wales is home to a number of large-scale, high-quality projects including Newcrest's Cadia operations, New Gold's Peak Mines and Barrick Gold's Cowal mine. The mining infrastructure in Central Western New South Wales is well established, and local governments and communities are generally supportive of mining in the region.

4. *The Proposed Acquisition significantly enhances the Company's cash flow generation*

The Board expects the Proposed Acquisition to significantly enhance the cash flow generation of the Company. For the six months ended 30 June 2013, the operating cash flow of the Group was RMB1.06 billion. Pro forma for the Proposed Acquisition, for the six months ended 30 June 2013, the operating cash flow of the Enlarged Group would be RMB1.47 billion, which represents a 38.68% increase to the actual operating cash flow of the Group.

Northparkes' attractive position towards the bottom of the global cost curve is likely to ensure that, absent a material decline in the copper price, the project has positive operating cash flow in the medium term. Further, the Company will continue to monitor the cash flow forecasts for Northparkes, and will seek to optimize the timing and size of any capital expenditures to ensure that capital allocation at Northparkes remains disciplined.

5. *The Proposed Acquisition better positions the Company to participate in further industry consolidation globally*

The enhanced size, diversification and cash flow generation of the Company in combination with Northparkes' international experienced management team and technical skills will better position the Company to participate in industry consolidation in the region as well as overseas. In particular, pro forma for the Proposed Acquisition, the Company would have greater access to capital and the ability to compete for larger-scale opportunities for which the Company cannot currently compete.

The Proposed Acquisition will also help the Company build its technical knowledge of copper mining, particularly underground block caving, which will better position the Company to assess similar opportunities in the future, both in Australia and overseas.

LETTER FROM THE BOARD

6. *Leverages the operating experience and strength of the Company*

The Company has substantial experience in molybdenum, tungsten and gold mining. The operation of molybdenum mines and copper mines are similar in terms of mining and flotation processes. The Company and its senior management have extensive mining, processing and exploration experience in the non-ferrous metals industry in the PRC, which shares many common characteristics with the copper mining sector. The overseas executives of the Company have extensive management experience in operating copper mines and other base metals mines and processing facilities globally.

The Company has substantial marketing capabilities and relationships which it can leverage to maximise the revenue generating capacity of Northparkes.

In addition, the Proposed Acquisition will provide industry-leading block caving technology as well as managerial and operational (including health, safety and environment) best practices from the Vendor, a leading international mining company, which the Company will be able to apply to its existing projects in the PRC.

7. *The Proposed Acquisition is expected to be immediately accretive to the shareholders of the Company*

The Board expects the Proposed Acquisition to be immediately accretive to net asset value per Share, earnings per Share and cash flow per Share, based on the Company's estimates (with reference to the Valuation Report and the Competent Person's Report) of the net asset value, profitability and cash flow generation associated with Northparkes.

In addition, the Directors (including the independent non-executive Directors) consider that the terms of the Proposed Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECTS OF THE PROPOSED ACQUISITION

Shareholding structure

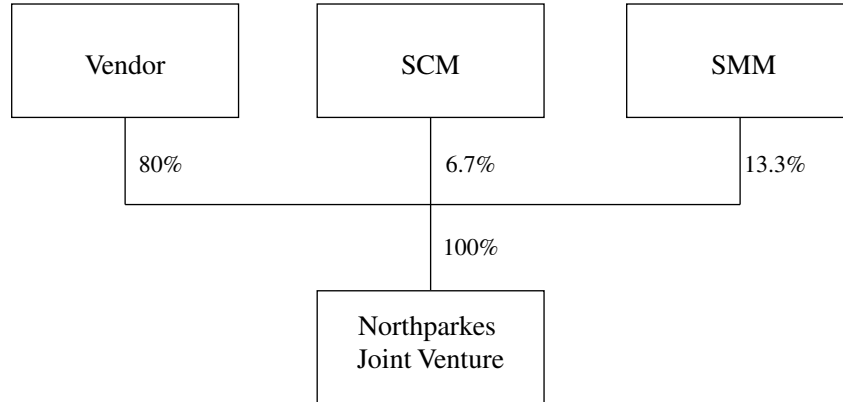
The Directors confirm that there will be no change in control of the Company as a result of the Proposed Acquisition.

LETTER FROM THE BOARD

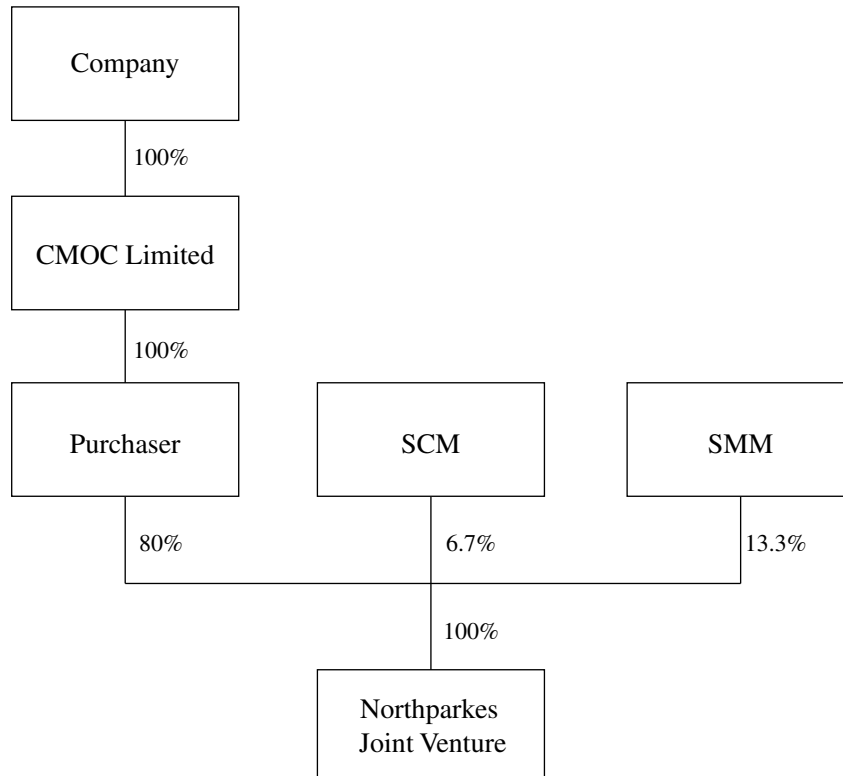
Structure of the Business

Assuming no changes in the holding of participating interests in the Northparkes Joint Venture between the Latest Practicable Date and the Completion Date, the simplified structure of the Company and Northparkes Joint Venture as at the Latest Practicable Date and immediately upon Completion are illustrated as follows:

As at the Latest Practicable Date:



Immediately after Completion:



LETTER FROM THE BOARD

The Purchaser has set up CMOC Mining Services Pty Limited, a wholly-owned subsidiary in Australia to provide certain services to the Purchaser, including employing the Vendor Employees who accept offers of employment and entering into the supply and service contracts to be novated or assigned from the Vendor, and to conclude new supply and service contracts.

Financial effects

After Completion, the Company will account for the Northparkes Joint Venture as a jointly controlled operation in accordance with Chinese Accounting Standard CAS No. 2- Long – term Equity Investments and will recognize the assets that it controls and the liabilities that it incurs, as well as the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the Northparkes Joint Venture, or in accordance with any new and relevant Chinese Accounting Standard that is effective on the date of the acquisition.

The following table sets out, for illustrative purposes only, the key financials of the Group and the pro forma financial information of the Enlarged Group after completion of the Proposed Acquisition as if the Proposed Acquisition had been completed as on 30 June 2013 for pro forma consolidated statement of financial position. The pro forma financial information of the Enlarged Group has been prepared based on the judgments and assumptions of the Directors for illustrative purposes only. It may not reflect the true financial position of the Enlarged Group as at 30 June 2013 or any future date due to its hypothetical nature. As the estimated fair values of the assets, liabilities and contingent liabilities of the Business used in the preparation of the pro forma financial information of the Enlarged Group might differ from their respective actual fair values upon Completion, the actual financial effects of the Proposed Acquisition might be materially different from the financial position as shown in Appendix IV of this circular.

LETTER FROM THE BOARD

Consolidated Statement of Financial Performance

	Unaudited consolidated statement of financial performance of the Group as at 30 June 2013 RMB (million) (approx.)	Pro forma consolidated statement of financial performance of the Enlarged Group as at 30 June 2013 (as disclosed in Appendix IV) RMB (million) (approx.)
Revenue	2,689.7	3,730.3
Net profit attributable to owners of the Company	604.9	1,184.9
Basic earnings per Share	RMB0.12	RMB0.23

Consolidated Statement of Financial Position

	Unaudited consolidated statement of financial position of the Group as at 30 June 2013 RMB (million) (approx.)	Pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2013 (as disclosed in Appendix IV) RMB (million) (approx.)
Total current assets	8,349.8	7,337.0
Total assets	16,349.7	21,392.2
Total current liabilities	1,941.3	6,067.9
Total liabilities	4,014.2	8,775.1
Total equity	12,335.5	12,617.1

For further information, please refer to Appendix IV to this circular for the pro forma financial information of the Enlarged Group.

LETTER FROM THE BOARD

Effect of the Proposed Acquisition on the earnings and assets and liabilities of the Enlarged Group

As extracted from the interim report of the Company for the six months ended 30 June 2013, the unaudited consolidated net assets of the Group as at 30 June 2013 were approximately RMB12,336 million, comprising total assets of approximately RMB16,350 million and total liabilities of approximately RMB4,014 million. As extracted from the audited financial statements of the Company for the year ended 31 December 2012, the total net profit of the Group for the financial year ended 31 December 2012 was approximately RMB1,016 million.

According to the pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the pro forma net assets of the Enlarged Group as at 30 June 2013 would be approximately RMB12,617 million, comprising pro forma total assets of approximately RMB21,392 million and pro forma total liabilities of approximately RMB8,775 million. The pro forma revenue of the Enlarged Group for the six months ended 30 June 2013 was approximately RMB3,730 million.

The pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2013 was prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2013, as set out in the Company's published interim report for the six months ended 30 June 2013; and (ii) the audited combined statement of financial position of the Business as at 30 June 2013 as set out in Appendix II, after incorporating pro forma adjustments described in the accompanying notes as set out in Appendix IV to this circular, assuming the Proposed Acquisition were completed on 30 June 2013.

Financial and Trading Prospects of the Enlarged Group

The Enlarged Group will continue to focus on its goal of becoming a substantial base, precious and specialty metals producer. We will focus on managing our assets effectively and on extracting operational efficiencies to maximise our profitability, and we will continue to evaluate opportunities for further project development and expansion as opportunities arise, and subject to supportive market conditions.

We will also continue to leverage our strong marketing capabilities in the PRC and in other jurisdictions, and our strong network of relationships globally. The Enlarged Group will continue to source new customers and suppliers to expand the portfolio of our trading business and to strengthen our revenue-generating ability.

LETTER FROM THE BOARD

The Enlarged Group will have a platform to pursue further acquisitions in Australia and overseas. We will continue to evaluate acquisition opportunities where those opportunities present compelling value to the Company. The Enlarged Group will have substantial access to funding, which will enable it to pursue value accretive acquisitions in precious, base and specialty metals. In particular, the Enlarged Group will consider acquisitions of producing mines or near production assets, where the risk associated with construction/development is limited.

The Enlarged Group will continue to monitor global financial markets and its own capital structure, and will continually reassess the optimal capital structure for its business. This may or may not involve the negotiation of new bank facilities, the renegotiation of existing bank facilities, and may involve accessing the public equity and debt capital markets. At all times the Enlarged Group will seek to have in place a capital structure that supports its strategic objectives, whilst minimising the cost of capital.

Upon Completion, the financial performance and results of the Business will be consolidated with the Company, and therefore the Enlarged Company's financial and trading prospects will be influenced to a large extent by the results from Northparkes which are in turn determined by production volumes, commodity prices and operating costs. Concentrate production and operating costs at Northparkes are expected to remain relatively constant for the balance of 2013 and 2014. However, material changes in the price of copper or gold, or changes in the AUD:USD exchange rate may have an adverse impact on the financial performance of Northparkes, which would have a material impact on the financial performance of the Enlarged Group. Notwithstanding the above, the Company is of the view that the fundamental drivers of the copper and gold price remain robust.

Business Plan and Strategy

Northparkes is one of the top copper producing mines in Australia and has been in continuous operation since 1993. Given the mature and advanced mining operations in Northparkes, the Company expects that capital expenditure would mainly be associated with the continued operations and development, and plant infrastructure of Northparkes. Based on the Company's forecasts of the cash flow position of Northparkes (including cash operating costs, capital expenditure and strong positive cash flows (over AUD200 million of operating cash flow in 2012)), an assessment of a range of reasonable copper and gold price scenarios and additional funds to be provided by Company to the Purchaser to enhance its initial working capital during the transition period, the Company expects that the cash flow generated by Northparkes will be able to fund its own capital expenditure and working capital requirements. Upon Completion, the Company will conduct a review of the Business and put in place a budget and medium term plans covering up to 5 years, which will be reviewed annually. The budget and medium term plan will include a review the funding position of Northparkes. To the extent there is expected to be a shortfall in the overall funding position of Northparkes, the Company will contribute funding through internal resources or such other means as the Company considers appropriate.

Consistent with the Company's business strategy, the Company intends to focus on maximizing shareholder value, which includes a disciplined approach to capital allocation. The Company continually reviews investment opportunities organically and by acquisition. The Company's acquisition criteria include:

- producing or near producing assets;
- high quality and low cash cost position;
- potential to cut costs and improve operational efficiency;
- meaningful additional production;
- exploration upside with potential for a long life operation;
- preference for low risk jurisdictions;
- potential for beachhead position offshore with multiple synergistic acquisitions possible;
- accretive to the Shareholders; and
- leverages the Company's operational excellence, while acquiring additional technical expertise.

LETTER FROM THE BOARD

Save as previously disclosed in the announcement of the Company dated 22 August 2013 that the Company intended to dispose of its interests in (a) Luoyang Kunyu Mining Co., Ltd.* (洛陽坤宇礦業有限公司), a non-wholly-owned subsidiary of the Company; and (b) Luoyang Yongning Gold & Lead Refining Co., Ltd.* (洛陽永寧金鉛冶煉有限公司), the Company has no intention to dispose of, scale-down or terminate its existing business, or identified any acquisition targets as at the Latest Practicable Date.

Implications Under Listing Rules

Proposed Acquisition

As the profits ratio calculated under Rule 14.07 of the Listing Rules with respect to the Proposed Acquisition exceeds 100%, the Proposed Acquisition constitutes a very substantial acquisition of the Company for the purposes of the Listing Rule, and is subject to the notification, publication and shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Acquisition. Therefore, no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Asset Sale and Purchase Agreement and the transactions contemplated thereunder. If the Vendor and its controlling shareholders hold any Shares on the date of the EGM, they will be required to abstain from voting on the relevant resolutions to be proposed at the EGM in relation to the Asset Sale and Purchase Agreement and the transactions contemplated thereunder.

A special resolution to consider and approve the Proposed Acquisition (including authorisations to be granted to (i) Mr. Li Chaochun (executive Director) ("Mr. Li") to execute all such other documents in connection with the Proposed Acquisition; (ii) the Board and Mr. Li to communicate and liaise with Rio Tinto and/or the Vendor with respect to any follow-up matters in connection with the Proposed Acquisition; and (iii) the Board and Mr. Li to deal with governmental approval process in relation to the Proposed Acquisition, and authorise Mr. Li to execute all such applications for and on behalf of the Company, such authorisations shall be valid for 12 months commencing from the date on which the resolution is approved by the Shareholders at the EGM.

LETTER FROM THE BOARD

Waiver from Strict Compliance With Rule 4.03 of the Listing Rules

In accordance with Rule 4.03 of the Listing Rules, an accountants' report on the Business which is included in this circular must be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance (Cap. 50 of the Laws of Hong Kong). Rule 4.03 of the Listing Rules also provides that, in the case of a circular issued by a listed issuer in connection with acquisition of an overseas company, the Hong Kong Stock Exchange may be prepared to permit the accountants' report to be prepared by a firm of practising accountants which is not so qualified but which is acceptable to the Hong Kong Stock Exchange. Such firm must normally have an international name and reputation and be a member of a recognized body of accountants.

The Business is situated in New South Wales, Australia, the accounting records of the Business are maintained under Australian equivalent to International Financial Reporting Standards of the Australian Accounting Standards Board. Deloitte Australia is engaged to conduct an audit on the underlying financial information of the Business for the three preceding years ended 31 December 2012 and the six months ended 30 June 2013 prepared in accordance with International Financial Reporting Standards. Given the geographical proximity and the tight timetable for the publication of this circular as agreed between the Vendor and the Purchaser as part of the competitive bidding process, it is therefore more cost and time effective to engage Deloitte Australia to issue the accountants' report of the Business in accordance with the International Financial Reporting Standards.

Although Deloitte Australia is not registered under the Professional Accountants Ordinance, it is registered under the applicable laws of Australia and is a member of the Institute of Chartered Accountants in Australia and CPA Australia, internationally recognised associations for accountants. Deloitte Australia is the member firm of a reputable international accounting practice of Deloitte Touche Tohmatsu.

The Directors are of the view that it is more appropriate to appoint Deloitte Australia instead of professional accountants who are qualified under the Professional Accountant Ordinance as reporting accountants for the purpose of issuing the accountants' report of the Business to be included in this circular. The Company has therefore applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.03 of the Listing Rules to allow Deloitte Australia to prepare the accountants' report of the Business for the inclusion in this circular. Such waiver has been granted by the Hong Kong Stock Exchange on 27 September 2013.

LETTER FROM THE BOARD

C. CHANGE IN USE OF PROCEEDS FROM A SHARE ISSUE

References are made to the announcements of the Company dated 30 September 2013, 30 July 2013, 7 June 2013, 14 March 2013, 7 May 2011 and 18 March 2011 and the circulars of the Company dated 22 April 2013 and 22 March 2011 in relation to, among other things, the proposed use of proceeds in connection with the A Shares Issue in certain projects including the following:

- (1) Constructing clean, efficient and resource-utilizing project to process 42,000 tonnes per year of low-grade and complex scheelite concentrates (the “APT Project”); and
- (2) Constructing efficient, energy-saving and automatic ammonium molybdate project (the “Ammonium Molybdate Project”).

In compliance with the requirements imposed by relevant PRC local government that new chemical projects should be implemented inside specified industrial park, the Company has been entering into discussions with and conducting evaluations in respect of, among others, selection of industrial park, environmental impact assessment and follow-up construction matters for the APT Project and the Ammonium Molybdate Project. However, the overall implementation progress is slow as the proposed industrial park is newly established, and the Company has yet to finalize as to whether the ultimate location for the APT Project and the Ammonium Molybdate Project should be changed to the proposed industrial park. As a result, as at the Latest Practicable Date, the APT Project and the Ammonium Molybdate Project have not been implemented, and proceeds from the A Shares Issue have not yet been applied.

Taking into account that the Proposed Acquisition is in line with the strategy of the Company’s active expansion in acquisitions of overseas resources, optimization of metal varieties, as well as the stage of development, profitability and certainty of the Business, the Board, after considering the urgency and priority of the APT Project, the Ammonium Molybdate Project and the Proposed Acquisition, resolved to use all the net proceeds from the A Shares Issue and the interests thereon to finance the Proposed Acquisition. As at 31 December 2012, the balance of proceeds raised from A Share Issue amounted to was approximately RMB570.46 million (representing the sum of the net proceeds raised of approximately RMB558.15 million, other expenses incurred but not yet deducted in connection with the A Share Issue of approximately RMB11.85 million and interests accrued of approximately RMB460,000).

LETTER FROM THE BOARD

The Company may continue (with or without certain adjustments) the APT Project and the Ammonium Molybdate Project with its internal funding in the future, subject to the then market situations and the Company's conditions. Any future development with respect to the APT Project and the Ammonium Molybdate Project will be approved in accordance with the Company's internal decision-making procedures. Further announcement(s) with respect to the APT Project and the Ammonium Molybdate Project will be made in accordance with the Listing Rules.

The Company proposed to use the proceeds raised from the A Share Issue and the interests thereon to finance the Proposed Acquisition. According to the Valuation Report, the investment payback period and the internal rate of return (after tax) for the Business are approximately seven years and 14%, respectively. The above information is provided for illustration purposes only and no forecast or estimate of profits or losses in respect of the Business has been made.

An ordinary resolution to consider and approve the change in use of proceeds from A Share Issue will be proposed to the Shareholders at the EGM.

D. PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

Proposed Issuance of A Share Convertible Bonds

In accordance with the relevant provisions of the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Issuance of Securities by Listed Companies issued by CSRC, and any other relevant law, and through self-inspection against those requirements, regulations and legal documents with the force of law, the Board confirms that the Company has satisfied the criteria for the issuance of the A Share Convertible Bonds in the PRC and approved the proposal for the issuance of the A Share Convertible Bonds of not more than RMB4.9 billion.

The proposed issuance of the A Share Convertible Bonds is conditional upon the Proposed Acquisition. If the Proposed Acquisition fails to complete, the proposed issuance of the A Share Convertible Bonds will not proceed to completion. The proposed issuance is further subject to the approvals by the Shareholders and CSRC. Please refer to the section headed "Principal Terms of the A Share Convertible Bonds" for the details of the A Share Convertible Bonds, which were also published in the announcement of the Company dated 30 September 2013.

LETTER FROM THE BOARD

Reasons for A Share Convertible Bonds

The Board has always paid close attention to the Company's capital structure and balance sheet when implementing the Company's development strategies and mergers and acquisitions. In determining the most appropriate financing option for the Proposed Acquisition, the Board has taken into account factors such as funding costs, capital structure, availability of various financing methods and instruments as well as the co-relation between approval cycles and the relevant business development and acquisition arrangements. Given the recent increase in interest rates in the domestic bond market, the importance, certainty and urgency of the Proposed Acquisition, the Board, bearing in mind the interests of the Shareholders and the Company as a whole believes that the A Share Convertible Bonds is the most appropriate financing option for the Company for the following reasons:

- (a) the Convertible Bonds would allow the Company to have a relatively lower funding costs;
- (b) the Convertible Bonds would not lead to any immediate dilution of the Company's basic earnings per share which would otherwise arise in the case of a new issue of Shares; and
- (c) all the holders of A Shares are entitled to subscribe for the Convertible Bonds on a pro rata basis and there is no preferential treatment to be given to any of the Shareholders by virtue of them being connected persons of the Company under Chapter 14A of the Listing Rules.

The Board has resolved that in the event that the proposed issue of the Convertible Bonds could be successfully completed, it would not exercise the rights granted by the Shareholders to issue other debt financing instruments to the public.

The proposal with respect to the issuance of the Convertible Bonds will be submitted to the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting for consideration and approval item by item, each as a special resolution.

LETTER FROM THE BOARD

Implications under the Listing Rules

Under the proposed issue of the A Share Convertible Bonds, the A Share Convertible 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 issue of the A Share Convertible Bonds to connected persons of the Company, if any, will constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In light of the above, the Company has applied for and the Hong Kong Stock Exchange has on 22 October 2013 granted a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules.

LMG and CFC, the controlling shareholders of the Company who in aggregate hold approximately 69% equity interest in the Company, have undertaken that they would not subscribe for any Convertible Bonds exceeding their pro rata pre-emption right.

Changes to the Shareholding Structure

Upon conversion of the Convertible Bonds, there would be an increase in the number of the outstanding A Shares. Shareholders' equity interest in the Company will be diluted as a result of the exercise of the conversion rights attached to the Convertible Bonds. The exact size of the above increase in number of A Shares will depend on the final terms of the Convertible Bonds, including, amongst other terms, the conversion price at which the Convertible Bonds will be converted into A Shares. The initial CB Conversion Price of the Convertible Bonds shall not be lower than the average trading price of A Shares of the Company for the 20 trading days preceding the date of publication of the offering document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted with reference to the ex-rights or ex-dividend share price) and the average trading price of A Shares of the Company on the trading day preceding the date of the offering document of the Convertible Bonds. The actual initial CB Conversion Price shall be determined by the Board with reference to the market conditions, subject to the authorization at the Shareholders' general meeting.

For reference and illustrative purposes only, assuming that 30 September 2013 is the date of publication of the offering document of the Convertible Bonds, the average trading price of A Shares of the Company for the 20 trading days preceding 30 September 2013 and the average trading price of A Shares of the Company on the last trading day preceding 30 September 2013 is RMB7.71 (equivalent to approximately HK\$9.72) per A Share and RMB7.10 (equivalent to approximately HK\$8.95) per A Share respectively, therefore the conversion price will not be lower than RMB7.71 (equivalent to approximately HK\$9.72) per A Share.

LETTER FROM THE BOARD

Assuming that the conversion price is RMB7.71 (equivalent to approximately HKD9.72) per A Share, given the total size of the issuance of the A Share Convertible Bonds will be not more than RMB4.9 billion, the maximum number of A Shares to be converted will be 635.54 million A Shares.

As the proportion of Convertible Bonds to be allocated to existing A Shareholders and investors who are not existing A Shareholders are yet to be determined, for illustrative purposes only and assuming all the Convertible Bonds are only issued to existing A Shareholders and 30 September 2013 (the date of publication of the announcement with respect to the Convertible Bonds) is the date of publication of the offering document of the Convertible Bonds, upon full conversion of the Convertible Bonds and using the conversion price of RMB7.71 (being the average trading price of the A Shares for the last 20 trading days ending preceding 30 September 2013), the percentage of shareholding of the existing Shareholders as at the Latest Practicable Date and immediately following the conversion in full of the Convertible Bonds are as follows:

	Number of Shares as at the Latest Practicable Date	Approximately % of shareholding as at the Latest Practicable Date	Number of Shares immediately after conversion in full of the Convertible Bonds	Percentage of shareholding immediately after conversion in full of the Convertible Bonds
LMG (A Share)	1,776,593,475	35.00%	2,076,484,251	36.35%
CFC (A Share)	1,726,706,322	34.02%	2,018,176,097	35.33%
Public – A Shares (A Share)	261,714,728	5.15%	305,892,439	5.36%
Public – H Shares (H Share)	1,311,156,000	25.83%	1,311,156,000	22.96%

The Directors do not currently expect that the issuance of the Convertible Bonds will adversely affect the minimum number of Shares and H Shares which are, under the Listing Rules, required to be held by members of the public. If there is such adverse effect, the Company intends to adopt necessary measures to meet the relevant requirement(s). Upon full conversion of the Convertible Bonds, there will not, by reason only of such conversion, result in any change in control of the Company. Further announcements will be made once the terms and conditions of the Convertible Bonds are determined and the relevant offering memorandum is issued.

LETTER FROM THE BOARD

E. STATEMENT ON USE OF PROCEEDS FROM PREVIOUS FUNDS RAISING ACTIVITY

Pursuant to CSRC's approval ([2012] No. 942), the Company issued 200,000,000 A Shares at the offer price of RMB3.00 per A Share on 9 October 2012. The amount of proceeds raised from the A Share Issue amounted to RMB600 million. Following the deductions of (i) the underwriting, marketing and online issuance expenses in the aggregate sum of RMB30 million; and (ii) other expenses in connection with the A Share Issue, the net proceeds raised amounted to approximately RMB558.15 million. All the subscription moneys in relation to the A Share Issue have been received and verified by Deloitte Touche Tohmatsu CPA Ltd. (now known as Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)) in De Shi Bao (Yan) Zi (12) No.0057 verification report.

As at 31 December 2012, the balance of proceeds raised from the A Share Issue amounted to approximately RMB570.46 million (representing the sum of the net proceeds raised of approximately RMB558.15 million, other expenses incurred but not yet deducted in connection with the A Share Issue of approximately RMB11.85 million and interests accrued of approximately RMB460,000).

The Board has prepared a statement on use of proceeds from previous funds raising activity and Deloitte China has been appointed by the Company to issue a verification report in respect of the statement on use of proceeds from prepared by the Company. Full versions of the statement on use of proceeds from previous funds raising activity and the verification report are set out in Appendix IX to this circular.

The statement on use of proceeds from previous funds raising activity was considered and approved by the Board on 29 September 2013. In accordance with the listing rules of the Shanghai Stock Exchange, the statement on use of proceeds from previous funds raising activity is subject to approval by the Shareholders. An ordinary resolution to consider and approve the statement on use of proceeds from previous funds raising activity will be proposed to the Shareholders at the EGM.

LETTER FROM THE BOARD

F. USE OF PROCEEDS TO BE RAISED FROM A SHARE CONVERTIBLE BONDS AND PROJECT FEASIBILITY

Subject to the approval of the CSRC, the proceeds (after deducting the issuing fees and expenses) to be raised from the A Share Convertible Bonds will be applied to finance the Proposed Acquisition. Details in relation to the use of proceeds to be raised by the Company from the proposed A Share Convertible Bonds are set out in the feasibility report on the Proposed Acquisition, a copy of which is set out in Appendix IX to this circular. The feasibility report, which was considered and approved by the Board and published on 29 September 2013, is subject to Shareholders' approval.

An ordinary resolution to consider and approve the use of proceeds to be raised from the A Share Convertible Bonds and project feasibility will be proposed to the Shareholders at the EGM.

G. PROVISION OF GUARANTEE

References are made to the announcement of the Company dated 30 July 2013 and the above sections headed "B. Proposed Acquisition – Consideration, and C. Proposed Issuance of A Share Convertible Bonds" in relation to, among other things, satisfaction of the consideration for the Proposed Acquisition and provision of guarantee by the Company for the due and punctual performance of CMOC Mining of its obligations under the Asset Sale and Purchase Agreement.

To finance the Proposed Acquisition pending the completion of the A Share Convertible Bonds, (i) CMOC Mining proposes to apply for loans in an amount not exceeding USD45.0 million from Bank of China Limited, Sydney Branch to settle the Australian stamp duty payable for the transfer of dutiable property in connection with the Proposed Acquisition (subject to certain exceptions, the stamp duty is refundable should the Proposed Acquisition fail to complete in accordance with the Asset Sale and Purchase Agreement), with the guarantee therefor to be provided by the Company; and (ii) CMOC Mining and CMOC Limited propose to apply for loans, letter of guarantee and/or standby letter of credit from domestic and overseas banks in an amount not exceeding USD1.0 billion, with the guarantee therefor to be provided by the Company.

To support CMOC Mining and CMOC Limited in obtaining finance, standby letter of credit and/or letter of guarantee from domestic and overseas banks for the Proposed Acquisition, the Board resolved that the Company will provide guarantee therefor.

LETTER FROM THE BOARD

Pursuant to the listing rules of the Shanghai Stock Exchange and the Articles of Association, the provision of Guarantee capped at USD1.0 billion is subject to approval by the Shareholders. Accordingly, a special resolution to consider and approve the provision of Guarantee will be proposed to the Shareholders at the EGM.

H. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR

To fill the vacancy caused by the resignation of Mr. Shu Hedong who resigned with effect from 6 September 2013, Mr. Yuan Honglin has been nominated as a non-executive Director and a member of the remuneration committee of the Company on 29 September 2013. According to the Articles of Association, appointment of Director is subject to the approval of the Shareholders. Accordingly, the Board has resolved to submit the proposal as a special resolution at the EGM to approve the appointment of Mr. Yuan Honglin as a non-executive Director and to fix his remuneration. Upon the appointment of Mr. Yuan Honglin as a non-executive Director, he will also be appointed as a member of the remuneration committee of the Company.

The biographical details of Mr. Yuan Honglin are set out below:

Mr. Yuan Honglin, aged 45, has over 20 years of experience in the banking industry. Mr. Yuan graduated from Nanjing University in July 1990 with a bachelor's degree in economics. In July 2004, Mr. Yuan obtained a MBA degree from Shanghai Jiao Tong University. From August 1990 to May 2000, Mr. Yuan worked at Bank of China Limited, Nantong Branch where he held various positions including vice president of the Rudong sub-branch and manager of the credit management department. Between June 2000 and August 2007, Mr. Yuan worked at China Merchants Bank Limited, Shanghai Branch where he held various positions including president of Jiang Wan sub-branch and general manager of corporate banking department. From September 2007 to September 2012, Mr. Yuan worked at PingAn Bank Co., Ltd. where he held various positions including assistant to the president of the Shanghai branch, vice president (responsible for the overall business operations) of the Shanghai Branch and general manager of the corporate banking department responsible for the northern region of China. From October 2012 to the present, Mr. Yuan has been the deputy general manager of Cathay Fortune Capital Limited, a wholly-owned subsidiary of CFC, a controlling shareholder of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Yuan Honglin has not entered into a service contract as a non-executive Director with the Company. The Board proposed to appoint Mr. Yuan Honglin with a term of office commencing from the date on which the resolution regarding his appointment is passed at the EGM until the conclusion of the annual general meeting (“AGM”) to be held in 2015, subject to retirement by rotation and re-election at the AGMs pursuant to the Articles of Association. His remuneration will be determined by reference to his job responsibilities and prevailing market conditions. The Board proposes to fix Mr. Yuan Honglin’s annual director’s remuneration at RMB90,000, subject to the approval of the Shareholders at the EGM.

Save as disclosed above, as at the Latest Practicable Date, Mr. Yuan Honglin does not have any relationship with any Directors, senior management nor substantial shareholders of the Company, and does not hold any other positions in the Company nor any subsidiaries of the Company nor any other directorships in listed public companies in the last three years.

As at the Latest Practicable Date, Mr. Yuan Honglin does not have any interests nor short positions in any shares, underlying Shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other matters in relation to the proposed appointment of Mr. Yuan Honglin as a non-executive Director that need to be brought to the attention of the Shareholders nor any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Upon the appointment of Mr. Yuan Honglin, the requirements of (i) the number of Directors under the Articles of Association, and (ii) the number of members of the remuneration committee under the terms of reference and operation rules of the remuneration committee of the Company, have been fulfilled by the Company.

LETTER FROM THE BOARD

I. 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, the (i) Proposed Acquisition, (ii) change in use of proceeds from A Share Issue, (iii) proposed issuance of A Share Convertible Bonds, (iv) use of proceeds to be raised from the A Share Convertible Bonds and project feasibility, (v) provision of Guarantee, (vi) statement on use of proceeds from previous funds raising activity, and (vii) proposed appointment of a non-executive Director. The Board also proposed to seek the approval from the A Shareholders and the H Shareholders on the proposed issuance of A Share Convertible Bonds. Notices of the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting have been despatched to the Shareholders on Thursday, 10 October 2013. Copy of the notices of the EGM and H Shareholders' Class Meeting are set out on pages 555 to 562 of this circular for ease of reference.

LMG and CFC, the controlling shareholders of the Company who in aggregate hold approximately 69% equity interest in the Company, have irrevocably undertaken to vote in favour of the resolution to approve the Proposed Acquisition.

J. CLOSURES OF REGISTERS 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 will be closed from Saturday, 26 October 2013 to Monday, 25 November 2013 (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 Friday, 25 October 2013 are entitled to attend and vote at the EGM and H Shareholders' Class Meeting.

In order for H Shareholders to qualify for attending and voting at the EGM and the H Shareholders' Class Meeting, all transfers accompanied by the relevant share certificates and transfer documents 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 Friday, 25 October 2013.

LETTER FROM THE BOARD

K. PROXY ARRANGEMENT

Forms of proxy for use at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting have been despatched to the Shareholders on Thursday, 10 October 2013. Such forms of proxy have also been published on the websites of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.chinamoly.com>). Whether or not you are able to attend the said meetings in person, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon, for holders of H Shares, the proxy forms should be returned to Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, 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 adjourned meetings thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM the H Shareholders' Class Meeting or any adjournment thereof should you so wish.

L. VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, any votes of the Shareholders at the EGM and 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 vote results announcement will be published by the Company after the EGM and H Shareholders' Class Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

M. RECOMMENDATIONS

The Board considers that the terms of the Proposed Acquisition, change in use of proceeds from A Share Issue, proposed issuance of A Share Convertible Bonds, use of proceeds to be raised from the A Share Convertible Bonds and project feasibility, provision of Guarantee, statement on use of proceeds from previous funds raising activity and proposed appointment of a non-executive Director 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 of the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

Yours faithfully,

By Order of the Board

China Molybdenum Co., Ltd.*

Wu Wenjun

Chairman

INFORMATION ON THE SALE INTEREST AND THE BUSINESS

OVERVIEW OF THE SALE INTEREST

As part of the Proposed Acquisition, the Company will acquire the Vendor's 80% interest in the Northparkes Joint Venture, its right to manage the Northparkes Joint Venture, its interest in certain freehold properties associated with Northparkes and various other rights and assets.

Specifically, the Sale Interest includes:

- (a) the Vendor's 80% interest in the Northparkes Joint Venture which includes the Vendor's 80% interest in:
 - (i) the mining tenements and environmental protection licence;
 - (ii) plant and equipment;
 - (iii) supply contracts; and
 - (iv) intellectual property;
- (b) various rural and residential properties held by the Vendor in connection with the Northparkes Joint Venture;
- (c) the Vendor's rights, obligations and liabilities as manager of the Northparkes Joint Venture;
- (d) the Vendor's interest in sales contracts, in particular contracts for the export of copper concentrates to three customers each for a term until the end of 2016;
- (e) the business records held by the Vendor in connection with the Northparkes Joint Venture (being all books of account, accounts, records and data of whatever kind and all other documents which: (i) are included in the Vendor's "participating interest" in the Northparkes Joint Venture; and (ii) are owned and in the possession and control of the Vendor at the Completion Date. The business records do not include business records which: (i) the Vendor is required by law to retain; or (ii) business records for claims relating to personal injury compensation made by employees for an injury suffered in the conduct of the business of the Northparkes Joint Venture prior to Completion);
- (f) the use of the "Northparkes Mines" business name; and

INFORMATION ON THE SALE INTEREST AND THE BUSINESS

- (g) various assets including an underground mining simulator and training course design and material in connection with the Block Cave Knowledge Centre established by NML in 2012 on the site of Northparkes. The Block Cave Knowledge Centre was established to provide training to staff from Northparkes (and other Rio Tinto mines) on the technical and operational skills needed to operate block cave mines. The facility includes offices, class rooms and training workshops. The custom-built centre has a number of specialist training features including an immersion theatre that allows geotechnical data to be displayed in a three-dimensional 360 degree simulation and an underground simulator room.

The Sale Interest excludes, among others, any receivables in respect of the Vendor's share of mineral produced from the operations of the Northparkes Joint Venture to which title has passed to a customer on or prior to Completion Date; any amount owing in respect of the product which SCM or SMM owe to the Vendor; any pre-paid insurance; and any tax assets or receivables.

Assumed liabilities of the Northparkes Joint Venture

In addition to the Purchaser purchasing the Sale Interest, which comprises the assets of NML in connection with the Northparkes Joint Venture described above, the Purchaser has accepted and will assume all of the Vendor's liabilities relating to the Sale Interest and/or the Northparkes Joint Venture that arise on, before or after the Completion Date. Liabilities excluded from these assumed liabilities include those: (a) relating to tax for which the Vendor is liable; (b) owed between the Vendor and the Rio Tinto group; or (c) the Vendor's costs in preparing and finalizing the Proposed Acquisition.

Further detail on specific material assets forming part of the Sale Interest is set out in the paragraphs below.

Northparkes

Northparkes is a high quality, copper-gold block caving underground operation in Goonumbla, situated 27 kilometres north-west of the town of Parkes in Central West New South Wales, Australia. The Northparkes Joint Venture operates from approximately 2,480 hectares of Mining Leases, of which 1,630 hectares is used for actual mining operations. The Northparkes deposits are within part of a volcanic belt in the Central Lachlan Orogen. Most of the area around Northparkes is covered by thick transported sediments and outcrop is sparse. Within the Northparkes tenement area, fifteen porphyry systems have been discovered and four of these have been mined. The economic deposits are along a broad zone known as the "mine corridor" that extends four kilometres. After more than 30 years of exploration, discoveries continue and the mine corridor remains highly prospective.

INFORMATION ON THE SALE INTEREST AND THE BUSINESS

Northparkes was one of the top four copper producing mines in Australia in 2012. In 2012, Northparkes produced 5.65 million tonnes of ore for a total of 54 thousand tonnes of contained copper in concentrate and 72 thousand ounces of gold (100% basis). The Project has a long history of mining, with construction of the processing plant and associated facilities commencing in 1993. First mine production occurred in 1993 via the open cut mining method. The Project has been in continuous operations since commissioning, producing more than 800kt of Cu metal and 1.1 million Au troy ounces. Underground mining utilizing the bulk mining method 'Block Caving' commenced in 1997. Block caving is a well-established underground mining method that is becoming increasingly utilised as a safe and cost effective means of accessing large scale ore bodies at depth. NPM is one of the leading mines in developing and implementing block-caving technology in Australia.

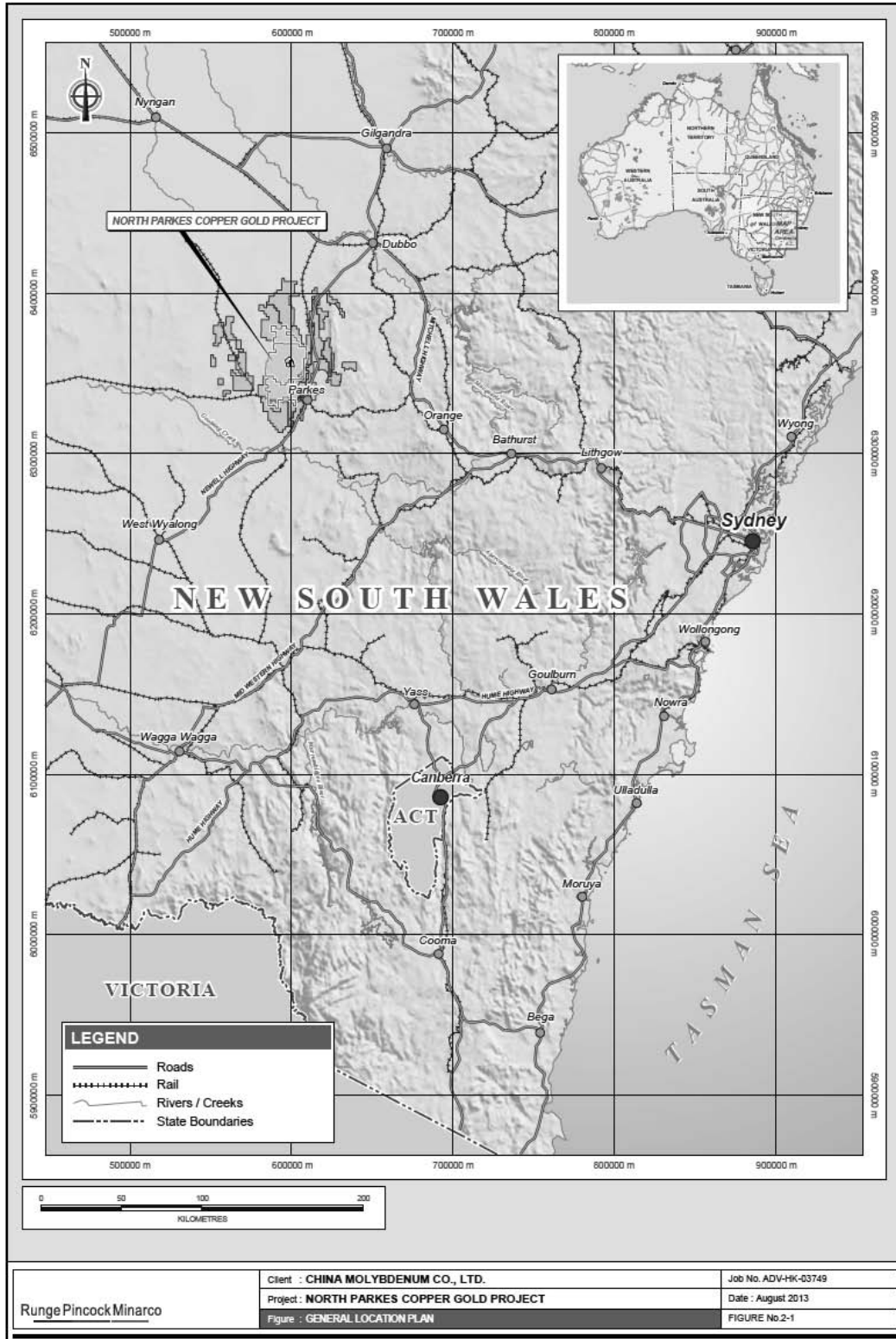
The current life of mine plan for the reserves supports a mine life of approximately 17 years, and the resources could potentially increase that to 30 years. Furthermore, the Northparkes Joint Venture has identified a targeted potential mineralised inventory of more than 449Mt over a number of deposits. Potential exists to mine this mineralised inventory using established infrastructure to extend mine life and/or materially increase production rates. The Vendor has previously undertaken work through the Step Change Project to consider an increase in the mill capacity from the current level of 6Mtpa up to 7.2Mtpa. This provides a tangible opportunity to optimise mill throughput.

The processing operation has been incrementally upgraded to achieve current treatment design capacity of 5.81 Mtpa, however, the Company is planning to expand capacity to 6.4 Mtpa (to be completed in 2014). The Project produces a single Cu-Au concentrate of approximately 32% to 34% Cu and 14 to 20g/t Au which is transported to the nearby railway station for transport to the seaport of Port Kembla located to the north of Wollongong. The product is subsequently sold to overseas buyers with off take contracts uncontracted beyond 2016. NPM copper concentrates has historically been highly sought-after due to its low impurity levels and high copper grades.

Northparkes has a low net C1 cash cost position of less than USD1/lb copper, which places it within the lowest quartile of the copper cost curve. The cost structure of Northparkes benefits from the significant gold by-products that is mined at the operation (2012 gold production was 72koz). The Vendor has historically enjoyed significant earnings from its share in Northparkes with EBITDA margins of greater than 50% over the last three years.

Under the Northparkes Joint Venture arrangements, the Vendor is granted the right to manage, supervise and conduct the Northparkes operations on behalf of the Northparkes Joint Venture. The Vendor is entitled to recover its costs plus an operating management fee for the performance of its managerial duties.

INFORMATION ON THE SALE INTEREST AND THE BUSINESS



INFORMATION ON THE SALE INTEREST AND THE BUSINESS

MINERAL RESOURCES AND ORE RESERVES

Information relation to the JORC Ore Reserves of Northparkes (100% basis) as at 30 June 2013:

Area	JORC	Tonnes <i>Mt</i>	Cu %	Au <i>g/t</i>	Ag <i>g/t</i>	CuEq* %	Cu <i>Kt</i>	Au <i>KOz</i>	Ag <i>Koz</i>	CuEq* <i>Kt</i>
	Classification									
Total	Proven	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	8,086.80	828.6
	Grand Total	107.5	0.62	0.29	2.4	0.81	666.5	1,002.30	8,574.60	868.6

Information relation to the JORC additional Mineral Resources of Northparkes (100% basis), as at 30 June 2013 reported at a cut off of 0.4% Cu:

Reporting Area	JORC	Quantity <i>Mt</i>	Cu %	Au <i>g/t</i>	Ag <i>g/t</i>	CuEq* %	Cu <i>kt</i>	Au <i>kOz</i>	Ag <i>Moz</i>	CuEq* <i>Kt</i>
	Classification									
Grand Total	Measured	289.7	0.59	0.19	1.8	0.73	1,720.50	1753.4	16.8	2,119.00
	Indicated	181.3	0.52	0.14	1.6	0.63	943.8	798.1	9.6	1,136.70
	Inferred	0.7	0.46	0.09	1.2	0.53	3.2	2	0	3.7
	Total	<u>471.7</u>	<u>0.57</u>	<u>0.17</u>	<u>1.8</u>	<u>0.7</u>	<u>2,667.60</u>	<u>2,553.50</u>	<u>26.4</u>	<u>3,294.70</u>

The ore reserves have not been included in the mineral resources.

INFORMATION ON THE SALE INTEREST AND THE BUSINESS

The unaudited net profits (both before and after taxation) attributable to the Business prepared under Australian equivalent to International Financial Reporting Standards (“AIFRS”), for the three years ended 31 December 2012 and the six months ended 30 June 2013, and the unaudited net asset value attributable to the Business as at the end of each relevant period prepared under AIFRS are as follows:

	Year ended 31 December						Six months ended	
	2010		2011		2012		30 June	
	HKD		HKD		HKD		HKD	
	AUD equivalent <i>million</i>	million	AUD equivalent <i>million</i>	million	AUD equivalent <i>million</i>	million	AUD equivalent <i>million</i>	million
Net profits before								
taxation	180.3	1,297.9	183.4	1,320.2	206.7	1,488.6	95.1	684.7
Net profits after taxation	126.4	910.2	129.5	932.2	147.4	1,061.4	66.3	477.4
Net asset value	582.6	4,194.7	712.1	5,127.1	859.5	6,188.4	925.8	6,665.8

MINING TENEMENTS AND ENVIRONMENTAL PROTECTION LICENCE

Set out below is a summary of the mining tenements of Northparkes:

Tenement	Expiry date	Type of tenement	Area (hectare)	Status
EL5323	17 July 2013	Exploration Licence	21,840	Renewal pending
EL5800	8 January 2015	Exploration Licence	—	—
EL5801	7 January 2014	Exploration Licence	49,550	—
ML1247	26 November 2033	Mining Lease	1,629.6	—
ML1367	26 November 2029	Mining Lease	826.2	—
ML1641	25 March 2031	Mining Lease	24.42	—

As at the Latest Practicable Date, an application has been submitted to the authorities for the renewal of tenement EL5323. Renewals of tenements ML1247 and ML1367 have been granted since the Proposed Acquisition was announced on 30 July 2013.

INFORMATION ON THE SALE INTEREST AND THE BUSINESS

Based on its due diligence investigations, the Company has no reason to believe that the renewal of tenement EL5323 would not be granted in the ordinary course. In addition, according to our legal advisers as to Australian law, King & Wood Mallesons, (i) they are not aware of any legal impediment for obtaining the renewal of tenement EL5323; and (ii) under the relevant mining legislation, given an application for renewal has been submitted, tenement EL5323 continues to have effect (notwithstanding that the relevant expiry date has passed) until such time as the renewal application has been dealt with by the authorities. (For further information on the renewal regime in the New South Wales, Australia, please refer to Appendix VII to this circular).

If tenement EL5323 is not renewed for any reason, the Company considers there would be no material adverse impact on the Group as the area which is the subject of the tenement has not been included in any reserves or resources which the Group expects to acquire. Furthermore, Completion is conditional upon receipt of approval from the relevant government minister of the assignment of the tenements (see Conditions Precedent section above) and the Vendor has warranted that the tenements (including EL5323) are in force and effect as at the effective date of the Asset Sale and Purchase Agreement and at Completion (whether the tenements have been granted or the renewal is pending).

In addition to the mining tenements, Environmental Protection Licence 4784 has been granted in relation to Northparkes for the conduct of the mining activities. Paragraph (e) in the above section headed “Proposal Acquisition — Conditions Precedent” contains further detail on the regulatory approvals required for the mining tenements and environmental protection licence(s) prior to Completion.

RURAL AND RESIDENTIAL PROPERTIES

Numerous rural and residential properties in the locality of the Northparkes mine site are also held in connection with Northparkes for the conduct of mining activities and housing of employees. NML is currently the registered holder of 61 freehold titles which CMOC Mining will acquire a 100% beneficial interest in. NML is currently the registered holder of 81 freehold land titles in which CMOC Mining will acquire an 80% beneficial interest. As detailed below in “Information on Northparkes”, such freehold titles have been acquired for the purpose of access to the mining area, establishing a buffer around the mining area (primarily used for farming), securing access to water rights and residential properties for the housing of employees.

SALES CONTRACTS

The Vendor is currently party, on behalf of the Northparkes joint venture participants, to contracts for the export of copper concentrates to three customers located in Japan and China each for a term until the end of 2016. These term contracts provide for the sale (in aggregate) of between 80,000 and 110,000 dry metric tonnes per annum, subject to any negotiated tonnage increases or reductions and tolerances. Any remaining tonnage is typically sold under contracts into the spot market.

INFORMATION ON THE SALE INTEREST AND THE BUSINESS

EMPLOYEES

While not forming part of the Sale Interest, as stated above, the Purchaser has agreed to offer employment to the Vendor Employees on terms and conditions substantially similar to and, considered on an overall basis, no less favourable than those provided to such Vendor Employees immediately prior to the Completion Date. As at the Latest Practicable Date, offers have been made to approximately 300 members of the Vendor Employees.

OTHER INFORMATION

The contents of this section have been principally extracted from the Competent Person's Report prepared by the Competent Person as contained in Appendix V to this circular and must therefore be read in conjunction with and in the context of the Competent Person's Report itself. Please refer to the Competent Person's Report for a detailed discussion on all the technical aspects of the Business. The Competent Person has confirmed that no material changes have occurred since the effective date of the Competent Person's Report.

As at the Latest Practicable Date, the Company was not aware of any legal claims or proceedings which may affect the mining rights being acquired.

More specifically, as at the Latest Practicable Date:

(a) Project risks arising from environmental, social, and health and safety issues

As at the Latest Practicable Date, so far as the Company was aware, the Vendor has not received written notice and is not aware of any circumstances that would on reasonable grounds be expected to give rise to, any civil, criminal or administrative action, or other proceeding or suit under any environmental law applicable to the Sale Interest, which is or may be materially prejudicial to the current financial position of the Business. Were such risks to arise prior to Completion, the Vendor is obliged to provide sufficient details of any claims relating to those risks to the Purchaser;

INFORMATION ON THE SALE INTEREST AND THE BUSINESS

(b) Non-governmental organisation impact on sustainability of mineral and/or exploration projects

As at the Latest Practicable Date and so far as the Company was aware, each of the mining tenements forming part of the Sale Interest are in force and effect and the Vendor has not received any notice of default or current claim of expropriation or forfeiture in respect of such mining tenements, and:

- (i) to the best of the Vendor's knowledge there is no unremedied material breach by the Vendor of any statutory requirement, order or condition relating to those mining tenements; and
- (ii) the Vendor is not aware of any pending or threatened native title claim which may affect the land subject of those mining tenements.

The Vendor is obliged to provide notice of such claims to the Purchaser.

(c) Compliance with host country laws, regulations and permits, and payments made to host country governments in respect of tax, royalties and other significant payments on a country by country basis

As at the Latest Practicable Date and so far as the Company was aware:

- (i) there is no material unremedied breach of the licences disclosed in the Asset Sale and Purchase Agreement;
- (ii) the Vendor has not done or permitted to be done anything that would be likely to cause the licences disclosed in the Asset Sale and Purchase Agreement to be suspended, revoked, materially varied or terminated; and
- (iii) no party in respect of the licences disclosed in the Asset Sale and Purchase Agreement has given written notice to the Vendor of any matter that would be likely to cause such licences to be suspended, revoked, materially varied or terminated.

INFORMATION ON THE SALE INTEREST AND THE BUSINESS

(d) Sufficient funding plans for remediation, rehabilitation and, closure and removal of facilities in a sustainable manner

As part of the Vendor's obligations in the Asset Sale and Purchase Agreement, the Vendor is obliged to maintain a series of performance bonds (bonds covering liabilities in excess of AUD18 million) until those performance bonds are replaced by the Purchaser (which the purchaser must do no later than 20 business days after the Completion Date). Such performance bonds are held by New South Wales government departments to cover the costs of rehabilitation of the mine site in the event of failure to do so by the mining tenement holders. Furthermore, prior to Completion, the Vendor is obliged to conduct the operations in respect of the Northparkes Joint Venture in the ordinary and usual course. It must also maintain the tenements and licences relating to the Northparkes Joint Venture in good standing prior to the Completion Date;

(e) environmental liabilities of its projects or properties

As at the Latest Practicable Date and so far as the Company was aware:

- (i) all required Environmental Impact Studies have been completed resulting in the approved permits and licenses being gained for future production
- (ii) the Vendor is in general compliance with NSW State and Commonwealth (Australian) environmental regulations
- (iii) the Vendor and its environmental management team are undertaking all key environmental management activities and have responded to compliance matters in consultation with regulatory authorities.

Furthermore, in relation to biodiversity and conversation management, the Vendor holds an agreement with the parties representing the indigenous community who may have traditional rights in the Northparkes area of operations, in relation to indigenous heritage management and so far as the Company is aware, no issues are present.

INFORMATION ON THE SALE INTEREST AND THE BUSINESS

- (f) its historical experience of dealing with concerns of local governments and communities on the sites of its mines, exploration properties, and relevant management arrangements**

Due to the Company's joint ventures with Freeport McMoran, Molymet and its prior review of mining assets in Australia, the Company has built extensive legal, environmental and management knowledge in Australia. Furthermore, given the Company will retain the existing management team at Northparkes and intends to maintain the Vendor's existing processes in relation to safety, health, environment and community engagement, the Company expects to deal with state and federal governments and the local communities in substantially the same manner as the Vendor has historically.

- (g) any claims that may exist over the land on which exploration or mining activity is being carried out, including any ancestral or native claims**

As at the Latest Practicable Date, the Company was not aware of any material litigation, prosecution, mediation, arbitration or other proceeding in respect of the Sale Interest. In addition, so far as the Company was aware the Vendor has not at the Latest Practicable Date received any written: (i) notice or claim threatening the commencement of any material litigation, prosecution, mediation, arbitration or other proceeding in respect of the Sale Interest, and (ii) notice advising it that it has failed to comply in any material respect with any law in connection with the Sale Interest which would have a material adverse effect on the value of the Sale Interest. Moreover, the Company was not aware of any current native title claims which may affect the land the subject of the Northparkes mining tenements.

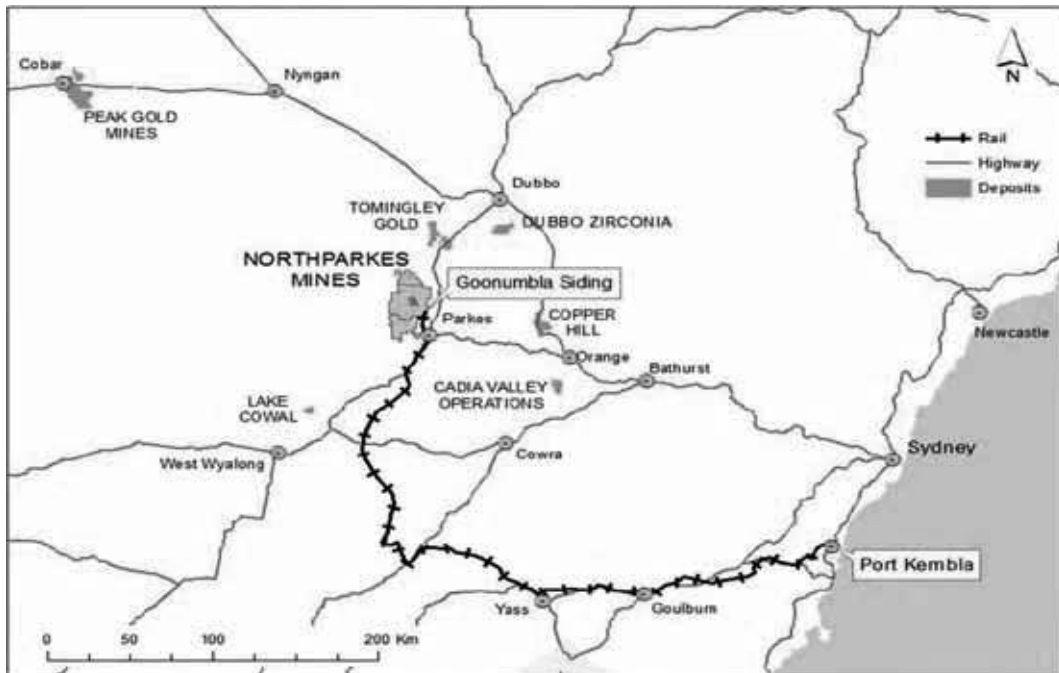
INFORMATION OF NORTH PARKES

OVERVIEW

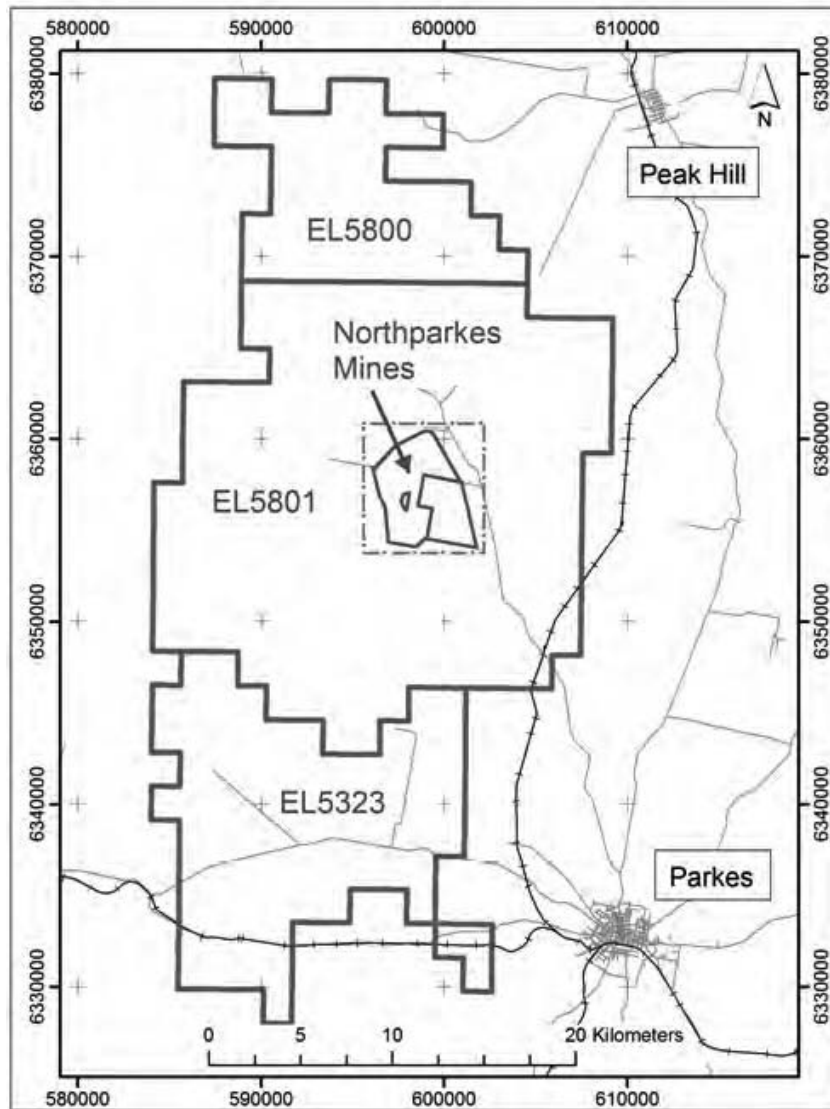
Set out below for your information is an overview of Northparkes copper-gold operation.

Northparkes mine (“NPM”) is a copper-gold operation in Goonumbla, situated 27 kilometers north-west of the town of Parkes (population approximately 12,000) in Central West New South Wales. Parkes is located approximately 350 kilometres west of Sydney. NPM is an unincorporated joint venture between the Vendor (80%), SMM (13.3%) and SCM (6.7%) with the joint venture operating under the name of Northparkes Mines. NML is the manager of NPM. The joint venture operates under the business name of “Northparkes Mines”. Rio Tinto acquired its interest in the Northparkes Joint Venture as part of its acquisition of NML in 2000. NML in turn acquired its interest in the Northparkes Joint Venture through its merger with Peko Wallsend in the 1980’s.

NPM currently comprises the following tenements: three Mining Leases (“ML”) ML1247, ML 1367 and ML1641 and three Exploration Licences (“EL”) E5323, EL 5800 and EL 5801. NPM operates from approximately 2,480 hectares of Mining Leases, of which, 1,630 hectares is used for actual mining operations. The mining operations are surrounded by approximately 6,144 hectares of NPM owned land that provides a buffer around the operation and is primarily used for farming. A further 2,541 hectares of land in Forbes (35 km southwest of Parkes) has been acquired that provides access to significant water rights.



INFORMATION OF NORTH PARKES



The NPM deposits are within part of a volcanic belt in the Central Lachlan Orogen. Most of the area around NPM is covered by thick transported sediments and outcrop is sparse. These deposits occur as clustered pipe-like bodies which range in thickness between 20 meters and 100 meters. The orebodies are vertically continuous with current drilling delineating mineralisation continuous from surface to over 1,500m in depth in places. Within the NPM tenement area, fifteen porphyry systems have been discovered and four of these have been mined. The economic deposits are along a broad zone known as the “mine corridor” that extends four kilometres from E26 deposit in the south to E27 deposit in the north. After more than 30 years of exploration, discoveries continue and the mine corridor remains highly prospective. These present significant upside for the currently defined Resource and Reserve base including the GRP314 deposit which is located near the existing underground mining infrastructure for E-26.

INFORMATION OF NORTH PARKES

Construction of the ore processing plant and associated facilities began in 1993. Open cut mining commenced on the E22 and E27 ore bodies in late 1993. Development of the E26 Lift 1 ('Lift 1') block cave underground mine began in 1995, with full-scale production commencing in 1997. The Project has been in continuous operations since commissioning, producing more than 800kt of Cu metal and 1.1 million Au troy ounces.

Mining of the Lift 1 block cave was completed in 2003. Construction of the E26 Lift 2 ('Lift 2') block cave was completed in September 2004, with first production from Lift 2 in August 2004 and large scale production completed from this project in 2007. The gap in underground production associated with the transition between Lift 1 and Lift 2 was filled with ore sourced from open cut stockpiles and a cutback of the E27 pit.

The Lift 2 North block cave ('Lift 2N'), an extension to Lift 2, commenced production in February 2008 which together with a cutback of the E22 open pit provided ore to feed the mill from 2008 to 2010 until the E48 block cave mine was developed.

Construction of the E48 block cave began in 2006. 80 per cent of the construction and development was completed by February 2009 at which point the project was halted as a result of the "Global Financial Crisis". The project was restarted in September 2009 with undercutting of the cave completed in September 2010.

Current operations at NPM primarily comprise the E48 block cave mine that feeds a processing plant with a capacity of approximately 6 million tonnes per annum ('Mtpa'). The underground mine is accessed via a decline ramp from the surface for people and materials with ore transported to the surface via inclined conveyors and a hoisting shaft with a nominal capacity of 7.2Mtpa.

The E48 block cave mine is currently the only ore body actively being mined and is located approximately 2 kilometres north of the E26 block caves (Lift 1 and Lift 2). The mine is accessed via existing underground mine infrastructure. Ore handling systems for E48 leverage the existing underground material handling system in place for E26. The E48 mine comprises approximately twelve kilometres of underground development, ten extraction drives (additional three currently being constructed), crusher, workshops and facilities and an additional section of underground conveyor. E48 construction commenced in late 2006 and was completed in late 2009 facilitating a ramp up to 5.5Mtpa during 2010 with production forecast at approximately 6Mt in 2013.

EXPLORATION

Exploration within the region has a long history with Cu mineralisation first identified in the late 19th century. Although these occurrences were generally small oxide Cu deposits hosted in the Goonumbla Volcanics they highlighted the potential of the region. Following further exploration work, the significant milestone in the region occurred in 1976, when primary Cu-Au mineralisation was first discovered during Geopeko Limited (“Geopeko”) 1 km spaced roadside traverse drilling program. This programme was designed to clarify regional geology below extensive unconsolidated sedimentary cover however intersected primary mineralisation under approximately 30m of cover. Follow up drilling resulted in the definition of the E-22 prospect from which material has been mined and forms part of the Project’s forecast mining operations.

NPM holds an extensive tenement area that includes extensive exploration license areas. This prospective tenure provides an opportunity to explore for additional ore bodies. NPM has a long history of discovery of porphyry systems. Exploration between 1978 and 1998 led to the discovery of additional porphyry systems at E-20, E-22 North, E-28 North, E-31 North, E-37, and E-37 West (Figure 3-1 in Appendix V). All these systems were discovered by RAB drilling with the exception of E-37 West which was a discrete magnetic high target located immediately west of E-37. Since 1999, when the Company’s JV was formed, a further five discoveries have been made in addition to significant extensions to existing deposits/Resources. After more than 35 years of exploration, discoveries still continue with the mine corridor remaining highly prospective. Exploration efforts since 1999 have led to the discovery of five new porphyry systems within six kilometers of the existing infrastructure (Veedas, Hopetoun Gold, Brazen, GRP314 and Hopetoun). Ongoing exploration of the tenement area continues to identify additional mineralization and targets such as the identification of potential ore grade mineralization at Hopetoun.

In addition to the exploration potential identified in the immediate near mine corridor, the tenement area includes extensive exploration license areas in the district. To date, regional exploration activity has largely comprised shallow bedrock drilling to test bedrock geochemical, magnetic and phyllic alteration targets.

GEOLOGY & MINERALIZATION

The copper/gold porphyry project deposits occur within the Ordovician Goonumbla Volcanics of the Goonumbla Volcanic Complex. The Goonumbla Volcanics form part of the Junee-Narromine Volcanic Belt of the Lachlan Orogen (Glen et al. 1998). At Northparkes, the Goonumbla Volcanics are a folded sequence of trachyandesitic to trachytic volcanics and volcanoclastic sediments that are interpreted to have been deposited in a submarine environment.

INFORMATION OF NORTH PARKES

The Goonumbla Volcanics have undergone little deformation, with gentle to moderate bedding dips as a result of regional folding. The dominant structure observed to date in the Project area is the Altona Fault, an east dipping thrust fault, which truncates the top of E-48, and is known to extend from east of E-26 and E-27.

In the Northparkes region the Goonumbla Volcanics have been intruded by equi-granular monzonite stocks. Quartz monzonite porphyry pipes and dykes, some of which are associated with mineralization, have intruded both the Goonumbla Volcanics and the monzonite stocks.

Within the Tenement Area, fifteen porphyry systems have been discovered to date and four of these have been mined. The economic deposits are along a broad zone known as the 'mine corridor' that extends four kilometers from E26 in the south to E27 in the north.

The NPM deposits are typical porphyry copper systems. Mineralization and alteration are zoned around quartz monzonite porphyry intrusives that form narrow (typically less than 50 meters in diameter) but vertically extensive (greater than 900 meters) pipes. The E26 and E48 deposits range from 60-400 meters in diameter (>0.4 per cent copper) and extend vertically for more than 1,100 meters.

Sulfide mineralization is in quartz stockwork veins, as disseminations and fracture coatings. Highest grades are generally associated with the most intense stockwork veining. Sulfide species in the systems are zoned from bornite-dominant cores, centered on the quartz monzonite porphyries, outwards through a chalcopyrite dominant zone to distal pyrite. As the copper grade increases (approximately >1.2 per cent Cu), the content of covellite, digenite and chalcocite associated with the bornite mineralization also increases. Gold distribution correlates with the higher grade copper mineralization and is found as fine inclusions in bornite.

The alteration zonation is complex but tends to be zoned around the quartz monzonite porphyries with a central K-feldspar altered zone surrounded by biotite magnetite alteration. The K-feldspar alteration zone at E26 is well developed and extends up to 100 meters out from the porphyry. This is in contrast to E22, E27 and E48 where K-feldspar alteration is generally less than 10 meters out from the porphyries. The biotite magnetite zone is strongly developed at the E22, E27 and E48 deposits, and forms a zone up to 200 meters from the porphyry.

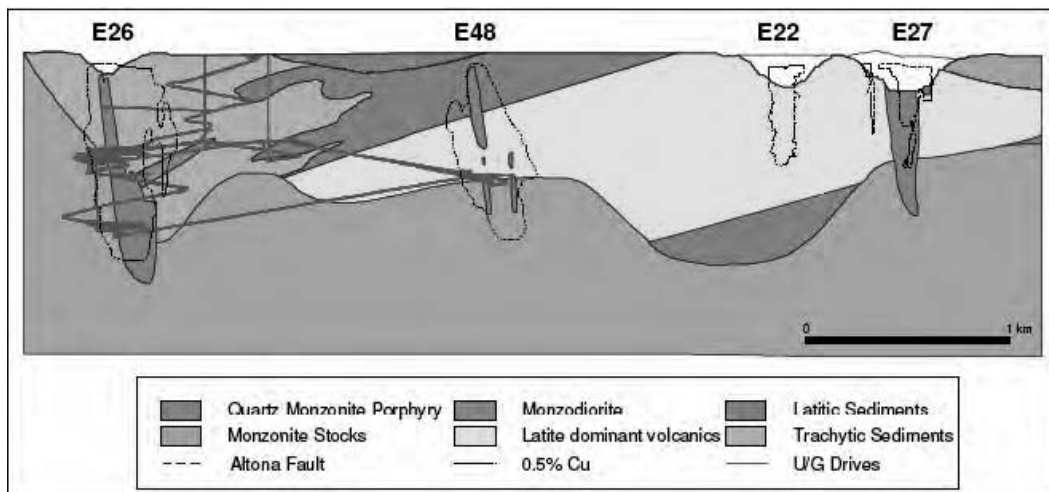
INFORMATION OF NORTH PARKES

A central white sericite-quartz +/- alunite alteration zone occurs at E26, and to a lesser extent at E48, and is generally associated with the high grade zones within the deposits. At E48, an alteration assemblage of hematite-sericite +/- carbonate occurs both within and proximal to the mineralization.

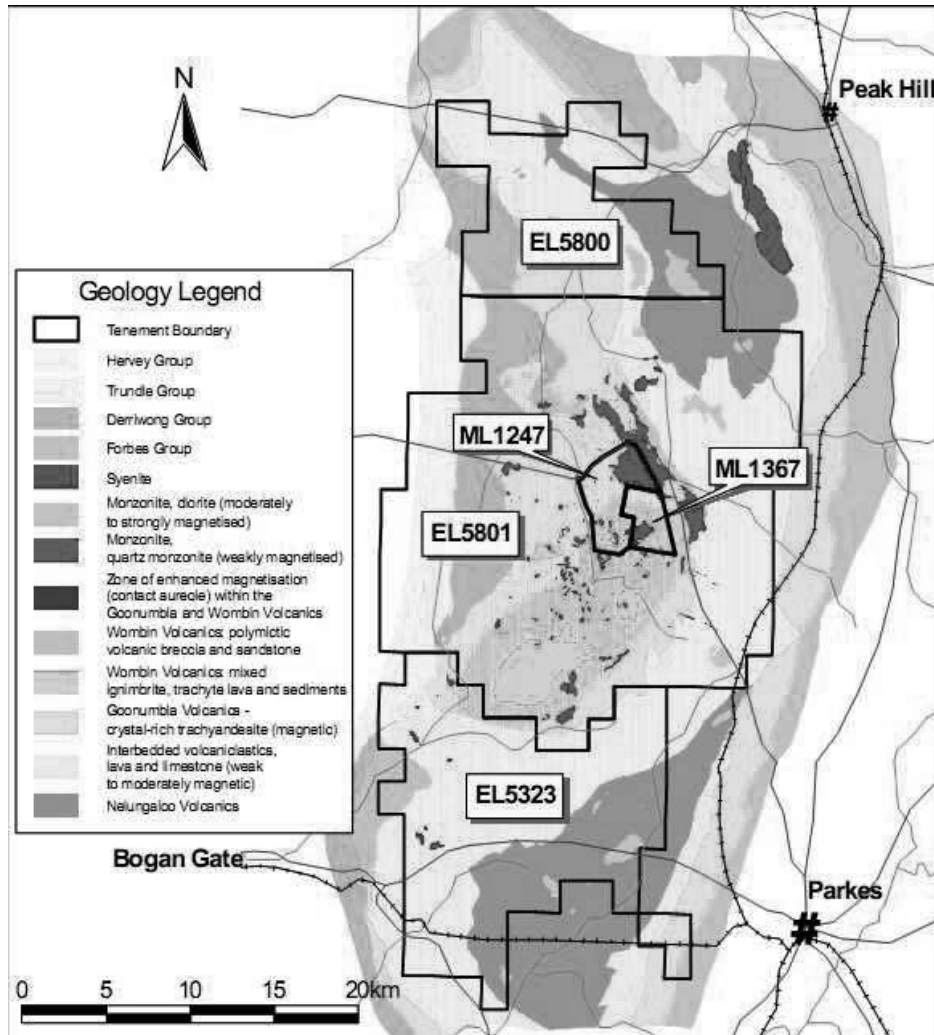
All of the deposits at NPM are cross cut by late faults/veins filled with quartz carbonate +/- gypsum, anhydrite, pyrite, chalcopyrite, sphalerite and galena. The associated sericite alteration extends up to 10 meters from faults.

Oxide mineralization blankets are well developed over the E22 and E27 deposits. The upper blanket is gold rich and copper poor. The lower blanket is enriched in copper. The dominant copper oxide minerals at E22 and E27 are copper carbonates (malachite and azurite) and phosphates (pseudomalachite and libethenite) with lesser chalcocite, native copper, cuprite and chrysocolla. A gold poor, less well developed, supergene copper blanket was also developed over the E26 deposit. At E26 the oxide copper minerals include atacamite, clinoatacamite and sampleite, in addition to those copper minerals observed in E22 and E27.

The Goonumbla Volcanics at NPM have undergone little deformation, with only gentle to moderate bedding dips as a result of regional folding. The dominant structure observed to date in the Tenement Area is the Altona Fault, an east dipping thrust fault, which truncates the top of E48, and is known to extend from east of E26 to north of E27.



INFORMATION OF NORTH PARKES



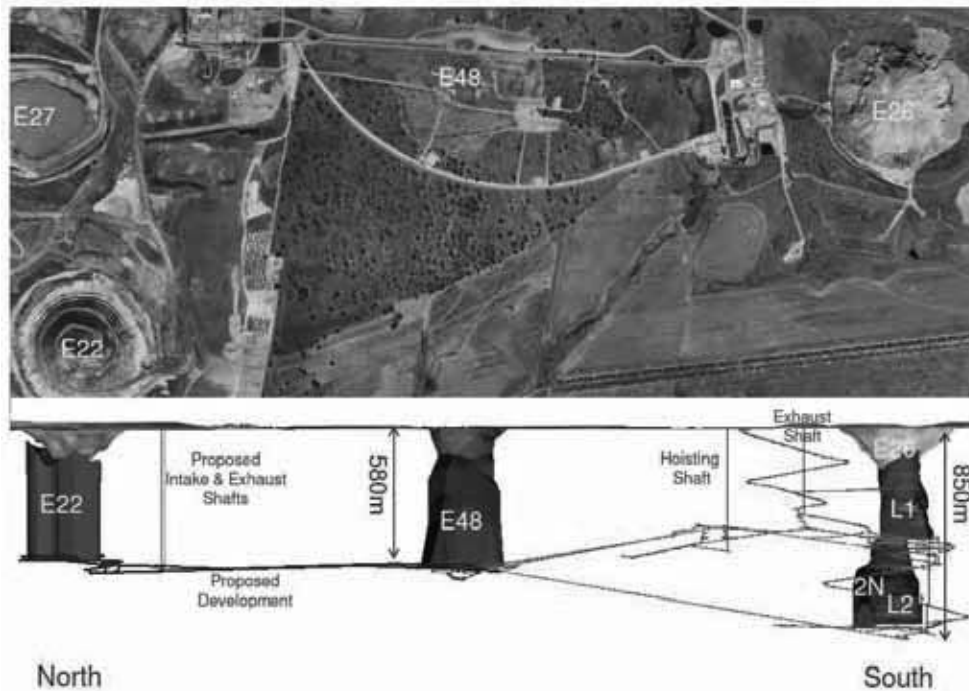
MINING

Significant mining has been undertaken within the Project to date with a total of 800kt of Cu metal and 1.1 million troy ounces of Au having been produced. Mining has been undertaken via two methods, Open Pit and underground Block Caving. Mining operation commenced in the 1993 utilising the typical Open Cut truck and shovel method, however all production is currently being sourced via the underground bulk mining operations following completion of open pit mining in 2010. In the past three years production has been sourced from predominately from the E-48 Cave, however in 2012 some production was sourced from the E-22 open pit surface stockpiles.

The underground mine is accessed via decline ramp from the surface for personnel/materials with ore transported to the surface via inclined conveyors and a hoisting shaft with a nominal capacity of 7.2Mtpa.

INFORMATION OF NORTH PARKES

NPM utilizes low cost block cave mining and exploits technology such as semi-autonomous loaders and various cave monitoring systems. This has contributed to the block cave mining methods implemented at NPM being best practice, and in some cases, leading practice in the industry.



E26

The E26 Lift 1 block cave was commissioned in 1997 and ran until late 2003. The Lift 2 Block Cave Project commenced development in March 2001 and was officially handed over to operations in July 2004 as a ready to operate mine. The Lift 2 cave was characterized by very rapid cave propagation (half a year instead of 3.5 years) along with upward funneling and an early ingress of clay from the Lift 1 cave volume at the same time as the formation of a wedge at the southern side of the cave. Interpretation of the shape of E26 Lift 2 block cave indicates that approximately 7.5Mt of Reserves at a grade of 1.13 per cent Cu, equivalent to 1.4 years of production, did not cave or was not recovered from material between drawbells. A number of initiatives, including preferential extraction level draw, rim loading from the undercut and hydro-fracturing and drilling and blasting of the southern cave margin were put in place in 2006 and 2007 but they failed to mobilize the affected material.

Some additional production from the E26 Lift 2 extraction level is included in the LOM Plan referenced in this Memorandum in conjunction with blending with L2NN material (also in the LOM Plan). In the event that a methodology can be developed to better manage the clay content and resulting impact on the materials handling system, recovery of further Resources represents potential upside. Refer to Section 4.2.4 and Section 6.2 and for further information.

E26 LIFT 2 NORTH

A Feasibility Study was completed in 2006 to examine an extension of the Lift 2 Project to provide additional ore until the E48 project was fully operational. The Lift 2N Project was an extension to the existing Lift 2 block cave mine. Three additional extraction drives (and associated undercut development) were constructed to the north of the Lift 2 block cave. The project comprised approximately three kilometers of underground development and construction of 58 draw points. Lift 2N construction commenced on 1 November 2006 and was completed in March 2008. Production at Lift 2N commenced in February 2008 and produced a total of 6.5Mt until 2010. Production from this area was then reduced in favor of the higher grade E48 production ore.

The Lift 2N ore was extracted using the then existing fleet of Tamrock electric loaders over three extraction drives excavated on a herringbone extraction level layout similar to that used for the E26 Lift 2 Block Cave. The Lift 2 draw cone sizing and spacing were adopted for the extension, mainly because the extension was required to tie in with the existing extraction level layout.

E48

Mining of the E48 orebody represents the fourth stage in the ongoing development following the development of the E22 and E27 open pits, the E26 Lift 1 and Lift 2 block cave mines. The E48 ore body is located close to the existing underground mine infrastructure and utilizes much of the existing material handling system.

The E48 ore body is approximately two kilometers north of E26, and midway between the E26 hoisting shaft and the Processing Plant. It was discovered in 1993 and its first Reserves were published in 1995. The Lift 2 material handling system was positioned to allow easy, quick and cheap access to E48. The mine is accessed via existing underground mine infrastructure and the E48 ore handling systems also connects into the existing underground material handling system. The E48 mining area consists of 10 extraction drives containing 214 drawpoints, a dedicated workshop, washbay complex, a single jaw-gyratory crusher, lunchroom and refuge chamber facilities. E48 construction commenced on 1 November 2006, was placed on temporary hold during the Global Financial Crisis and was substantially completed during 2010. Ore from this deposit is expected to be mined until 2023.

The E48 Mineral Resources are large and relatively low-grade, containing an irregular high grade core within a large low-grade halo. The initial mining plan included only eight extraction drives (ED1 through ED8) which extracted the higher-grade core of the deposit. NPM proceeded with the construction of 10 extraction drives as part of the E48 construction project. In 2012 the evaluation of the E48 economics demonstrated that an addition of two extraction drives to the Northern edge and a partial extraction drive to the South were also economic. The construction of the E48 Extension project commenced in Q4 2012 and is currently underway with planned completion in Q2 2015 adding an additional two years to the mine life (captured within the LOM Plan).

INFORMATION OF NORTH PARKES

Multiple independent caveability assessments of the E48 orebody were undertaken in preparation for mining. Some studies indicated that the E48 orebody should cave to the surface, although E48's significant block height, relatively narrow footprint, and the low near-surface stress environment had the potential to hamper caveability (as was the case with the smaller E26 Lift 1 cave). As a consequence, a pre-conditioning program (using hydro-fracturing) was undertaken during project development to weaken the rock mass prior to caving to encourage failure. As a result the cave reached the surface and in December 2010 the subsidence zone began to form within 3 months of the completion of undercut blasting, ahead of schedule.

The E48 block cave utilizes six electric loaders to draw from the drawpoints arranged in a herringbone extraction level layout similar to that used for the E26 Lift 2 Block Cave. Most of the drives on the E48 extraction level are equipped for automated production. The use of automation allows one loader operator to direct the operation of up to three underground loaders from a control station on surface. These loaders and the automation system have proven to be a benefit to the productivity of the level as they can be operated in unfavorable conditions and during times when manual loaders cannot, including during shift change and during post blast clearing times.

MINERALOGY AND CHARACTERIZATION

The E48 ore body is currently the only primary ore supply to the concentrator with stockpiles of open cut E22 ore providing a buffer for extended shutdown periods from the E48 mine. The main copper bearing minerals from all ore bodies processed are bornite and chalcopyrite.

The ore mineralogy of the E48 deposit consists of bornite as the dominant copper-sulfide species and is in association with significantly smaller, but variable amounts of chalcopyrite and chalcocite. Gold and silver are present largely as small particles (generally <5 μm in size) of metallic gold and electrum as well as gold and silver bearing tellurides, notably petzite (Ag_3AuTe_2) and hessite (Ag_2Te). The metallurgical performance of the E48 ore is limited by the finer overall grain size and the resultant poorer liberation of copper sulfides from their associated gangue in the >38 μm size fractions.

Arsenic in the E48 ore is hosted almost entirely by tennantite that is small grains (<25 μm in size) and are intimately intergrown with chalcopyrite and, to a much lesser extent, sphalerite and/or galena. Arsenic therefore follows copper during flotation and limited scope exists for significantly reducing the arsenic content of the concentrates during rougher flotation.

INFORMATION OF NORTH PARKES

The E22 ore is lower grade than the E48 ore body and is characterized by lower bornite: chalcopyrite ratios. As copper grade increases, the content of covellite and chalcocite associated with the bornite mineralization increases. Rare visible gold is as inclusions up to 1mm in diameter within bornite or more rarely as free gold in quartz veins. Due to the intimate relationship with bornite, visible gold tends to be within the highest-grade zones of the central portion of the deposit. Chalcopyrite is the dominant sulfide species outboard of the bornite rich core. Chalcopyrite is disseminated within veins and wall rock and is common along fine fractures. Pyrite is generally restricted to the lower grade peripheries of the mineralization, outboard of the chalcopyrite dominated zone. Concentrate copper grades of 33 per cent are typically achieved compared to 35 per cent from the E48 ore.

PROCESSING OVERVIEW

Ore processing consists of four stages: crushing, grinding, flotation and thickening/filtering. An overview of the value stream is shown in the diagram below. In addition to producing concentrate, the ore processing team also manages tailings disposal and concentrate logistics to port.



The concentrator was constructed in two modules, namely Module 1 and Module 2. Each module consists of its own grinding circuit, flotation circuit, concentrate thickener and filter. After extracting the copper and gold bearing minerals, the tailings are combined in a single tailings thickener before being deposited in the new Estcourt tailings storage facility.

The Module 1 grinding circuit was the first to be constructed along with a gold Carbon-in-Leach circuit. The upper gold oxide sections of the E27 and E22 ore bodies were processed through Module 1 during the initial 18 months of operation at NPM (1993-1994) to produce gold bars. During this period, Module 2 was constructed and featured a grinding circuit and copper oxide flotation circuit. Once gold production ceased in Module 1, the CIL plant was decommissioned and Module 1 was converted into a sulfide flotation circuit. Copper oxide ore was processed from 1995, followed by copper sulfide ore.

CRUSHING AND ORE HANDLING

NPM has two adjacent coarse ore stockpiles (Rill Tower stockpiles) that receive crushed ore via conveyor from both the surface (open cut stockpiles) and the underground operations. A secondary (cone) crusher was commissioned early 2011 and is located between the primary underground crusher and the ore stockpiles. The total capacity of each stockpile is 150,000t. Crushed ore is reclaimed from the base of each stockpile by four vibrating feeders.

GRINDING

The grinding circuit is made up of two separate modules, each incorporating semi-autogenous grinding ('SAG'), oversize pebble crushing, two stages of ball milling and flotation. Both modules operate at 95% utilization and are currently exceeding their design capacities (Module 1 has a maximum design capacity of 245 tonnes per hour and Module 2 has a maximum design capacity of 425 tonnes per hour). The recent installation of a secondary crusher and vibrating screen to produce a finer feed to the mills has realized throughput capabilities of greater than 275t per hour (Module1) and 470t per hour (Module 2) being achieved.

The ore from the stockpile feeders is discharged on to a conveyor feeding each SAG mill. Feed size (F80) to the SAG mill was historically 100-150mm, however following the recent secondary crusher installation, the F80 is now approximately 40mm. Steel balls (125mm diameter) are added to the SAG mills as the grinding charge. Acoustic monitoring systems are installed on both SAG mills and mill charge is controlled to both sound and power set points. The SAG mills operate in closed circuit with a vibrating screen and an oversize pebble cone crusher. The vibrating screen has an aperture size of 8mm. The oversize is fed to the pebble crusher to produce a <10mm product. Module 2 has additional pebble crushing capacity, with the installation of a Metso HP4 Cone Crusher and modified feed chute at the end of 2011.

The undersize from the SAG vibrating screen is pumped to primary cyclones, from which the undersize reports to the ball mill for further size reduction, and the oversize bypasses the ball mill. Secondary cyclones classify the ball mill product, and a tertiary grinding circuit (ball mill and cyclones) completes the grinding process. The tertiary grinding stage reduces the particle size from a P80 of 150µm to less than 100µm, which feeds the flotation circuit.

FLOTATION

Flotation takes place in two distinct but similarly configured modules each linked to its own grinding circuit. The flotation process aims to recover the major copper and gold bearing minerals (bornite, chalcopyrite and chalcocite) to produce a high-grade sulfide concentrate.

Each grinding module features a flash flotation circuit (rougher cell and cleaner cell) which aims to mainly recover the coarse liberated bornite in a fast float, to prevent over-grinding downstream. Depending on the ore source, approximately 20 per cent of the overall copper production is recovered in the flash flotation circuit.

The tertiary cyclone overflows of each module feed the main flotation circuits. Initially, a pre-flotation stage is performed in large tank cells, which recover approximately 50 per cent of the overall copper production. Frother and a thionocarbamate promoter are added to this pre-flotation stage. The pre-flotation tail stream is then further treated with reagents in conditioning tanks to enhance the flotation characteristics of the valuable minerals. A sulfurizing reagent, sodium hydrosulfide, is added followed by a xanthate collector and frother. The conditioned pulp flows through a series of conventional square rougher and scavenger cells. Down-the-bank xanthate and frother addition is also employed.

The total residence times of the roughing circuits (excluding flash flotation) for Modules 1 and 2 are 19 minutes and 28 minutes, respectively. The rougher concentrator is sent to Jameson cleaner cells and conventional cleaner scavenger flotation cells to upgrade the quality of the product. The final tailing from each module is pumped to a common tails thickener for dewatering.

Overall metal recoveries from processing E48 Lift 1 cave ore average 88-91 per cent copper and 75-80 per cent gold and silver. Similar recoveries were achieved for the other main NPM ore types dependent on head grade and plant throughput. Concentrate grades are in the range 32-38 per cent copper and 15-20 g/t gold and 90-110 g/t silver. The principal penalty elements are arsenic, fluorine, alumina and magnesia.

Copper recovery and grade are controlled in the flotation circuit using a Multi Stream Analyzer online analysis system. This system was replaced and upgraded to an 18 Stream Courier 6i unit in 2012. Scavenger feed grade, final tail grade and concentrate grade are the main control variables used to ensure the plant is operating optimally. Cascade control loops are also utilized to adjust reagent doses depending on the feed tonnage.

CONCENTRATE THICKENING AND FILTRATION

Final concentrate from the flotation circuits is pumped to thickeners where it is thickened to an average underflow density of 60 per cent solids to maximize water recovery. Thickened concentrate is then pumped to concentrate storage tanks prior to treatment through the filtration circuit, using ceramic filters. The filtered concentrate is discharged onto slow moving conveyor belts, each equipped with a weightometer to determine final production of concentrate. Typical moisture contents of concentrate vary between seven to nine per cent.

TAILINGS STORAGE AND WATER MANAGEMENT

All tailings are pumped from the processing plant using two of three sets of slurry pumps to either of the two active tailings storage facilities (TSF 2 and the Estcourt/E27 in-pit storage). Two pipelines are used to transport the tailings 2 km from the processing plant to their final storage point in central decant storage facilities. Both TSF 1 and TSF 2 have surface areas of approximately 100 hectares, and water recovery off TSF 2 is about 30 per cent. Wall construction is comprised of clay and rock. Tailings disposal in the abandoned E27 pit commenced late 2010 and water recovery from this pit is about 50 per cent. The Estcourt Tailings facility was completed in October 2012 and commissioned in November 2012. It provides 30Mt storage capacity (with a two stage lift to the northern wall upstream).

Water is recovered from the tailings storage facilities for use back in the processing plant. Water recovery is optimized by maximizing the tailings thickener density and increased pumping capacity from the site's deep water storage facilities, E27 and Caloola.

INFORMATION OF NORTH PARKES



* The above diagram is only indicating the options, and is pending determination of the final sequence of TSF construction.

Further capital expenditure is planned for Estcourt facility and an additional Tailings Storage Facility (TSF3) called Rosedale. The additions to Estcourt (to achieve its full capacity of 30Mt) will take place over two stages or “lifts”. The construction of these longer term capacity expansions (Estcourt and Rosedale) require the construction of a smaller storage facility between Tails Dams TSF 1 and TSF2. This is required in order to sequence the construction of the Estcourt lifts, commence with the initial stage and first cell of Rosedale and provide continuity of storage volumes to meet production.

INFORMATION OF NORTH PARKES

SITE INFRASTRUCTURE

The site infrastructure at NPM includes tailings storage facilities, process water dam, processing facilities, storage facilities, administration facilities and ROM pads. In addition NPM has adequate infrastructure in place to support electricity and water supply, liquid fuels and LPG storage facilities, communications network and sewerage treatment plants. NPM is accessible via sealed road from Parkes and secondary roads from Peak Hill.

The Northparkes' power supply is via the public grid from overhead power lines which connect to the processing plant. An 11 kV supply runs overhead from the process plant substation to the main underground substation located at the winder. From this substation the supply splits to form an 11 kV ring main, one via the mine shaft and the other via the service/air shaft. There are various 11 kV substations situated throughout the underground mine and also some 1,000 V supplies for specific equipment. The mine ventilation fans are each powered by a 750 kW, 3.3 kV motor, with a nearby transformer and switch room providing power.

Mine communications are industry standard and are controlled via the mine server which is located in the surface mine control room. RPM notes that a redundant server is also located underground at the 980 workshop within the E-48 area. The mine data acquisition system is supported by a fibre-optic cable that runs up the hoisting shaft to the surface mine control room. The mine utilises the Sandvik AutoMine system which is an automated loading and hauling system installed for the operation of the electric LHD's. These units are controlled by an operator in the surface mine control room.

The underground mine utilises approximately 750,000 liters per day of water predominately consumed for dust suppression at draw points equipped via sprays and along roadways. It is also used for fire suppression and wash down of equipment. Potable water for the underground mine is supplied via a pipeline installed along the western side of CV003. A 200 mm diameter potable water pipeline is provided and supported along the length of CV004 and CV005. The pipeline connects to the existing supply pipe originating at E-26 Lift 2.

The majority of water within the mine originates from dust suppression and ground water, however the mine is essentially dry. A duplex pump system located at E-26 Lift 2 is designed to lift (vertical) up to 50 l/sec. Studies and measurements indicate that the mine inflow is estimated to be 0.22 million liters per day (2.5liters/sec). As such the current pumping infrastructure has significant additional capacity for the mine requirements.

RISK FACTORS

You should carefully consider all of the information set out in this circular, including the risks and uncertainties described below associated with the Proposed Acquisition and the Business and the industry in which it operates before making a decision on how to vote on the resolutions relating to the Proposed Acquisition at the EGM. The business, financial conditions and results of operations of the Group, the Business and the Enlarged Group could be materially and adversely affected by any of these risks.

To the best of the Directors' knowledge, the Directors consider the following risks to be the most significant in respect of the assets and operations of the Business for the Shareholders and potential investors of the Company. However, the risks listed below do not purport to comprise all those risks associated with the Proposed Acquisition, the Group, the Business and the Enlarged Group and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Proposed Acquisition, the Group, the Business and the Enlarged Group. If any of the following risks actually occurs, the Proposed Acquisition, and the Group's, the Business' and the Enlarged Group's operations, financial condition, capital resources, results and/or future operations could be materially and adversely affected.

RISKS ASSOCIATED WITH THE ACQUISITION AND THE ENLARGED GROUP

1. Risks relating to making an acquisition and potential future acquisitions or investments in other companies or assets

Any acquisition involves potential risks, including, among other things: (i) mistaken assumptions about mineral properties, mineral resources and costs, including synergies; (ii) an inability to successfully integrate any operation the Enlarged Group acquires; (iii) an inability to hire, train or retain qualified personnel to manage and operate the operations acquired; (iv) the assumption of unknown liabilities; (v) limitations on rights to indemnity from the seller; (vi) mistaken assumptions about the overall cost of equity or debt; (vii) unforeseen difficulties operating acquired projects, which may be in new geographic areas; and (viii) the loss of key employees and/or key relationships at the acquired project.

Any acquisitions may require the Enlarged Group to expend significant amounts of cash, resulting in the Enlarged Group's inability to use these funds for other business purposes. The potential impairment or complete write-off of goodwill and other intangible assets related to any such acquisition may reduce the Enlarged Group's overall earnings and could negatively affect the Enlarged Group's balance sheet. Any acquisition target may have liabilities or adverse operating issues that the Enlarged Group fails to discover through due diligence prior to the acquisition. Such liabilities may affect the Enlarged Group's capitalisation and results of operations may change significantly.

RISK FACTORS

Any acquisition involves negotiations and implementation of any acquisition and integration of acquired operations may disrupt the Enlarged Group's business by diverting management and employees' attention away from day-to-day operations. The difficulties of integration may be increased by the necessity of coordinating geographically diverse organizations, integrating personnel with disparate backgrounds and combining different corporate cultures.

The Enlarged Group may seek to further expand its business through acquisitions as it continues to consider and evaluate opportunities for further growth. However, there is no assurance that the Enlarged Group will find attractive acquisition candidates in the future, or that the Enlarged Group will be able to acquire such candidates on commercially acceptable terms, if at all. Any future acquisition will also be subject to the aforementioned risks.

The occurrence of any of the foregoing could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects. Consequently, the Enlarged Group would not be in a position to assure the timing and amount of any return or benefits that may be received as a result of the Proposed Acquisition.

2. Risks relating to making an acquisition of a copper project

The Company does not currently own or operate any copper mines. Accordingly, an acquisition of a majority interest and management rights in a copper mine would be outside of the Company's current area of expertise, and may present a risk that the Company (through its Group) is not able to effectively manage Northparkes or its interest in it to achieve an appropriate financial return.

3. Risks relating to completion of the Proposed Acquisition

A number of the conditions precedent to Completion as set out in the paragraph headed "Conditions Precedent" in the section headed "Letter from the Board" of this circular involves the decision of third parties, including approvals by the Shareholders at the EGM, and certain governmental and regulatory approvals in the PRC and New South Wales in connection with the transactions contemplated by the Asset Sale and Purchase Agreement. As satisfaction of such conditions precedent is not wholly within the control of the parties involved in the Proposed Acquisition, there is no assurance that the Proposed Acquisition will be completed as contemplated.

RISK FACTORS

RISKS ASSOCIATED WITH THE BUSINESS OF THE NORTHPARKES JOINT VENTURE

4. Risks relating to operation of a mine

Northparkes by its nature involves certain risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, unexpected labour shortages and compensatory claims, disputes or strikes, cost increases for contracted and/or purchased goods and services, shortages of required materials and supplies, electrical power interruptions, mechanical and electrical equipment failure, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods and earthquakes, encountering unusual or unexpected climatic conditions which may or may not result from global warming, and encountering unusual or unexpected geological conditions. Loss or damage to critical equipment may or may not be covered by insurance depending on the cause of the loss or damage. The occurrence of any of these hazards can delay or interrupt production, increase production costs and result in liabilities for the Northparkes Joint Venture.

5. Risks relating to block caving operations

Northparkes is an underground block caving operation. Block caving utilises the natural forces in the rock to break and transport the ore into designated “drawpoints” for extraction to the surface. Block caving requires substantial underground development prior to the extraction of mineralised ore.

There are a number of inherent risks associated with block caving operations. For example, there is a risk that draw points could collapse or otherwise become obstructed, due to unplanned geotechnical or mechanical issues, impeding the ability for ore to be drawn from the cave and presenting a safety risk. Further, there is a risk that the ore does not cave correctly, which would therefore require pre-conditioning of the ore which may have an adverse impact on the ore throughput, operating or capital costs for the Northparkes Joint Venture.

RISK FACTORS

6. Risks relating to capital expenditure programs

The ongoing operation of Northparkes will require capital investment, in order to develop new projects and maintain existing projects. There is an inherent risk that the capital costs associated with either development of new projects or sustenance of existing projects will be higher than forecast, which may have an adverse impact on the financial performance of the Northparkes Joint Venture.

For example, the development costs for the planned E22 block cave remain uncertain and have been estimated based on preliminary designs. There is a risk that the development costs for E22 may change when the detailed design has been completed.

7. Risks relating to mine scheduling and infrastructure availability

The life of mine plan at Northparkes generally relies on ore being delivered from a single source (although the source changes over the life of mine). Accordingly, there is a risk that if a geotechnical or mechanical issue inhibits the production of ore, that concentrate production may also be reduced. While Northparkes has ore stockpiles on site, if the interruption to ore production is prolonged, there is a risk that concentrate production may ultimately be materially lower than forecast.

Further, there is only one single production shaft available on site. If the shaft experiences mechanical or other issues which prevent the shaft from operating, ore production will be interrupted.

8. Risks relating to title and concessions and the inability to obtain, retain or renew concessions, permits or licences

The licences and permits may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects or underlying landholdings. Accordingly, other parties could potentially dispute the Northparkes Joint Venture's title to its mining and exploration rights. There may also be future native title claims in respect of the land subject to the mining licences and permits which may impact Northparkes.

Failure to make certain payments and take certain actions required to keep permits or rights in good standing may result in the loss of such permits or rights. In addition, there can be no assurance that the Northparkes Joint Venture (or the individual participants or manager) have kept proper corporate records or made the necessary filings with the relevant authorities in respect of Northparkes or the Northparkes Joint Venture.

RISK FACTORS

The Northparkes Joint Venture is required under applicable laws and regulations to seek governmental concessions, permits, authorisations, mining and prospecting licences and other approvals, including in connection with its operation, production, exploitation, exploration and development activities. Obtaining and maintaining these permits or licences can be a complex and time-consuming process and may involve substantial costs or the imposition of unfavourable pre-grant or post-grant conditions. There may be delay in obtaining the necessary permits and other authorisations and, in certain cases, the relevant government agency may be unable to issue a permit or other authorisation which is required in a timely manner.

The Northparkes Joint Venture may, in the future, be required to apply for renewals, extensions or amendments to the current licences or permits. There is no assurance that the Northparkes Joint Venture will be able to obtain any renewals, extensions or approvals or that current and future licences and permits will not be revoked or withdrawn. If such renewals, extensions or approvals are not granted or are revoked or withdrawn, the Northparkes Joint Venture may lose its right to conduct its operation, production, exploitation, exploration and development activities in these areas. If these title risks materialise, the business, financial condition and operating results of the Northparkes Joint Venture may be materially and adversely affected.

The Northparkes Joint Venture may not be able to continue to comply with laws and regulations (including changes to those laws and regulations) due to factors that are beyond its control, and under those circumstances, the licences and permits may be revoked and it may be subject to penalty. Operational income derived under such licences or permits may also be forfeited. To the extent that these laws and regulations are evolving, additional licences and permits may be required or the Northparkes Joint Venture may be required to adjust its activities in order to comply with such regulations and in doing so, may incur substantial costs.

9. Risks relating to changes in the estimates of the mineral resources and reserves of Northparkes

The mineral resource and mineral reserve estimates of Northparkes set out in this circular and the Competent Person's Report comply with the JORC Code, but no assurance can be given that any particular level of recovery from ore reserves will in fact be realised or that an identified mineral resource will qualify as a commercially mineable ore body that can be economically exploited.

RISK FACTORS

The estimation of mineral resources and ore reserves involves some interpretation and is a partially subjective process. The accuracy of mineral resource and reserve estimates is a function of the quantity and quality of available data and the assumptions used and judgments made in interpreting engineering and geological information. Data used in the resource estimation may be based on historical data where the quality control methods applied to the data collection are not known to the Northparkes Joint Venture and there is a risk that the tonnage or grades are overstated.

There is uncertainty in any resource or reserve estimate and the actual deposits encountered and the economic viability of mining a deposit may differ materially from the estimates set out in this circular and the Competent Person's Report. In particular, the mineral resource estimates at Northparkes are largely premised on an average historical copper price which may be higher than the price ruling as at the date of the Competent Persons' Report. While this is acceptable practice in mineral resource estimation, there is a risk that a portion of the estimated resources may not be economically extracted.

The discovery of mineral resources through exploration of mineral tenements is speculative in nature and is frequently unsuccessful. The Northparkes Joint Venture may be unable to successfully discover and exploit new reserves within the area of interest of the Northparkes Joint Venture to replace those it is mining to ensure the on-going viability of Northparkes.

Estimated mineral resources or ore reserves may have to be re-calculated based on changes in metals prices, further exploration or development activity or actual production experience. This could have a material adverse effect on estimates of the volume or grade of mineralisation, estimated recovery rates or other important factors that influence resource or reserve estimates. Market price fluctuations for metals, increased production costs, reduced recovery rates or other factors may render the present Proven Reserves and Probable Reserves of Northparkes uneconomical or unprofitable.

10. Risks relating to workplace safety, including personal injury, death and legal liability

Northparkes is subject to risks related to workplace safety, including damage to, or destruction of, mining equipment and processing facilities, and could also result in personal injury, death, performance delays, monetary losses and legal liability. Northparkes has a good safety record, however mining and mineral processing and transportation are inherently dangerous activities and there can be no assurance that serious accidents or fatalities would not occur in the future. If Northparkes fails to prevent serious accidents or fatalities, it may be held liable for damages arising therefrom or in connection therewith and there may be lost time and disruptions to normal mining operations and schedules. In addition, such accidents or fatalities could have a negative effect on its reputation and its relationship with the local community.

RISK FACTORS

Northparkes is subject to extensive health and safety laws, regulations and standards. Compliance with such laws, regulations and standards involves on-going costs and obligations and any changes may increase such costs and obligations. Wide-ranging penalties apply in the event of non-compliance with these laws, regulations and standards.

Any of the foregoing could have a material adverse effect on the Northparkes Joint Venture's operations, business, financial condition and prospects.

11. Risks relating to customers and suppliers

The Northparkes Joint Venture currently sells its copper products to a number of customers, predominantly under three long-term contracts, each for a term until the end of 2016, with the balance sold under short-term spot contracts. Upon expiry of such arrangements, the Northparkes Joint Venture cannot give assurance that off-take arrangements will be secured with future customers or that those off-take arrangements will be on terms that are similar to the terms of the arrangements entered into with its existing customers or on terms that are more favourable to the Northparkes Joint Venture.

If the Northparkes Joint Venture is unable to secure off-take arrangements on similar terms or that are favourable to the Northparkes Joint Venture, the financial performance and operating results of the Northparkes Joint Venture may be materially and adversely affected. In addition, the Northparkes Joint Venture may have credit exposure to its customers from time to time and any material adverse change in current customers' financial position may impact the Northparkes Joint Venture.

The Northparkes Joint Venture will have exposure to movements in prices charged by external suppliers, including those that provide inputs to production, such as electricity and other energy providers, explosives suppliers, sea freight and transport service providers. An increase in one or more of these cost items for a sustained period could have an adverse impact on the financial performance of the Northparkes Joint Venture, especially in circumstances where alternative suppliers are not available.

In addition, there can be no assurance that the supplies, including reagents, required for the Northparkes Joint Venture's operations, will be available to the Northparkes Joint Venture or be delivered on time. Any unforeseen adverse changes in quality or reductions in the quantity of supplies provided may also have a material adverse impact on operations.

RISK FACTORS

12. Risks relating to joint ventures

As part of the Proposed Acquisition, the Purchaser will acquire the Vendor's 80% interest in the Northparkes Joint Venture, with SCM and SCC holding the remaining 20% interest.

The Northparkes Joint Venture, being an unincorporated joint venture governed by the contractual agreement between the joint venture participants, involves certain risks. Such risks include the possibilities that the joint venture participants may have disputes in connection with the performance of each party's obligations and the scope of each party's responsibilities under the joint venture agreements, have economic or business interests or goals that are inconsistent, exercise veto rights, pre-emptive rights and block actions that they consider may not be in its or the joint venture's best interests, be unable or unwilling to fulfill their obligations under the joint venture agreement or be unable to meet the capital contributions required of them to fund operations and development of Northparkes.

13. Risks relating to litigation

The Northparkes Joint Venture (or its individual participants) may be exposed to risks of litigation. To the extent such risks are not covered by insurance, an adverse outcome in litigation or the cost of and the management's time spent on responding to potential or actual litigation or negotiating settlement of claims may have a material adverse impact on financial performance. Litigation brought against the Northparkes Joint Venture (or its individual participants) could prove costly and time consuming, requiring the attention of senior management, which could have material adverse effects on the Northparkes Joint Venture's business, financial condition and results of operation.

14. Risks relating to the ability to attract, retain and train key personnel

As part of the Proposed Acquisition, the Purchaser has undertaken to make offers of employment to the Vendor Employees. As at the Latest Practicable Date, the Purchaser cannot give assurance that the employees will accept such offers of employment or that those who do accept such offers of employment will be sufficient to continue the operations in the manner in which they were prior to Completion.

The future performance of the Northparkes Joint Venture depends, to an extent, upon its ability to continue to attract, retain and motivate key qualified personnel, key senior management and other employees with a variety of skills and experience, including in relation to the development and operation of mineral projects. There is no assurance that these key qualified personnel will continue to provide services to the Northparkes Joint Venture or will honour the agreed terms and conditions of their employment or service contracts.

RISK FACTORS

The Northparkes Joint Venture's success will also depend upon the contributions of qualified technical personnel and the Northparkes Joint Venture's ability to attract and retain highly skilled personnel in Australia. Competition for such personnel is intense, and the Northparkes Joint Venture may not be successful in attracting and retaining qualified personnel.

The Northparkes Joint Venture's ability to train operating and maintenance personnel is a key to the success of its mining business activities. If the Northparkes Joint Venture is not successful in recruiting, training and retaining such personnel, its business and results of operations could be materially and adversely affected.

15. Risks relating to foreign currency exchange rate fluctuations

The participants of the Northparkes Joint Venture generate revenue in USD from the sale of copper and gold and the majority of Northparkes' capital and operating costs are incurred in AUD.

The effect of currency exchange fluctuations is impossible to predict with any degree of certainty. The appreciation of the AUD would increase the costs of operations in USD terms, which could have a material adverse effect on the Northparkes Joint Venture's business, financial condition, results of operations or prospects.

The Northparkes Joint Venture currently has no currency hedging in place.

16. Risks relating to compliance with applicable environmental protection and remediation regulations in the mining industry

The mining activities of the Northparkes Joint Venture are subject to environmental risks inherent in the mining industry and laws and regulations relating to the protection and remediation of the environment. The Northparkes operations are subject to extensive environmental laws, regulations and standards which impose on-going costs and obligations on the Northparkes Joint Venture. Any changes to those laws, regulations and standards may increase such costs and obligations.

Such obligations include the need to rehabilitate current and former facilities and locations where operations are or were conducted. Remediation, rehabilitation, closure and removal of current and former facilities will incur various costs which may be substantial and are subject to various risks.

RISK FACTORS

Mining activities have inherent risks and liabilities associated with environmental damage and the disposal of waste products occurring as a result of exploration and production. The occurrence of any environmental incident could delay production or increase production costs.

Northparkes may require further approval from relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approval may impact operations.

In the event of environmental damage or noncompliance with applicable environmental laws and regulations, including rehabilitation and remediation obligations, the Northparkes Joint Venture (or the individual participants) could be subject to a variety of penalties and other administrative actions or liable for damages or clean-up costs.

The provisions or reserves made by the Northparkes Joint Venture for the rehabilitation and remediation of the Northparkes site, including any performance bonds held by regulatory authorities, may not be sufficient to cover its actual liabilities.

17. Risks relating to the availability of additional financing in the future

The mining operations of the Northparkes Joint Venture are capital intensive. Northparkes currently funds capital and other expenditure with cash contributions called by the manager from participants in the Northparkes Joint Venture. The Enlarged Group will need sufficient internal sources of liquidity or access to financing from external sources to fund those cash calls.

The ability of the joint venture participants to continue to meet these cash calls is subject to a variety of uncertainties, including its future financial condition, results of operations and cash flows, the condition of the global and domestic financial markets, changes in bank interest rates and lending practices and conditions, ability to renew or refinance existing short-term bank loans or secure additional external financing, and downward movement in commodity prices.

Adverse movements in any of the above may cause the joint venture participants to be unable to fund their cash calls, which may result in the cessation of operations at Northparkes, plus other financial and non-financial losses to each of the joint venture participants.

RISK FACTORS

18. Risks relating to limited insurance coverage that may not be adequate to satisfy all potential claims

Mining operations involve numerous risks and hazards, including rock bursts, slides, earthquakes or other adverse environmental occurrence, industrial accidents, labour disputes, political and social instability, technical difficulties due to unusual or unexpected geological formation, collapse of block cave draw points, failure of pit walls, and flooding and periodic interruptions due to inclement or hazardous weather condition. These risks can result in, among others, damage to, and destruction of, mineral properties or production facilities, personal injuries, environmental damages, delays in mining, monetary losses and legal liability.

Although the Northparkes Joint Venture maintains insurance to protect against certain risks in such amounts as it considers to be reasonable and consistent with industry practice, its insurance will not cover all the potential risks associated with its activities, including any future mining operations. The Northparkes Joint Venture may also be unable to maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration or production may not be available to the Northparkes Joint Venture on acceptable terms. The Northparkes Joint Venture might also become subject to liability for pollution or other hazards which it is not currently insured against and/or in future may not insure against because of premium costs or other reasons. Losses from these events may cause the Northparkes Joint Venture to incur significant costs which could have a material adverse effect on the Northparkes Joint Venture's financial condition, results of operations or prospects.

19. Risks relating to change in future plans

Whether the Northparkes Joint Venture ultimately implements its production plans and mining schedule or achieves the objectives described in this circular, will depend on a number of factors including, but not limited to, (i) the availability and cost of capital; (ii) current and projected prices of copper and gold; (iii) copper and gold markets; (iv) costs and availability of drilling services, heavy equipment, supplies and personnel; (v) success or failure of activities in similar areas to those in which its projects are situated; and (vi) changes in estimates of project completion costs.

Depending on each of the above, the Northparkes Joint Venture may change its future plans for the operation of the mine.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

20. Risks relating to fluctuations in the market price of copper and gold

Northparkes is a copper and gold mine, and its revenue is generated from the sale of these two products. The price volatility of copper and gold may affect the future production, profitability and financial condition of the Northparkes Joint Venture. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, global supply and demand, and the political and economic conditions of major metal supplying and consuming countries throughout the world. The price of most metals including copper and gold has fluctuated significantly in recent years. Future metal price declines could cause commercial production from Northparkes to be impracticable or uneconomic.

The sales price of Northparkes' products under its off-take agreements is typically benchmarked against the prevailing trading prices on major metals markets. Therefore, the results of operation, in particular, profitability of the Northparkes Joint Venture will be directly affected by the prevailing market prices of such products.

The metals market also tends to move in cycles. Periods of high demand, increasing profits and high capacity utilisation lead to additional capacity through expansion of existing mines and investment in new mines which results in increased production. This growth increases supply until the market is saturated, leading to declining prices and declining capacity utilisation until the cycle repeats. This cyclical nature in prices can result in supply/demand imbalances and pressures on mineral prices and profit margins which could have a material adverse effect on the Northparkes Joint Venture's business, financial condition, results of operations or prospects.

Depending on the price of copper and gold, projected cash flow from planned mining operations may not be sufficient and Northparkes could be forced to discontinue concentrate production.

Future production at Northparkes will be dependent on metal prices that are adequate to make these properties economically viable. Furthermore, future mine plans using lower metal prices could result in material write-downs of the Northparkes Joint Venture's mining assets.

RISK FACTORS

21. Risks relating to changes in government policies and regulation, including in relation to taxation and royalties

The individual participants in the Northparkes Joint Venture are subject to various laws, regulations and policies, including in relation to taxation and royalties, and extensive governmental approvals, licences, regulations, policies and controls. There can be no assurance that the federal and state governments of Australia will not review and make additions or changes to such laws, regulations and policies, including in relation to foreign investment or tax and royalty regimes which may result in increases to operating costs, existing tax rates or changes to tax and royalty burdens. Further, there can be no assurance that other government and regulatory bodies with jurisdiction in relation to the Enlarged Group will not review and make changes to policy and tax applicable to members of the Enlarged Group.

Any changes to laws, regulations and policies, including in relation to taxation and royalties, in Australia or other applicable jurisdictions may have a material adverse effect on the financial performance of the Northparkes Joint Venture or the Enlarged Group. Any failure to comply with relevant laws and regulations and any failure or delay in obtaining the required approvals or licences for Northparkes may make it difficult or impossible for Northparkes to conduct operations which may adversely affect the Northparkes Joint Venture and Enlarged Group.

22. Risks relating to competition

The markets for copper, gold and other metals are intensely competitive and Northparkes products face competition from other Australian and foreign miners. Competition in those markets is based on many factors including, among others, price, production, capacity, quality, transportation capabilities and cost, blending capability and brand name. Some competitors who supply similar products to Northparkes may have greater production capacity as well as greater financial, marketing, distribution and other resources and may benefit from more established brand names in the international market.

The mining industry is also characterised by technological advancements and the introduction of new production processes using new technologies. Some competitors of Northparkes may develop new technologies and processing methods that are more effective or less costly than those currently used at Northparkes.

Competitive activities in the markets for Northparkes products could have a significant impact on the prices realised for the Northparkes products and can therefore have a material adverse effect on results of operations and financial condition. Northparkes' future success will depend on its ability to respond in an effective and timely manner to competitive pressure.

INDUSTRY OVERVIEW

This section contains certain information which has been derived from official, market and other sources including Wood Mackenzie and public company filings. The Directors believe that the sources of such information are appropriate sources for the information. The Directors have exercised reasonable care in selecting and identifying the named information sources and, in compiling, extracting and reproducing such information, and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. This information has not been independently verified by the Directors or any of the Directors' affiliates or advisers or any of their affiliates or advisers and no representation is given as to its accuracy. This information may not be consistent with information from other sources.

COPPER MARKET OVERVIEW

Introduction

Copper is a non-magnetic metal with high conductivity, tensile strength and resistance to corrosion. Copper consumption can be divided into three main product groups: copper wire rods, copper products and copper alloy products.

Copper wire rods are used in wire and cable products such as general and industrial cable, utility power cables, telecommunication cable, other insulated wire and winding wire. In addition, copper has several non-electrical applications such as tubes for air conditioners and refrigerators, foils for printed circuit boards and other industrial and consumer applications. Copper is also used in a number of alloys, including brass (copper and zinc), bronze (copper and tin), nickel silver, phosphor bronze and aluminium bronze.

In general, wire and cable and copper products are consumed in five broad sectors: (i) construction, (ii) electric and electronic products, (iii) industrial machinery and equipment, (iv) transportation equipment and (v) consumer and general products.

Primary copper production starts with the extraction of copper-bearing ores. There are three basic ways of copper mining: surface, underground mining and leaching. Copper exists in two broad categories of ore types: sulphide and oxide with two different processes are applied to deal with the ores:

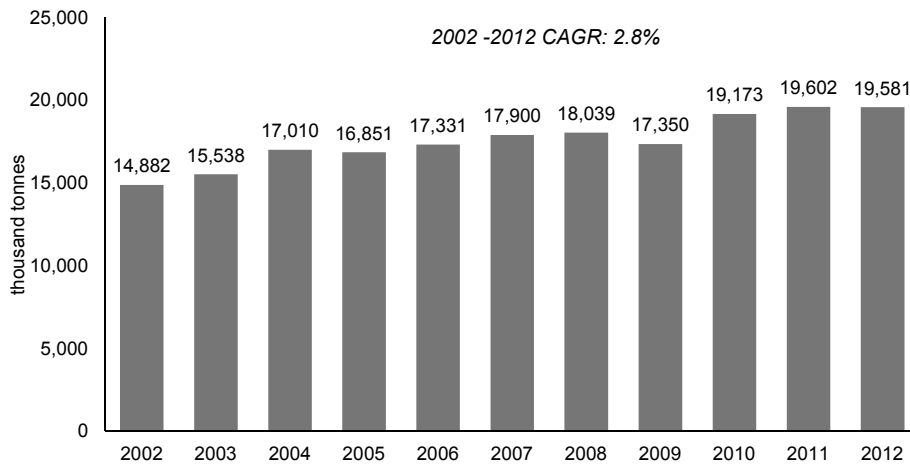
- Sulfide minerals are separated from the waste at the ore processing plant to form copper concentrates which is then shipped to a copper smelter which can be local to the mine or in a different country or continent; and
- Copper oxide minerals can be readily leached and copper can be recovered from the resultant pregnant leach solution by an SX-EW process to produce marketable cathodes.

INDUSTRY OVERVIEW

Copper demand

Copper demand has grown steadily over the last decade, led largely by growth in emerging economies. According to Wood Mackenzie, world refined copper consumptions increased from 14.9Mt in 2002 to 19.6Mt in 2012, representing an annual growth rate of 2.8%. The following chart illustrates the ten-year historical data for world refined copper consumption.

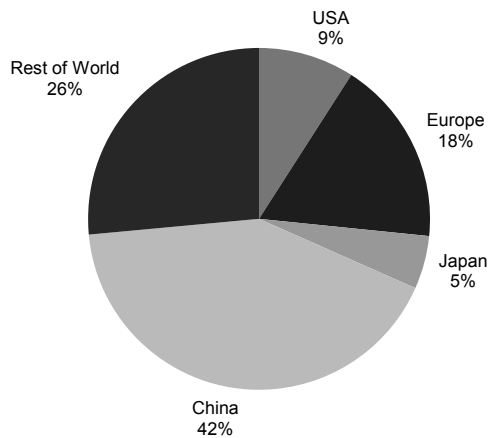
World Refined Copper Consumption 2002 – 2012
(kt Cu)



Source: Wood Mackenzie.

The growth of global refined copper consumption has been driven by China which accounts for approximately 42% of global demand.

Refined Copper Consumption by Region in 2012



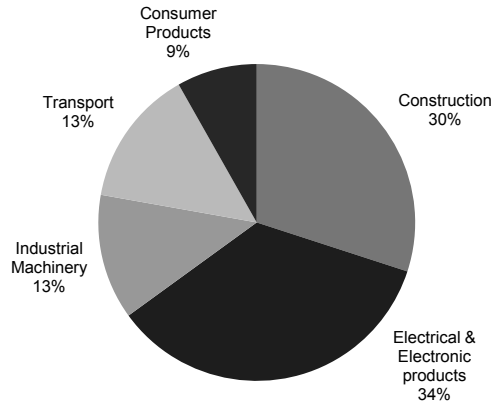
Source: Wood Mackenzie.

INDUSTRY OVERVIEW

Refined copper consumption in China increased from 2.4Mt in 2002 to 8.2Mt in 2012, representing an annual growth rate of 13.0%, as industrial production in China has grown at over 10% per annum during this period.

According to Wood Mackenzie, global copper consumption can be categorized into electrical & electronic products, construction, industrial machinery, transport and consumer products.

Global Copper Consumption by End User in 2012

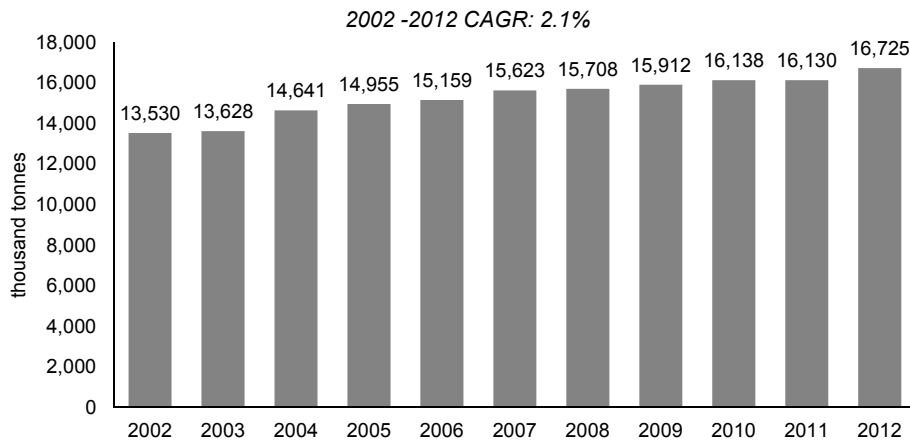


Source: Wood Mackenzie.

Copper mine supply

Global copper mine production has increased from 13.5Mt in 2002 to 16.7Mt in 2012 representing an annual growth rate of 2.1% per annum.

Copper Mine Production 2002-2012 (kt Cu in concentrate and leach)

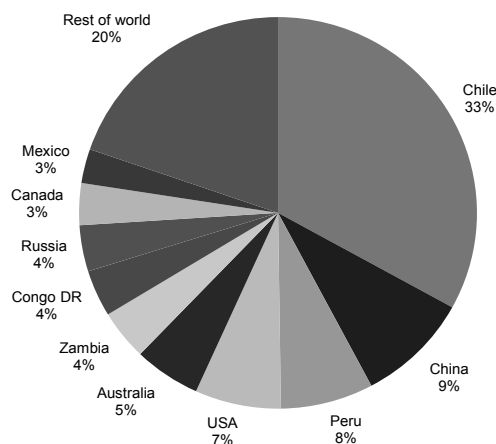


Source: Wood Mackenzie.

INDUSTRY OVERVIEW

Chile accounts for the highest copper mine production globally with 33% of total production. China and Peru are the second and third largest producers with 9% and 8% respectively.

Copper Mine Production 2012 by Country (kt Cu in concentrate and leach)



Source: Wood Mackenzie.

The copper mining industry demonstrates a reasonable degree of consolidation with the top 10 copper producers accounting for 50% of total copper production, which includes most of the global major mining companies.

Top 10 Copper Producers in 2012 (kt Cu in concentrate and leach)

Ranking	Company	Production (kt Cu)	% of world production
1	Codelco	1,832	10.1
2	Freeport McMoran Copper & Gold	1,494	8.2
3	Glencore Xstrata	1,301	7.2
4	BHP Billiton	1,278	7.1
5	Southern Copper (ex SPCC)	619	3.4
6	Rio Tinto	549	3.0
7	KGHM Polska Miedz	531	2.9
8	Anglo American plc	529	2.9
9	Antofagasta plc	478	2.6
10	RAO Norilsk	358	2.0

Source: Wood Mackenzie.

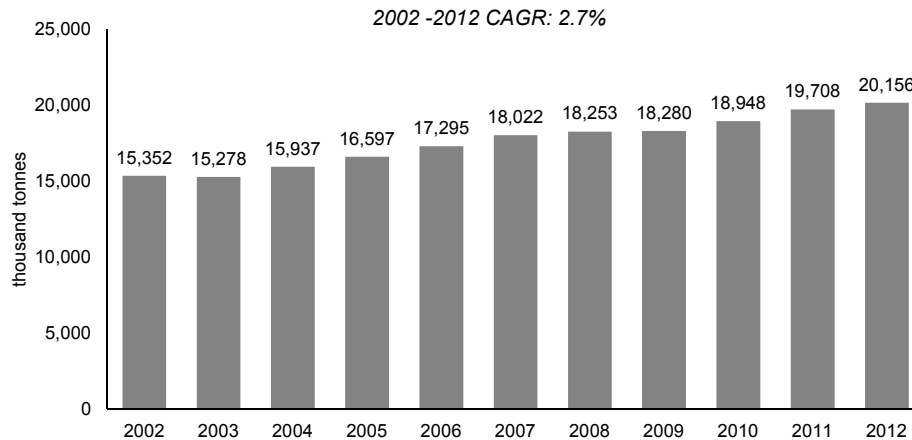
INDUSTRY OVERVIEW

Refined copper supply

Global refined copper production has increased from 15.3Mt in 2002 to 20.2Mt in 2012 representing an annual growth rate of 2.7% per annum.

Refined Copper Production 2002-2012

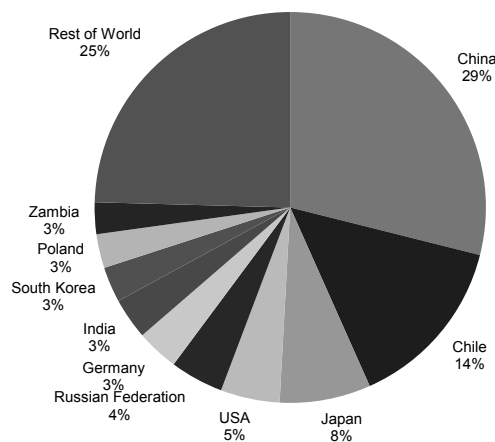
(kt Cu)



Source: Wood Mackenzie.

China accounts for the highest refined copper production globally with 29% of global production, which aligns with China being the largest ultimate consumer of copper.

Refined Copper Production by Country



Source: Wood Mackenzie.

INDUSTRY OVERVIEW

The market for refined copper production is less concentrated than the copper mining industry with the top 10 producers accounting for 42.7% of global refined copper production.

Top 10 Copper Refiners by Production in 2012 (Kt Cu including production from scrap)

Ranking	Refinery	Production (kt Cu)	% of world production
1	Codelco	1,530	7.2
2	Glencore Xstrata	1,186	5.5
3	Aurubis	1,150	5.4
4	F-McM Copper & Gold	1,095	5.1
5	Jiangxi Copper Company	1,027	4.8
6	Tongling	746	3.5
7	JX Holdings	640	3.0
8	BHP Billiton	604	2.8
9	Southern Copper (ex SPCC)	582	2.7
10	Sumitomo Metal Mining	579	2.7

The largest copper refinery in the world is Guixi which is based in China and accounts for approximately 5% of the world's production. China has five of the ten largest refineries globally, which together account for approximately 13% of the world's production, hence the importance of copper concentrates to China.

In 2013, global copper smelter capacity is forecast to be 16.7Mt, a potential 6.0% increase from 2012. A lack of availability of concentrates and scrap is likely to moderate this increase to close to 4%. Smelter output capability growth is expected to continue growing at an overall CAGR of 6.8% p.a. A total of 6.2Mt of additional smelter capacity is expected over the forecast period, with over half coming from China.

Global copper smelter capacity is forecast to be 19.9Mt in 2013 with utilisation running at 83% resulting in smelter production of 16.5Mt. Utilisation reflects the lack of availability of concentrates and the availability of scrap.

A total of 4.9Mt of additional smelter production capability is expected to be added by 2030. 2.7Mt of smelting capability is expected to be added to China taking total smelting capability to 8Mt. China currently produces 1.5Mt of copper in concentrates, and imports an additional 2.5Mt of copper in concentrates — ie it imports 63% of its requirements. Imports are expected to increase to 4Mt or 70% of its total requirements by 2030.

INDUSTRY OVERVIEW

Top 10 Copper Refineries by Production in 2012 (Kt Cu including production from scrap)

Ranking	Refinery	Country	Production (kt Cu)	% of world production
1	Guixi	China	1,027	4.8
2	Onsan	Korea	600	2.8
3	Jinchuan	China	490	2.3
4	Codelco Norte Cu Group	Chile	463	2.2
5	Jinlong	China	450	2.1
6	Las Ventanas	Chile	380	1.8
7	Pyshma	Russia	379	1.8
8	Hamburg	Germany	375	1.8
9	Dongying	China	370	1.7
10	Daye	China	360	1.7

Source: Wood Mackenzie.

Outlook for copper

The long term fundamentals of the copper industry are attractive, featuring a robust demand profile underpinned by continuing industrialisation of the BRICs countries and also an expected structural undersupply that is likely to emerge in the latter part of this decade. The net effect of these influences is an attractive outlook for copper prices.

Copper Demand

In the near term to 2016, recovering economic conditions in the United States and Europe together with continued growth driven by ongoing industrialisation in China and Asia will drive the demand for copper.

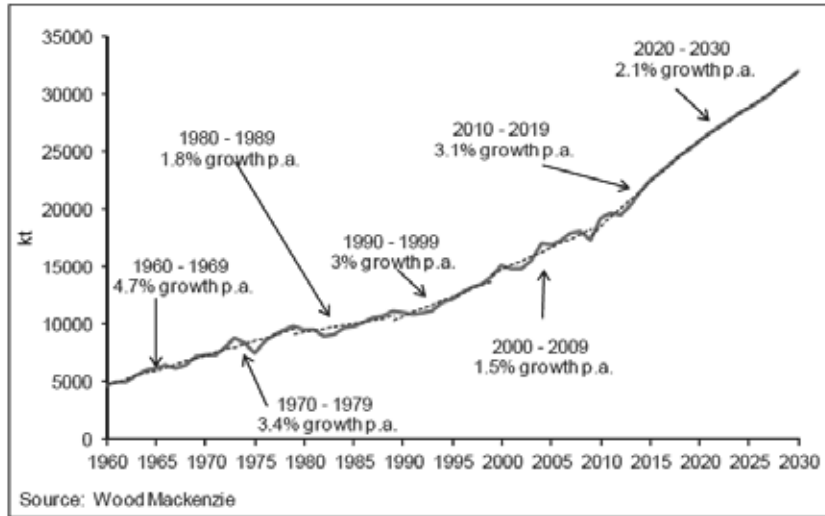
Regional Refined Copper Consumption

Country	2012-2016 CAGR
China	6.0%
Asia (ex-China & Japan)	2.2%
United States	2.3%
Europe	0.5%

INDUSTRY OVERVIEW

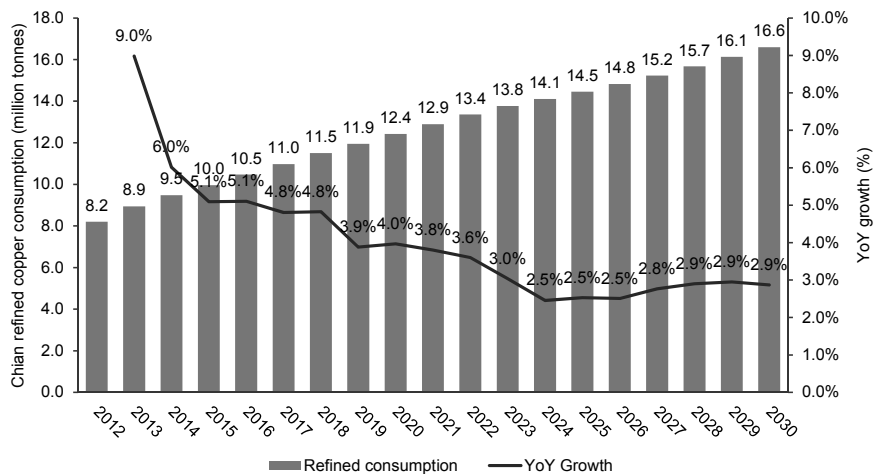
In the longer term, copper demand is expected to be underpinned by strong demand from China and the other BRIC countries which will outweigh a fall in demand from western countries, with resultant global demand growth averaging 2.6% from 2012 to 2030.

Average Annual Global Refined Copper Consumption (kt)



Wood Mackenzie forecasts China's share of global refined consumption to increase from 42% in 2012, to 52% by 2030, exhibiting a CAGR of 5%, with Chinese copper consumption heavily reliant on imports given limited domestic production capacity.

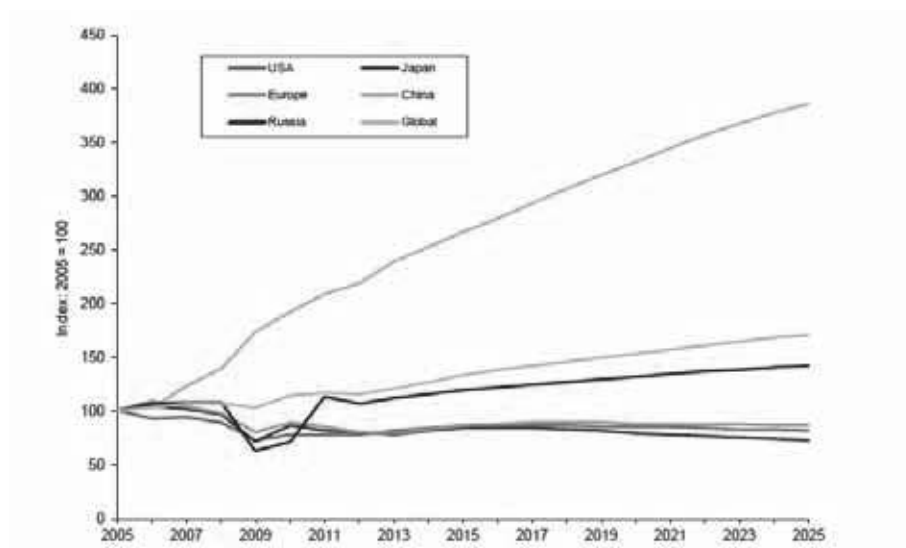
Chinese Refined Copper Consumption



INDUSTRY OVERVIEW

Copper consumption in other BRIC countries are expected to grow at CAGRs for 2012-2030 of 1.4%, 6.3% and 3.5% for Russia, India and Brazil respectively.

Indexed Copper Consumption Growth (2005=100)



Source: Wood Mackenzie.

Near term copper supply

A combination of cost inflation, declining head grades, on-going industrial action at major operations as well as project delays have been the key influences supporting the copper price over the last few years. Underperforming mine supply has been a persistent feature of the past decade (approximately 5-8% annually), with recent project delays relieving immediate supply pressures (e.g. Bingham Canyon, Grasberg and Oyu Tolgoi).

Near term, Wood Mackenzie believes that copper mine production will increase over the next four years to 2016 which will see global production capability (before disruptions) exceed 20Mt, representing a CAGR of 5.9%. This may result in the copper market being in surplus over this period, however, the potential for a surplus should be tempered by the risk that new supply will be below current expectations, or alternatively that there will be new or on-going disruptions to existing supply, as has been the case in the recent past as discussed above.

INDUSTRY OVERVIEW

Disruptions Summary (copper in concentrate plus SxEw cathode)

	Initial mine Prodn. Capability Forecast (kt Cu)	Pit Walls	Strikes	Technical	Slow Ramp Up	Weather	Grades	Other	Total
2004	14,863	1.8%	0.1%	0.4%	0.8%	0.2%	0.4%	0.1%	3.7%
2005	16,068	0.7%	0.7%	1.4%	1.0%	0.5%	2.4%	0.7%	7.4%
2006	16,032	1.5%	1.0%	1.0%	1.4%	0.4%	0.7%	0.8%	6.8%
2007	16,574	0.5%	0.8%	0.4%	1.5%	0.3%	1.8%	0.5%	5.7%
2008	16,979	0.8%	1.4%	1.4%	1.0%	0.6%	1.4%	1.3%	8.0%
2009	16,511	0.3%	1.9%	1.5%	1.3%	0.1%	0.0%	0.7%	5.8%
2010	16,842	0.5%	1.7%	0.7%	0.6%	0.0%	0.4%	1.1%	5.0%
2011	17,318	0.0%	1.0%	1.7%	1.5%	0.3%	1.1%	0.2%	5.8%
2012	17,966	0.0%	0.0%	1.9%	1.5%	0.4%	1.1%	0.4%	5.4%
2013 YTD	18,833	0.6%	0.0%	0.3%	0.5%	0.2%	0.1%	0.9%	2.6%

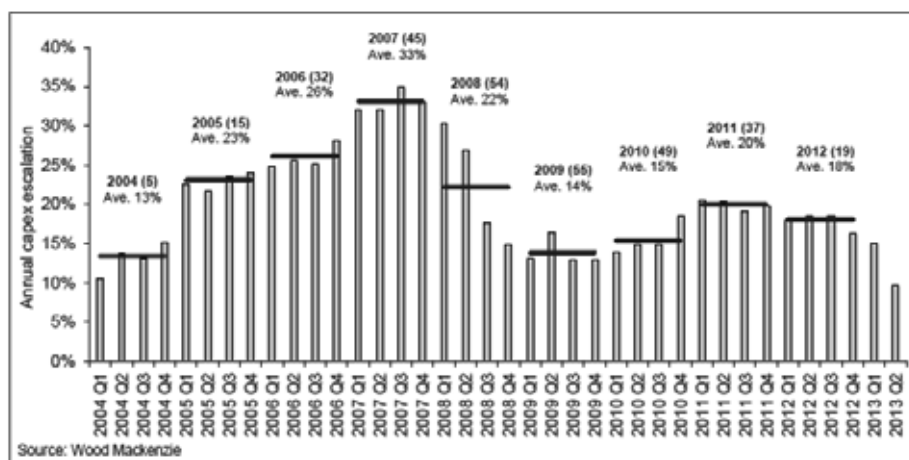
Longer term supply issues

Beyond 2016 base case mine production is forecast to decline due to reserve depletion to reach 16.0Mt by 2025 and 13.2Mt by 2030. This means that over the forecast period to 2030, base case production capability is expected to fall at an average rate of 1.0% per annum. From 2017 onwards, demand for mine output is expected to again exceed supply due to a number of significant supply challenges facing the industry in the longer term horizon.

Mining companies have had to deal with escalating capital costs and subsequent declining returns over an extended period of time. As a result, projects have been cancelled or delayed. Therefore the project pipeline over the medium to longer term is becoming increasingly squeezed, resulting in forecast falling production from 2017 onwards.

INDUSTRY OVERVIEW

Capex Escalation 2004 to 2013



Source: Wood Mackenzie.

The chart above demonstrates that annual capex escalation has been above 10% since 2004.

Wood Mackenzie notes that the combined capacity of projects which have been delayed or downgraded from the “probable category” is 820ktpa, and significantly outweighs the projects that have seen positive developments in 2013.

Projects Downgraded from Probable or Delayed During 2013

Project	Developer	Country	Start	Kt/a	Comment
Quellaveco	Anglo American	Peru	—	250	Reported to be on hold
Haqira	First Quantum Minerals	Peru	—	210	FQM to prioritize other projects
Quebrada Blanca Mill	Teck Resources	Chile	—	200	Development delayed
Kambove	Gecamines	DRC	—	50	No progress reported
Inchimpe	Zhonghui Mining	Zambia	—	35	Mining license dispute
Total				820	

Source: Wood Mackenzie.

INDUSTRY OVERVIEW

Further, Wood Mackenzie notes that mining companies have become reluctant to advance development of porphyry deposits in Latin America due to a number of reasons including capital costs, uncertain community relations, and the availability of key inputs — power, water and labour. Wood Mackenzie has identified large scale projects due to start production in the second half of this decade and with a combined capacity in excess of 2.2Mtpa as being at risk. Of note, all these projects are owned by major global mining companies, who are all taking a cautious approach to allocating capital to development projects.

Large scale (>200kt per annum) Probable or Highly Probable Projects at Risk

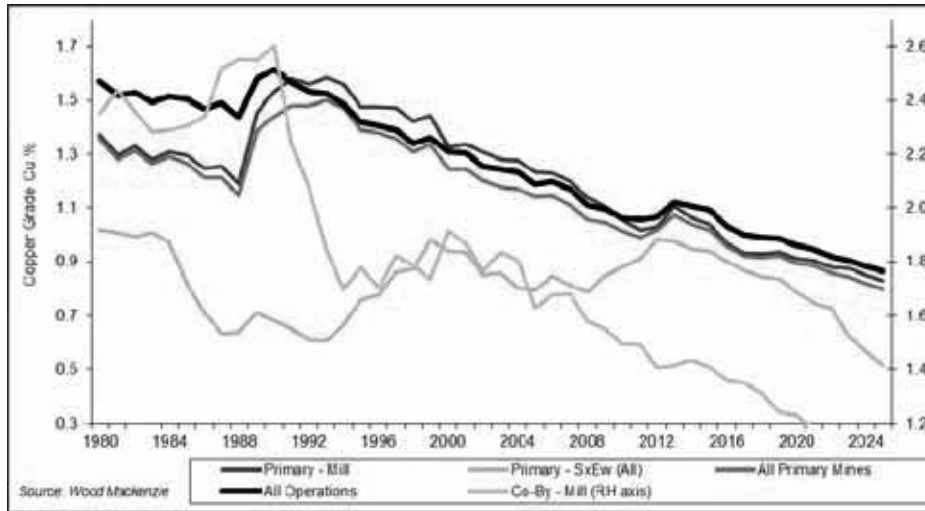
Project	Developer	Country	Start	Kt/a	Comment
Oyu Tolgoi Expansion	Rio Tinto	Mongolia	2019	450	Negotiations with Mongolian government
El Pachon	Glencore	Argentina	2020	400	Permitting. May be for sale
Chuquicamata UG	Codelco	Chile	2019	350	Funding
Andina 90 – 224kt/d expansion	Codelco	Chile	2020	330	Funding
Collahausi mill expansion	Glencore / Anglo	Chile	2023	300	Pending operational improvements
Collahausi RW	Glencore / Anglo	Chile	2017	200	Pending operational improvements
Galeno	Minmetals	Peru	2018	200	Permitting
Total				2,230	

Source: Wood Mackenzie.

INDUSTRY OVERVIEW

Further, exacerbating longer term future supply issues and cost inflation in the mining sector is the decline in grades of copper mine production. The average head grade in 2012 was 1.07% which compares with the equivalent figure of 1.57% Cu in 1980 (32% decline) with an average head grade of 0.86% Cu predicted for 2025. The downward trend reflects the depletion of the higher grade ores over the past 30 years.

Head Grade Trends (Weighted by Paid Copper)

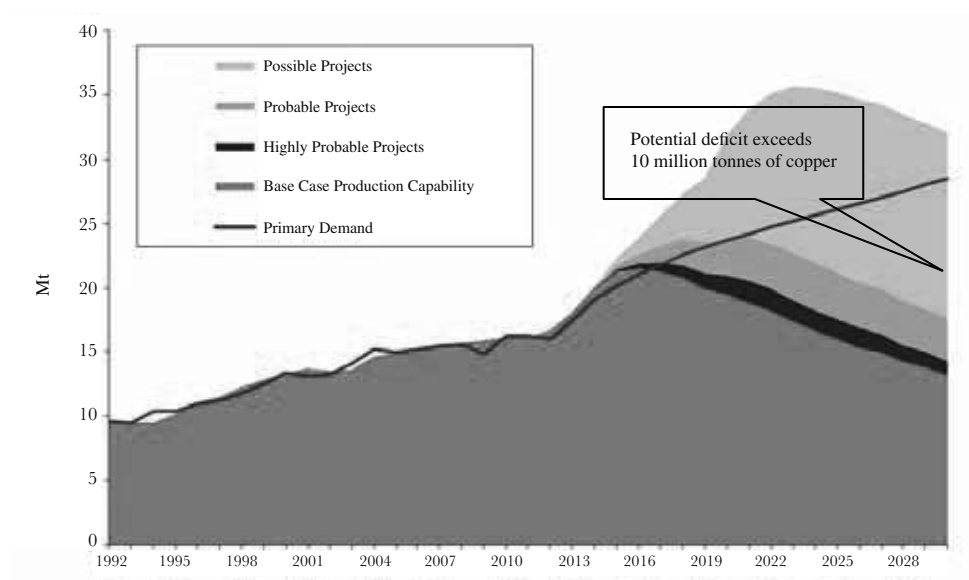


Source: Wood Mackenzie.

INDUSTRY OVERVIEW

As copper inventories are drawn down from their peak in 2016, the market will require additional mine production in order to avoid the emergence of unsustainable deficits. The major dilemma for many major mining companies is the ongoing prospect of lower margins and the ability to manage capital allocation between long-term growth projects at the same time as reducing and controlling costs and debt, while also returning cash to shareholders. Meanwhile, junior copper companies are struggling to secure development capital and it is increasingly difficult for them to develop their projects. As a consequence, the project pipeline over the medium to longer term is becoming increasingly squeezed. Wood Mackenzie is of the view that extra supply will have to be brought on from 2019 in order to maintain equilibrium and retain a reasonable market balance over the 2020-2030 timeframe, estimating that a long-term incentive price of USD7,716/t (USD3.50/lb) in 2013 will be required to bring on adequate tonnage to prevent the market from falling into a structural deficit.

New Mine Supply From Probable and Possible Projects versus Primary Demand



Source: Wood Mackenzie.

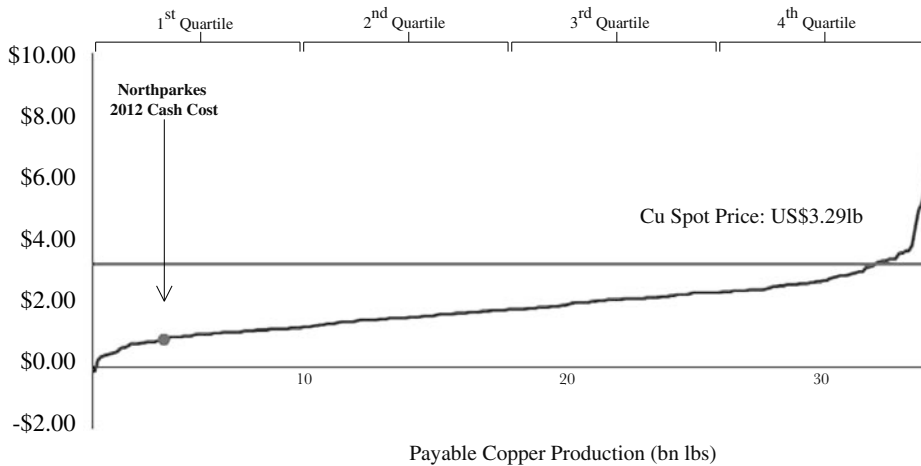
INDUSTRY OVERVIEW

Cost curve analysis

The global copper cash cost curve is shown below. It is clear that, even at current prices, there are still some producers at the right hand of the cost curve who are losing money at current copper prices. It is important to note that the cash cost curve does not include any capital charge for development capital spent, which means that a number of projects are uneconomic at today's copper price, even if their cash costs are lower than the spot copper price.

In particular, the cost curve is particularly steep beyond the 90th percentile. This demonstrates copper price and affording a level of insulation to low cost producers.

2012 copper C1 cash cost curve (US\$/lb payable Cu)



Source: Wood Mackenzie.

(1) Copper spot price as at 18 October 2013.

INDUSTRY OVERVIEW

Copper prices

The price of copper rebounded strongly in 2009 after a sharp decline following the financial crisis and has remained robust. The average copper price in 2012 was USD7,949/t (USD3.61/lb) and USD7,074/t (USD3.21/lb) in the September quarter of 2013.

The Company is optimistic about the long term fundamentals of the copper market for the following reasons:

- The structural undersupply of the copper production which is expected to emerge from 2017;
- Cost inflation underpins long-term prices as most of the projected new supply comes in at the top end of the cost curve;
- Continuing escalation in the capital intensity of new development projects; and
- Robust demand profile from China and the other BRICs nations Brazil Russia and India, all of which are expected to continue their path of industrialisation.

INDUSTRY OVERVIEW

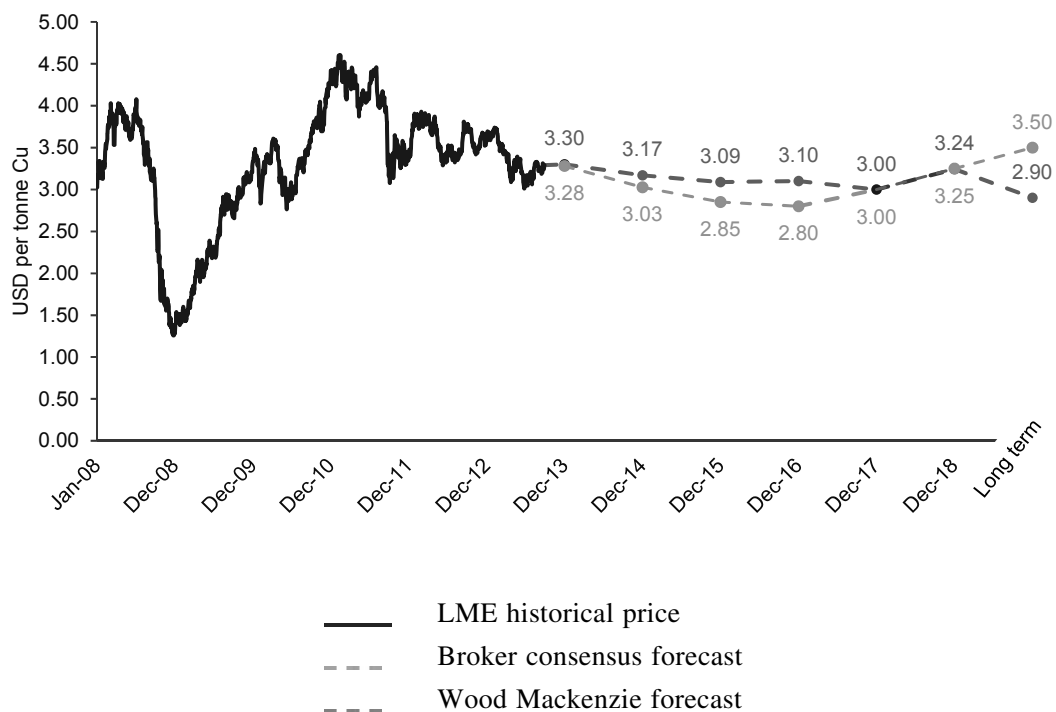
Broker copper price forecasts

Broker	Date	Calendar Year						LT
		2013	2014	2015	2016	2017	2018	
Broker 1	27-Sep-13	\$3.34	\$3.14	\$3.19	\$3.42			\$3.15
Broker 2	23-Sep-13	3.30	2.91	2.96	2.99	2.97	2.92	2.81
Broker 3	16-Sep-13	3.24	3.00	3.00				
Broker 4	13-Sep-13	3.30	3.13	3.08	2.90			2.95
Broker 5	13-Sep-13	3.26	3.10	3.10	3.10	3.00		2.85
Broker 6	13-Sep-13	3.24	3.04	3.08	3.06			3.00
Broker 7	11-Sep-13	3.42	3.53	3.30	3.30	3.27	3.25	3.23
Broker 8	10-Sep-13	3.36	3.28	3.22	3.02			
Broker 9	10-Sep-13	3.30	3.20	2.80	2.52	2.80		2.80
Broker 10	09-Sep-13	3.26	2.91	2.96	3.22	3.30	3.24	3.01
Broker 11	09-Sep-13	3.29	2.84	2.74				2.55
Broker 12	09-Sep-13	3.31	3.13					2.50
Broker 13	06-Sep-13	3.50	3.43	2.88				2.75
Broker 14	05-Sep-13	3.28	2.77	2.94				2.99
Broker 15	03-Sep-13	3.40	3.24	2.88	3.30	3.70		2.75
Broker 16	03-Sep-13	3.48	3.41					3.40
Broker 17	29-Aug-13	3.25	3.00	3.00	3.00	2.60		2.60
Broker 18	19-Aug-13	3.43	3.34	3.07	3.05			2.77
Broker 19	14-Aug-13	3.48	3.68	3.22				3.00
Broker 20	01-Aug-13	3.38	3.72	3.99				3.63
Broker 21	26-Jul-13	3.30	2.90	3.40				3.00
Broker 22	24-Jul-13	3.55	4.02	4.51				
Broker 23	24-Jul-13	3.27	2.99	3.12				3.47
Broker 24	24-Jul-13	3.44	3.75	4.00	4.00	4.50	4.50	
Broker 25	17-Jul-13	3.30	3.30	3.25	3.10	3.00		2.75
Broker 26	15-Jul-13	3.29	3.29	3.18	3.63			2.80
Median		\$3.30	\$3.17	\$3.09	\$3.10	\$3.00	\$3.24	\$2.90
Average		3.35	3.23	3.20	3.17	3.24	3.48	2.94
Forward curve		\$3.31	\$3.34	\$3.36	\$3.38			

INDUSTRY OVERVIEW

In the long term, the consensus copper price as forecast by brokers is USD6,393/t (USD2.90/lb).

Historical and Forecast Copper Price (USD per tonne)



Source: IRESS, broker research.

GOLD MARKET OVERVIEW

Introduction

Gold is a malleable, ductile and soft transition metal that is largely non-reactive. Gold can be rolled thin enough to allow light to pass through. It is the only metal with a shiny metallic yellow colour. As gold remains shiny after exposure to air, water and other chemicals, it has been primarily used as jewellery and currency for its ability to store value. Gold is mixed with other metals to produce alloys of different colours in jewellery, for example white gold is an alloy of gold, silver, palladium, nickel and copper, while yellow, green and red golds are alloys of gold, copper and silver in different proportions respectively.

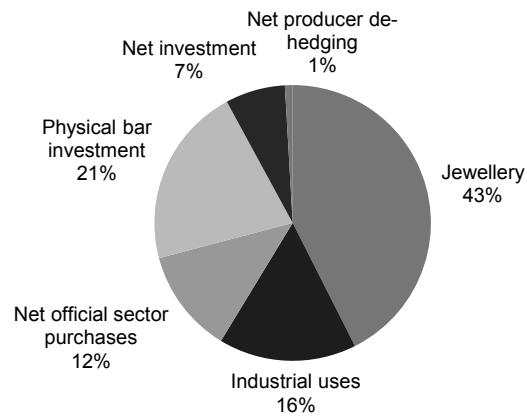
Gold is also a good conductor of heat and electricity, therefore it is an important raw ingredient for making electrical connectors and printed circuit boards. Historically, physical gold was also used to support the gold standard used by numerous countries where their paper notes can be exchanged for a certain amount of gold. Although gold is no longer used to back national currencies, it has been a popular investment asset during weak economic confidence or during periods of high expected inflation.

INDUSTRY OVERVIEW

Gold demand

Gold demand comes from three services: jewellery, industrial (including medical applications) and investment. The primary source of demand comes from jewellery, which accounted for approximately 43% of total global demand in 2012, followed by physical bar investment which accounted for approximately 21% of total global demand. While jewellery remains the largest component of demand, its share has decreased over the past few years in favour of investment demand, as demand for safe haven investments increased materially during the global financial crisis.

Gold Demand 2012 by End Use

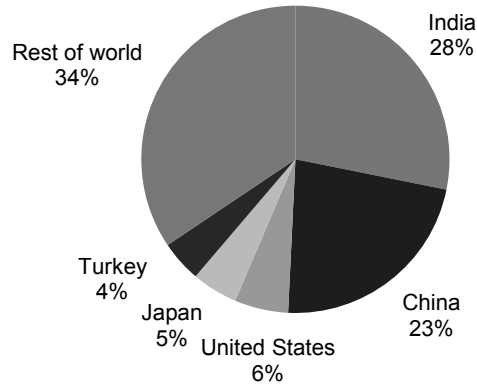


Source: Thomson Reuters GFMS.

INDUSTRY OVERVIEW

The consumer market for gold is dominated by China and India, which together account for approximately 51% of the global fabrication demand (jewellery and industrial demand). Indian jewellery fabrication jumped by 25% in the first half of the year while China enjoyed a 41% rise, as the demand for jewellery soared in response to a recent price retreat. It is expected that growth of jewellery demand in China and India will continue to remain robust with the countries' rising income levels.

Fabrication (jewellery and industrial) Demand 2012 by Country



Source: Thomson Reuters GFMS.

Gold supply

The supply of gold comes from a combination of newly mined gold production and the recycling of above ground stocks. In 2012, new mine production accounted for approximately 64% of total global supply. China is the largest producer of mined gold, accounting for approximately 14% of the world's production, followed by Australia, which accounts for approximately 9% of the world's production.

INDUSTRY OVERVIEW

Top 20 Gold Mining Countries

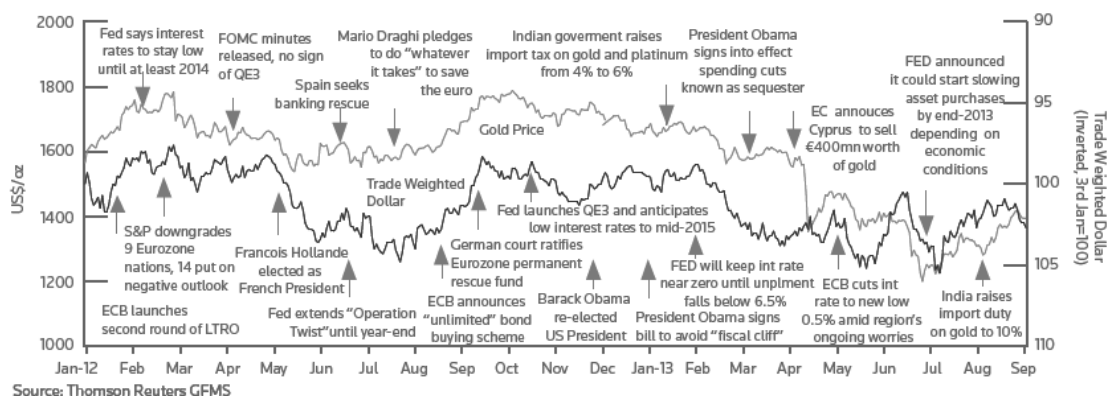
Country	2012 Production (t)	of World Production %
China	413.1	14.4%
Australia	251.4	8.8%
United States	231.3	8.1%
Russia	230.1	8.0%
South Africa	177.3	6.2%
Peru	180.4	6.3%
Canada	108.0	3.8%
Mexico	102.8	3.6%
Ghana	95.8	3.3%
Indonesia	89.0	3.1%

Source: Thomson Reuters GFMS.

Gold prices

A number of factors impact gold prices, including supply and demand dynamics and broader macroeconomic and investment influences. Key macroeconomic influences impacting the gold price include the trading of the US dollar, inflation, monetary policy of central banks, general investor sentiment towards commodities and producer hedging.

GOLD PRICE AND TRADE-WEIGHTED DOLLAR (INVERTED) - DAILY



Thomson Reuters GFMS notes the investment characteristics of gold have been more influential in determining the price for gold during 2013.

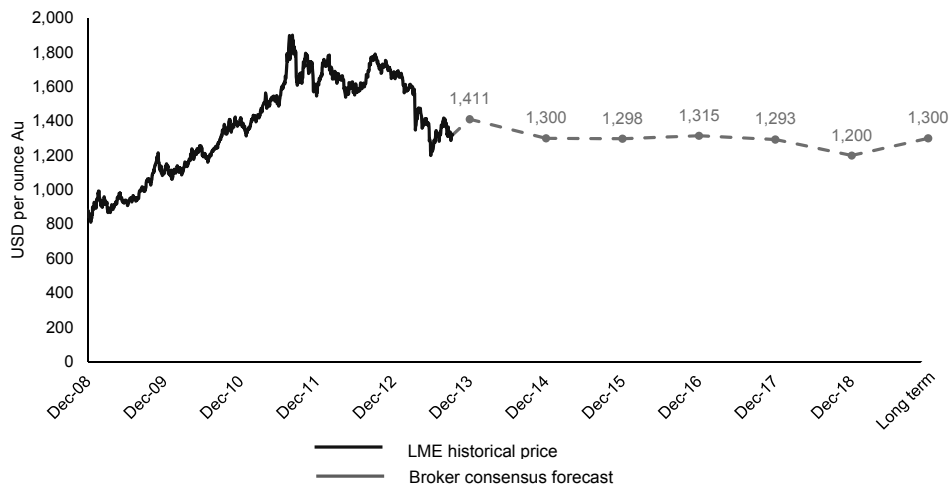
INDUSTRY OVERVIEW

Looking ahead, according to Thomson Reuters GFMS, major central banks are expected to maintain accommodative monetary policy and liquidity is expected to remain ample for an extended period of time providing support for the gold price.

Thomson Reuters GMFS expects gold to continue its upward trend in the fourth quarter and test the USD1,480/oz level. Thomson Reuters GMFS notes that gold could test the USD1,500/oz level as early as the first quarter of the next year. This scenario would be most likely in the event that the Fed held off monetary tapering until at least late 2014. If the United States announced monetary tapering earlier than the market expects, gold may test the recent June lows of USD1,200/oz.

In the long term, the consensus gold price as forecast by brokers is USD1,300/oz, which is broadly in line with current trading levels.

Historical and Forecast Gold Price (USD per ounce)



Source: Bloomberg, broker research.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

Set out below are the principal terms of the A Share Convertible Bonds:

1. TYPE OF SECURITIES TO BE ISSUED

The type of the securities to be issued by the Company is A Share convertible bonds. The Convertible Bonds and A Shares to be converted into will be listed on the Shanghai Stock Exchange.

2. ISSUE SIZE

The total amount of the Convertible Bonds will be not more than RMB4.9 billion. The actual size of the issuance shall be determined by the Board within the above scope, subject to approval by the Shareholders' general meeting.

3. PAR VALUE AND ISSUE PRICE

The Convertible Bonds will be issued at par with a nominal value of RMB100 each.

4. TERM

The term of the Convertible Bonds will be six years from the date of issuance.

5. INTEREST RATE

The interest rate of the Convertible Bonds shall not exceed 3% for the issuance of the Convertible Bonds. Subject to the authorization at the Shareholders' general meeting, the Board shall determine the actual interest rate for each year with reference to the PRC government policies, market conditions and the actual conditions of the Company after consultation with the sponsor and the lead underwriter.

In the event that the benchmark deposit rate of RMB is adjusted upward prior to the issuance of the Convertible Bonds, the Board proposed that the Shareholders' general meeting to authorize the Board to adjust the cap of the interest rate of the Convertible Bonds accordingly.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

6. METHOD AND TIMING OF INTEREST PAYMENT

6.1 Calculation of annual interest

The interest of each interest accrual year (“Annual Interest”) means the interest accrued to the CB Holders in each year on each anniversary of the date of issuance of the Convertible Bonds, calculated based on the aggregate nominal value of the Convertible Bonds.

The formula for calculating the Annual Interest: $I = B \times i$

“I”: denotes the Annual Interest;

“B”: denotes the aggregate nominal value of the Convertible Bonds held by a CB Holder; and

“i”: denotes the interest rate of the Convertible Bonds of that year.

6.2 Method of interest payment

- (1) Interest of the Convertible Bonds will be paid annually, accruing from the date of issuance of the Convertible Bonds.
- (2) Interest payment date: The interest is payable annually on each anniversary of the date of issuance of the Convertible Bonds. The period between an interest payment date and the immediately following interest payment date will be an interest accrual year.
- (3) Record date for interest payment: The record date for interest payment in each year will be the last trading date preceding the interest payment date. The Company will pay the interest accrued in that year within five trading days from the interest payment date. The Company will not pay any interest for that year to the CB Holders whose Convertible Bonds have been applied to be converted into the A Shares of the Company on or before the record date for interest payment.
- (4) Tax payable on the interest income of a CB Holder shall be borne by such CB Holder.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

7. CONVERSION PERIOD

The conversion period of the Convertible Bonds commences on the first trading day immediately following the expiry of the six-month period after the date of issuance of the Convertible Bonds and ends on the maturity date of the Convertible Bonds.

8. DETERMINATION AND ADJUSTMENT OF THE CB CONVERSION PRICE

8.1 Basis for determining the initial CB Conversion Price

The initial CB Conversion Price of the Convertible Bonds shall not be lower than the average trading price of A Shares of the Company for the 20 trading days preceding the date of publication of the offering document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted with reference to the ex-rights or ex-dividend share price) and the average trading price of A Shares of the Company on the trading day preceding the date of the offering document of the Convertible Bonds. The actual initial CB Conversion Price shall be determined by the Board with reference to the market conditions after consultation with the sponsor and the lead underwriter, subject to the authorization at the Shareholders' general meeting.

8.2 Method and calculation formulae of adjustments to CB Conversion Price

The CB Conversion Price is subject to adjustment, upon the occurrence of distribution of share dividend, capitalization, issuance of new shares, rights issue or distribution of cash dividend, etc. The CB Conversion Price will be adjusted based on the following formulae:

Distribution of share dividend or capitalization: $P1 = P0 / (1+n)$;

Issue of new shares or rights issue: $P1 = (P0 + A \times k) / (1+k)$;

Where the two events above occur concurrently: $P1 = (P0 + A \times k) / (1+n+k)$;

Distribution of cash dividend: $P1 = P0 - D$;

Where the three events above occur concurrently: $P1 = (P0 - D + A \times k) / (1+n+k)$

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

In the aforesaid formulae, “P0” denotes the initial CB Conversion Price before adjustment; “n” denotes the rate of scrip dividend or capitalization issue; “k” denotes the new share issue rate or rights issue rate; “A” denotes the price of new share issue or rights issue; “D” denotes the cash dividend per share; and “P1” denotes the effective CB Conversion Price after adjustment.

Upon occurrence of any of the abovementioned changes in the shareholdings and/or shareholder’s interests of the Company, the CB Conversion Price will be adjusted accordingly and in the same order of the occurrence of the changes, and an announcement of the Board resolution shall be made on the publications designated by CSRC and in Hong Kong market (if required) in accordance with the Listing Rules and the Articles of Association. If the CB Conversion Price adjustment date is on or after the date on which a CB Holder applies for conversion of his Convertible Bonds, but before the date of registration of the shares to be issued upon such conversion, then such conversion will be effected based on the adjusted CB Conversion Price.

In the event that the CB Holder’s rights and benefits, or the interests derived from the share conversion are affected by the change in the Company’s share class, quantity and/or shareholders’ interests due to any possible share repurchase, consolidation, division or any other action which may be undertaken by the Company, the Company will adjust the CB Conversion Price based on the actual situation and in accordance with the principles of fairness, justice, equity so as to fully protect the CB Holders’ interests. The details of adjustments to CB Conversion Price and its implementation measures shall be determined in accordance with the then relevant PRC laws and regulations and the relevant provisions of the securities regulatory authorities.

9. DOWNWARD ADJUSTMENT TO CB CONVERSION PRICE

9.1 Adjustment right and the magnitude of adjustment

If, during the term of the Convertible Bonds issued hereunder, the closing prices of the A Shares of the Company in any 15 trading days out of any 30 consecutive trading days are lower than 85% of the prevailing CB Conversion Price, the Board may propose a downward adjustment to the CB Conversion Price to the Shareholders for their consideration and approval at a Shareholders’ general meeting.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

The abovementioned proposal is subject to the approval of the Shareholders at general meeting, A Shareholders' Class Meeting and H Shareholders' Class Meeting by way of a special resolution as required under the Articles of Association. Shareholders who hold the Convertible Bonds issued hereunder should abstain from voting. The adjusted CB Conversion Price should be no less than the average trading price of the A Shares of the Company for the 20 trading days immediately before the aforementioned Shareholders' general meeting, and the average trading price of the A Shares of the Company on the trading day immediately prior that Shareholders' general meeting, whichever is higher; and should be also no less than the nominal value per Share or the net asset value per Share based on the latest audited financial statement.

In the event that an adjustment to the CB Conversion Price is made during the aforementioned period of 20 trading days, in respect of the trading days prior to the adjustment, the calculation shall be based on the unadjusted CB Conversion Price and the closing price of the shares on each such day, and in respect of the trading days after the adjustment, the calculation shall be based on the adjusted CB Conversion Price and the closing price of the shares on each such day.

9.2 Adjustment procedures

If a downward adjustment to the CB Conversion Price is approved by the Shareholders at a Shareholders' general meeting, the Company will publish an announcement of the resolutions of the Shareholders' general meeting in relation to magnitude of adjustment, equity record date and conversion suspension period in the print media and the website designated by CSRC and in Hong Kong market (if needed) in accordance with the Listing Rules and the Articles of Association. Application for conversion of CB with adjusted Conversion Price shall be resumed upon the first trading day after the equity record date, i.e. the Conversion Price adjustment date. If the CB Conversion Price adjustment date is on or after the date on which a CB Holder applies for conversion of Convertible Bonds, but before the date of registration of the shares to be issued upon such conversion, then such conversion will be effected based on the adjusted CB Conversion Price.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

10. METHOD FOR DETERMINING THE NUMBER OF SHARES FOR CONVERSION

Where a CB Holder applies to convert the Convertible Bonds held by him during the conversion period, the formula for calculating the number of the Shares to be issued upon conversion: $Q = V/P$. Any fractional Share shall be rounded down to the nearest whole number.

In the aforesaid formula, “V” denotes the aggregate nominal value of the Convertible Bonds in respect of which the CB Holders apply for conversion; and “P” denotes the prevailing CB Conversion Price as at the date of application for conversion.

Within five trading days from the conversion of the Convertible Bonds, the Company will pay the CB Holders in cash an amount equal to the nominal value of the remaining balance of such Convertible Bonds which are insufficient to be converted into one Share and the interest accrued on such balance in accordance with the relevant requirements of the Shanghai Stock Exchange and such other authorities.

11. TERMS OF REDEMPTION

11.1 Terms of redemption at maturity

Within five trading days upon the maturity of the Convertible Bonds issued hereunder, the Company will redeem all the Convertible Bonds from CB Holders which have not been converted into the Shares by then, at a price calculated at a premium (including the interest accrued in the last interest accrual year) in addition to the nominal value of the Convertible Bonds. The actual premium shall be determined by the Board with reference to the market conditions, subject to the authorisation at the Shareholders’ general meeting.

11.2 Terms of conditional redemption

During the conversion period of the Convertible Bonds issued hereunder, if the closing price of the A Shares of the Company in at least 15 trading days out of any 30 consecutive trading days is equal to or higher than 130% of the prevailing CB Conversion Price, the Company shall have the right to redeem, at a price equal to 103% of the nominal value of the Convertible Bonds (including the interest of the interest accrual year). If the Company does not exercise the redemption the first time when conditions for redemption are satisfied, it may not exercise such rights in such interest accrual year.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

In the event that an adjustment to the CB Conversion Price has been implemented in the aforementioned trading days, the calculation shall be made based on unadjusted CB Conversion Price relating to, and the closing price of, each day prior to such adjustment, and on the adjusted Conversion Price relating to, and the closing price of, each day after such adjustment.

Formula for calculating then accrued interest is: $I_A = B \times i \times t/365$

I_A : Accrued interest for the current period;

B: Aggregate nominal value of the Convertible Bonds issued hereunder that are held by the CB Holders and will be redeemed;

i: Interest rate of the Convertible Bonds for current year; and

t: Number of days on which interest is accrued, meaning the actual number of calendar days from the last interest payment date to the redemption date of the current interest accrual year (excluding the redemption date).

In addition, if the balance of Convertible Bonds not converted is less than RMB30 million, the Board may redeem all Convertible Bonds not converted at the par value plus the accrued interest for the current period.

12. TERMS OF SALE BACK

12.1 Conditional sale back

Starting from the third interest accrual year of the Convertible Bonds, if the closing prices of the A Shares of the Company in 30 consecutive trading days are lower than 70% of the prevailing CB Conversion Price, the CB Holders shall have the right to sell back to the Company all or part of the Convertible Bonds at 103% of the nominal value of the Convertible Bonds plus the interest accrued. If a CB Holders does not exercise the sale back rights the first time when conditions for sale back are satisfied in any of the interest accrual year, it may not exercise such rights in such interest accrual year.

In the event that an adjustment to the CB Conversion Price has been implemented in the aforementioned trading days, the calculation shall be made based on unadjusted CB Conversion Price relating to, and the closing price of, each day prior to such adjustment, and on the adjusted Conversion Price relating to, and the closing price of, each day after such adjustment.

12.2 Additional sale back

During the conversion period of the Convertible Bonds issued hereunder, if the actual use of the proceeds from the issuance of the Convertible Bonds by the Company differs materially from the description of the use of proceeds set out by the Company in the offering document, and such changes, according to the relevant provisions of CSRC, could be deemed as a change in the use of proceeds or is considered by the CSRC as a deviation in the use of proceeds, the CB Holders will be entitled to a one-off right to sell all or part of the Convertible Bonds held by them back to the Company at the price equal to 103% of the nominal value of the Convertible Bonds plus the interest accrued. The CB Holders may sell their Convertible Bonds back to the Company during the sale back declaration period after it is announced by the Company. If the CB Holders do not exercise their sale back rights during the sale back declaration period, such rights to sell back the Convertible Bonds shall automatically lapse.

13. ENTITLEMENT TO DIVIDEND OF THE YEAR OF CONVERSION

The new A Shares to be issued as a result of the conversion of the Convertible Bonds shall rank pari passu with all the existing issued shares of the Company, and all Shareholders whose names are recorded on the register of members of the Company on the record date for dividend entitlement shall be entitled to receive the dividend for that period.

14. METHOD OF ISSUANCE AND TARGET INVESTORS

The method of the issuance of the Convertible Bonds will be determined by the Board (or person authorised by the Board), subject to the authorization at the Shareholders' general meeting, and the sponsor and lead underwriter. The target investors are natural persons, legal persons, securities investment funds and other investors that are in compliance with the laws, who have maintained securities accounts with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, except for those prohibited by the PRC laws and regulations.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

15. SUBSCRIPTION ARRANGEMENT FOR THE EXISTING HOLDERS OF A SHARES

The existing holders of A Shares shall have preferential rights to subscribe for the Convertible Bonds to be issued in proportion to their shareholdings. The actual amount to be preferentially allocated to the existing holders of A Shares shall be determined by the Board with reference to the market conditions, subject to the authorization at the Shareholders' general meeting, and shall be disclosed in the offering document of the Convertible Bonds.

If any A Shareholders give up their pro rata entitlements, the Convertible Bonds not taken up would be offered to the public by online subscription through the Shanghai Stock Exchange and offline placement. And the balance would be underwritten by the underwriting syndicate.

16. CB HOLDERS AND CB HOLDERS' MEETINGS

16.1 Rights and obligations of CB Holders

- (1) Rights of CB Holders
 - (i) to receive agreed interests based on the number of Convertible Bonds held by the CB Holders;
 - (ii) to convert the Convertible Shares held by the CB Holders into the shares of the Company;
 - (iii) to exercise the right of sale back on agreed conditions;
 - (iv) to transfer, donate or pledge the Convertible Shares held by the CB Holders in accordance with laws, administrative regulations and the Articles of Association;
 - (v) to receive relevant information in accordance with the laws and the Articles of Association;
 - (vi) to request the Company to repay the principal and interest of the Convertible Bonds within the agreed term and by the agreed methods;
 - (vii) other rights as the creditors of the Company prescribed by applicable laws, administrative regulations and the Articles of Association.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

- (2) Obligation of CB Holders
 - (i) to abide by the terms of Convertible Bonds;
 - (ii) to pay the subscription amount in accordance with the number of Convertible Bonds subscribed for;
 - (iii) not to request the Company to repay the principle and interest of the Convertible Bonds before maturity, unless otherwise required by applicable laws and regulations or otherwise agreed in the offering document of the Convertible Bonds;
 - (iv) other obligations of the CB Holders prescribed by applicable laws, administrative regulations and the Articles of Association.

16.2 CB Holders' meetings

- (1) Circumstances under which CB Holders' meeting shall be convened A CB Holders' meeting shall be convened by the Board upon the occurrence of any of the following events:
 - (i) the Company proposes to change the terms of the offering document;
 - (ii) the Company defaults in paying principal amount and interests under the Convertible Bonds on time;
 - (iii) the Company undertakes a capital reduction, merger, division, dissolution or files for bankruptcy;
 - (iv) other matters which may affect the material interests of the CB Holders.

The following entities or persons may propose a CB Holders' meeting:

- (i) the Board;
- (ii) upon written proposal by holders of 10% or more of total par value of the Convertible Bonds;
- (iii) other entities or persons prescribed by CSRC.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

(2) Convening of CB Holders' meeting

- (i) A CB Holder's meeting shall be convened and presided over by the Board;
- (ii) The Board shall, within 30 days after the proposal of the meeting has been raised or received by the Board, convene CB Holders' meeting. The Board shall, at least 15 days before the meeting, publish the meeting notice in at least one designated newspapers or websites, which shall indicate among others the specific time, revenue, agenda and method of the meeting as confirmed by the Board.

(3) Attendees of the CB Holders' meeting

Unless otherwise required by applicable laws and regulations, a CB Holder may attend the CB Holders' meeting in person or by a proxy and exercise its voting right.

The following entity or person may attend the CB Holders' meeting as a non-voting attendee and submit the proposal for discussion and decision by the meeting:

- (i) Issuer of the Convertible Bond;
- (ii) Other key connected parties.

The Board shall engage attorneys to attend the CB Holders' meeting and issue legal opinions on matters such as the convening, voting procedures and qualification of attendees of the CB Holders' meeting.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

- (4) Procedures of CB Holders' meeting
- (i) The chairperson of the meeting shall firstly announce the rules of procedure of the meeting, nominate and announce a controller of ballot and read out the proposals. Votes will be cast after discussion of proposals and the resolution will be effective upon witness by the attorneys;
 - (ii) A CB Holders' meeting shall be presided over by the Chairman. In the absence of the Chairman, the meeting shall be presided over by a director authorized by Chairman; if neither the Chairman nor the director authorized by the Chairman is unable to preside over the meeting, the meeting shall be presided over by a CB Holder elected by CB Holders representing at least 50% (exclusive) of par value of Convertible Bonds present at the meeting;
 - (iii) The convener of the meeting shall prepare a signature book for attendees, which shall indicate the name, ID card number and domicile, of the attendees, the par value of the Convertible Bonds held or represented by the attendees and the name of their proxies.
- (5) Voting and resolution of CB Holders' meeting
- (i) Each Convertible Bond represents one vote in the CB Holders' meeting;
 - (ii) CB Holders shall vote by open ballot in the CB Holders' meeting;
 - (iii) A resolution of the CB Holders' meeting shall be valid upon the affirmative votes representing at least two-third of par value of Convertible Bonds present at the meeting;
 - (iv) Different proposals or different items contained in one proposal shall be discussed and voted separately in the CB Holders' meeting;
 - (v) A resolution of CB Holders' meeting shall be adopted by vote, provided that, if the approval of CSRC or other competent authorities are required, it shall become effective on the date of approval or other date confirmed by such approval;

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

- (vi) Unless expressly agreed that special compensation shall be made to the CB Holders voting against the resolution or failing to attend the meeting, a resolution shall have equal effect on all CB Holders;
- (vii) After a resolution is adopted by the CB Holders' meeting, the Board of the Company shall notify the CB Holders by announcement and implement such resolution.

17. USE OF PROCEEDS FROM THE ISSUANCE OF THE CONVERTIBLE BONDS

The total amount of the Convertible Bonds will be not more than RMB4.9 billion. The proceeds from the issuance of the Convertible Bonds, after deduction of the expenses relating to the issuance, will be used to finance the following project:

Project name	Project total investment	Use of proceeds
Proposed Acquisition	RMB5.602 billion	RMB4.9 billion

If the actual amount of proceeds to be raised from the A Share Convertible Bonds is less than the amount proposed above, the Company will make up the shortfall by other means; if the time at which the proceeds are raised does not match the implementation schedule of the Proposed Acquisition, the Company may utilize other means of funding to implement the Proposed Acquisition and replace such funds with the proceeds raised from the Convertible Bonds once available.

18. GUARANTEE

There is no guarantee in relation to the proposed issuance of the Convertible Bonds.

19. DESIGNATED DEPOSIT ACCOUNT

The proceeds from the issuance of the Convertible Bonds must be deposited in the designated account determined by the Board. Matters relating to the opening of the designated account will be determined by the Board prior to the issuance of the Convertible Bonds and details of which will be disclosed in the announcement at the time of the issuance.

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

20. THE VALIDITY PERIOD OF THE RESOLUTION IN RESPECT OF THE ISSUANCE OF THE CONVERTIBLE BONDS

The resolution in respect of the issuance of the Convertible Bonds will be valid for 12 months from the date on which the resolution is approved at a Shareholders' general meeting and Shareholders class meetings.

21. AUTHORIZATION IN CONNECTION WITH THE ISSUANCE OF THE CONVERTIBLE BONDS

In order to complete the issuance of Convertible Bonds lawfully and efficiently, and to devise the particulars of an issuance plan that is in line with the circumstances of the capital market, the Board proposed to the Shareholders general meeting to authorise the Board, subject to the applicable laws and regulations, to deal with any and all matters associated with the issuance of the Convertible Bonds at the sole discretion of the Board, including but not limited to those set out below:

- 21.1. to the extent permitted under the laws, regulations, and the Articles of Association, and in compliance with the regulatory requirements, granting the Board the authorization to decide the issuance terms and the issuance plan for the issuance, establish and implement the definitive issuance plan, and to decide on the timing and any other matters relating to the issuance plan by taking into consideration the circumstances of the Company;
- 21.2. granting the Board, the Chairman or the authorized representative the authorization to engage agents to deal with the matters relating to the issuance and listing application, prepare, amend and submit the filing materials relating to the issuance and listing application;
- 21.3. granting the Board, the Chairman or the authorized representative the authorization to amend, supplement, execute, submit, file and implement any and all agreements, contracts and documents (including without limitation the underwriting and sponsorship agreement, agreement relating to project investment to be invested with the proceeds, engagement of service agents, etc.) required for the issuance;

PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS

- 21.4. granting the Board the authorization to adjust or determine the use of the proceeds in line with the progress of the project to be invested with the proceeds as well as the actual demand of the funds, subject to the scope of investment approved by the Shareholders' meeting; granting the Board the authorization to allow the Company to initiate the financing arrangement for the project to be invested with the proceeds before the proceeds are available for use according to the progress and needs of the project operation, and to replace the refinancing capital consumed by the project as decided by the Board resolution with the proceeds when they are ready; and granting the Board the authorization to make necessary adjustment to the project to be invested with the proceeds according to the applicable laws, regulatory requirements and the market conditions;
- 21.5. granting the Board the authorization to amend, when necessary, the related provisions of the Articles of Association according to the circumstances of the offering and conversion of the Convertible Bonds, and conduct such matters as industrial and commercial registration, registration of the change in registered capital, listing of the Convertible Bonds, etc.;
- 21.6. where there is any change in the regulatory policies with respect to the issuance of the Convertible Bonds or any change in the market conditions, except for the matters requiring voting by the Shareholders meeting according to applicable laws, regulations and the Articles of Association, granting the Board the authorization to make necessary adjustment to the issuance plan and other relevant issues;
- 21.7. in case of force majeure event or occurrence of any event significant enough making the offering becomes very difficult, or will bring adverse effect to the Company though the offering does happens, or where there is any change in the regulatory policies with respect to the issuance of Convertible Bonds, granting the Board the authorization to postpone the implementation of the issuance plan at its discretion;
- 21.8. to authorise the Board, the Chairman or any other authorised person to deal with other matters relating to the issuance of the Convertible Bonds; and
- 21.9. the resolution in respect of the authorisation in connection with the issuance of the Convertible Bonds will be valid for 12 months from the date on which the resolution is approved at a Shareholders' general meeting and Shareholders class meetings.

1. THREE YEARS AND SIX MONTHS FINANCIAL INFORMATION

The financial information of the Group for each of the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013 can be referred to in the respective annual reports and interim report of the Company, which have been published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.chinamoly.com>).

- i. annual report of the Company for the year ended 31 December 2010 (pages 37 to 95);
- ii. annual report of the Company for the year ended 31 December 2011 (pages 42 to 95);
- iii. annual report of the Company for the year ended 31 December 2012 (pages 46 to 128);
and
- iv. interim report of the Company for the six months ended 30 June 2013 (pages 24 to 108).

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

At the close of business on 30 September 2013, the Enlarged Group had outstanding borrowings, certain contingent liabilities, guarantees and cross charge, details of which are set out as follows:

Borrowings

At the close of business on 30 September 2013, the Enlarged Group had outstanding borrowings of RMB2,226.8 million (equivalent to approximately HKD2,672.2 million), which comprised guaranteed interest-bearing bank loans of RMB10.0 million (equivalent to approximately HKD12.0 million), unguaranteed interest-bearing bank loans of RMB216.8 million (equivalent to approximately HKD260.2 million) and unguaranteed interest-bearing bonds payable of RMB2,000.0 million (equivalent to approximately HKD2,400.0 million). All the borrowings of the Enlarged Group were unsecured.

Contingent liabilities

At the close of business of 30 September 2013, the Enlarged Group had the following contingent liabilities due to outstanding litigation:

On 30 January 2013, the Company received relevant documents from the Intermediate People's Court of Luoyang City, Henan Province, stating that West Lead Mine, Yangshuao, Luanchuan County (欒川縣楊樹凹西鉛礦) ("Yangshuao") filed a lawsuit accusing that the tailing storage built by the No. 3 Ore Processing Branch, a branch of the Company, was in its mining area. As the height of the dam of the tailing storage increased to occupy upwards and the level of the groundwater rose, the mining facilities and equipment of Yangshuao were damaged and its mining needed to be written off. The plaintiff was unable to exploit the defined lead-zinc ore and an economic loss was thus incurred. Therefore, the plaintiff made claims that No. 3 Ore Processing Branch shall cease the infringement and compensate the plaintiff for a direct economic loss of approximately RMB18.0 million (equivalent to approximately HKD21.6 million). The Company and its attorneys reviewed all the evidence submitted by Yangshuao and believe that the existence of the infringement claimed by the plaintiff could not be confirmed. If Yangshuao is unable to submit new evidence to the court, its claim of infringement is unlikely to be supported by the court only based on the existing evidence. Therefore, the Company believes that the litigation currently would not have any significant impact on the financial position of the Company and has not made any provision for an amount claimed in the aforesaid issue in its financial statements for the end of the period.

Guarantees

The Company has arranged a deposit of USD40.0 million (equivalent to approximately HKD312.0 million) to be provided to the Vendor, by way of bank guarantee. The Company has agreed that the deposit of USD40.0 million (equivalent to approximately HKD312.0 million) will be forfeited if Completion does not occur as a result of a default by the Company under the Asset Sale and Purchase Agreement, or if the Company fails to obtain the PRC regulatory approvals or the Shareholders' approval on or prior to the Longstop Date.

In addition, the joint venture participants of Northparkes Joint Venture provide indemnities to certain banks in respect of guarantees given to various Australian government agencies in relation to the operation of the Business. The maximum amounts of the share to the Enlarged Group in respect of these guarantees totalled AUD14.7 million (equivalent to HKD105.8 million) as at 30 September 2013. Any liabilities arising from the enforcement of these guarantees would be indemnified by the joint venture participants. No significant losses are anticipated with respect to these guarantees.

Cross charge

The joint venture participants of the Northparkes have agreed to enter into a deed of cross charge over their individual interests in Northparkes, including a charge over share of production, in order to protect the rights of individual joint venture participant in the event of default by any other joint venture participants.

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 30 September 2013, have any other outstanding loans, mortgages, charges, debentures, loan capital and bank overdrafts or other similar indebtedness, financial leases or hire purchase commitment, liabilities under acceptances (other than normal trade and other payables), or acceptance credits or any guarantees or other contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY OF THE ENLARGED GROUP

The Directors are of the opinion that, after taking into account the expected completion of the transactions as mentioned in this circular and the financial resources available to the Enlarged Group, including but not limited to its internally generated funds, cash and cash equivalents, other external facilities from banks and financial institutions, and the settlement of the Consideration payable in cash, and in the absence of unforeseen circumstances, the Enlarged Group has available sufficient working capital for its present requirements for the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date and to the best of the knowledge and belief of the Directors, there is no material adverse change in the financial or trading position of the Group since 31 December 2012, being the latest published audited financial statements of the Group were made up.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for each of the years ended 31 December 2010, 2011 and 2012 as extracted from the annual reports of the Company and for the six months ended 30 June 2013 as extracted from the interim report of the Company. The financial data in respect of the Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for the years ended 31 December 2010, 2011 and 2012 and the unaudited consolidated financial statements of the Company for the six months ended 30 June 2013.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2010

(I) BUSINESS OVERVIEW

The Group is one of the leading molybdenum producers in the PRC and its primary business operations involve molybdenum mining, flotation, roasting, smelting and downstream processing.

During the year 2010, with the benefits of efficient management, detailed organization and continued commitment of our staffs, the Group fully capitalized on its resources and vertically integrated industry chain and industry scale to overcome adverse factors such as hiking raw material price and shortage of power supply, achieving a steady increase in the production volume of molybdenum and tungsten products. In 2010, the production volume of molybdenum concentrates (including 47% Mo), molybdenum oxides (including 51% Mo), ferromolybdenum (including 60% Mo) and tungsten concentrates (including 65% WO₃) of the Group (including Luoyang Yulu Mining Co., Ltd.* (洛陽豫鷺礦業有限公司) “Yulu Company”) amounted to 31,881 tonnes, 34,040 tonnes, 26,599 tonnes and 8,354 tonnes, respectively, representing a decrease of 2.8% and an increase of 62.9%, 55.1% and 25% over 2009, respectively.

(II) FINANCIAL REVIEW

Overview

For the year ended 31 December 2010, profit before taxation was RMB1,345.6 million, representing an increase of RMB622.4 million or 86.1% from RMB723.2 million for the year ended 31 December 2009. For the year ended 31 December 2010, profit for the year attributable to the owners of the Company was RMB965.5 million, representing an increase of RMB462.2 million or 91.8% from RMB503.3 million for the year ended 31 December 2009.

Operating Results

For the year ended 31 December 2010, the Group recorded a turnover of RMB4,396.4 million, representing an increase of RMB1,350.8 million or 44.4% from RMB3,045.6 million for the year ended 31 December 2009. For the year ended 31 December 2010, the Group achieved a gross profit of RMB1,597.4 million, representing an increase of RMB767.4 million or 92.5% from RMB830.0 million for the year ended 31 December 2009.

Operating Results, Operating Cost, Gross Profit & Gross Profit Margin by Products

The table below sets out the turnover, operating cost, gross profit and gross profit margin of our products in 2010 and 2009:

Product Name	For the year ended 31 December							
	2010				2009			
	Turnover	Operating cost	Gross profit	Gross profit margin	Turnover	Operating cost	Gross profit	Gross profit margin
(RMB million)	(RMB million)	(RMB million)	(%)	(RMB million)	(RMB million)	(RMB million)	(%)	
Domestic market								
— Molybdenum additive materials	3,119.4	1,920.7	1,198.7	38.4%	2,272.1	1,574.8	697.3	30.7%
— Tungsten concentrate (containing 65% W03)	304.7	122.5	182.2	59.8%	188.7	124.6	64.1	34.0%
— Processed tungsten & molybdenum products	124.8	118.7	6.1	4.9%	177.5	169.3	8.2	4.6%
— Gold and silver	224.6	165.7	58.9	26.2%	185.2	151.4	33.8	18.3%
— Sulfuric acid (92.5% concentration)	8.3	22.5	(14.2)	(171.0%)	1.9	14.0	(12.1)	(636.8%)
— Other	225.6	211.2	14.4	6.4%	121.0	116.9	4.1	3.4%
Sub-total	4,007.4	2,561.3	1,446.1	36.1%	2,946.4	2,151.0	795.4	27.0%
International market								
— Molybdenum additive materials	356.4	206.7	149.7	42.0%	94.1	59.9	34.2	36.3%
— Processed tungsten & molybdenum products	32.6	31.0	1.6	4.9%	5.0	4.8	0.2	4.0%
— Other	—	—	—	—	—	—	—	—
Sub-total	389.0	237.7	151.3	38.9%	99.1	64.7	34.4	34.7%
Total	4,396.4	2,799.0	1,597.4	36.3%	3,045.5	2,215.7	829.8	27.2%

Turnover increased by RMB1,350.8 million or 44.4% to RMB4,396.4 million in 2010 from RMB3,045.6 million in 2009, mainly attributable to: 1) an approximately 13.7% increase in unit average selling prices of major molybdenum products for 2010 as compared with 2009; 2) a significant increase in sales volume given a production and sales rate as high as 108.1% for molybdenum products during 2010; and 3) a year-on-year increase of RMB155.3 million in the turnover for 2010 driven by the surging prices of tungsten concentrates, gold and silver products during the year.

For the year ended 31 December 2010, the operating cost (exclusive of the cost of sales after tax in the sales item) of the Group was RMB2,799.0 million, representing an increase of RMB583.3 million or 26.3% from RMB2,215.7 million for the same period in 2009. The main reasons for the increase in the operating cost are as follows: 1) a significant year-on-year increase in the sales volume of our products; and 2) increase in the sale of non-principal products from the sales and trading company of the Group.

For the year ended 31 December 2010, the average gross profit margin of the Group was 36.3%, representing an increase of 9 percentage points as compared with 27.3% for the same period in 2009. The increase in average gross profit margin was mainly attributable to the increase in the selling price which led to an increase in the overall gross profit margin of molybdenum products. In addition, tungsten products and gold and silver products also contributed to the increase in the gross profit of the Group for the year.

Other Income and Gains

For the year ended 31 December 2010, other income of the Group amounted to RMB140.7 million, representing a decrease of RMB42.3 million or 23.1% from RMB183.0 million in the same period last year. Such decrease was mainly due to: 1) a decrease of RMB36.4 million in the Group's investment in securities and interest income from deposit for the year as compared with the same period in 2009; and 2) a decrease of RMB8.0 million in subsidy income including tungsten and molybdenum key technology research subsidy and waste water treatment subsidy received by the Group as compared with the same period in 2009.

Selling and Distribution Expenses

For the year ended 31 December 2010, the selling and distribution expenses of the Group amounted to RMB15.1 million, representing an increase of RMB1.1 million or 7.9% from RMB14.0 million as compared with the same period in 2009. Such increase was mainly attributable to the significant increase in the sales volume of the relevant products.

Administrative Expenses

For the year ended 31 December 2010, the administrative expenses of the Group was RMB337.5 million, representing an increase of RMB88.9 million or 35.8% from RMB248.6 million for the same period in 2009. Such increase in administrative expenses was mainly attributable to a year-on-year increase of RMB88.4 million in expenses for technological research and development as a result of the Group's technological research and development of new materials and new techniques such as the research and application of techniques for exploitation of hostile formations in mines (礦山複雜地層勘探技術研究與應用), the technical research on safe mining in open-pit, large and difficult mined-out areas (露天礦大型難處理空區條件下安全開採技術研究) and the technology of integrated use of residual heat recycled from rotary kilns and resources from roasting of molybdenum oxide (回轉窯餘熱利用氧化鉬焙燒資源綜合利用技術) during 2010.

Other Expenses and Losses

For the year ended 31 December 2010, other expenses of the Group amounted to RMB23.9 million, representing an increase of RMB1.6 million or 7.2% from RMB22.3 million for the same period in 2009. Such increase in other expenses and losses was mainly attributable to the increase of RMB10 million in donations for the severe flooding in Luanchuan on 24 July 2010. Increase in other expenses and losses was partially offset by the decrease of losses from fixed assets in 2010. In 2009, a sum of RMB6.7 million was recorded under other expenses and losses due to the costs involved in carrying out the demolition of a factory building located behind an old office building in compliance with city planning.

Finance Costs

For the year ended 31 December 2010, the finance costs of the Group amounted to RMB41.8 million, representing an increase of RMB20.4 million or 95.3% from RMB21.4 million for the same period in 2009. Such increase was mainly attributable to an increase in bill handling charges and discount interest as the Group increased the settlement of its sales and purchase businesses in bank acceptance bills in 2010.

Share of Results of Associates

For the year ended 31 December 2010, the results of associated companies attributable to the Group amounted to RMB32.6 million, representing an increase of RMB16.0 million or 96.4% over RMB16.6 million for the same period in 2009. Such increase was mainly attributable to the increase in results of an associated company, Yulu Company for the year as compared with the corresponding period in 2009.

Share of Results of Jointly Controlled Entities

For the year ended 31 December 2010, the share of loss in jointly controlled entities attributable to the Group amounted to RMB6.7 million as compared to nil for the same period in 2009. This is mainly attributable to the operating loss incurred by Luoyang High-Tech Metals Co., Ltd. (“Luoyang High-Tech”), a jointly controlled entity recently established in 2010.

Income Tax Expenses

For the year ended 31 December 2010, the income tax expense of the Group amounted to RMB343.9 million, representing an increase of RMB155.3 million or 82.3% from RMB188.6 million for the same period in 2009. Such increase was mainly attributable to the substantial increase in profits during the period.

Non-Controlling Interests

For the year ended 31 December 2010, the non-controlling interests of the Group amounted to RMB36.1 million, representing an increase of RMB4.8 million or 15.3% from RMB31.3 million for the same period last year. Such increase was mainly attributable to the substantial increase in profits from three holding subsidiaries of the Group, namely Luanchuan County Jiuyang Mining Co., Ltd.* (欒川縣九揚礦業有限公司), Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.* (欒川縣三強鉬鎢有限公司) and Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd.* (欒川縣大東坡鉬鎢礦業有限公司).

Profit or Loss Attributable to Owners of the Company

For the year ended 31 December 2010, the profit for the year attributable to owners of the Company amounted to RMB965.5 million, representing an increase of RMB462.2 million or 91.8% from RMB503.3 million for the year ended 31 December 2009. This was mainly due to the increase in profit for the year ended 31 December 2010.

(III) FINANCIAL POSITION

For the year ended 31 December 2010, the total assets of the Group amounted to approximately RMB14,121.4 million, comprising non-current assets of approximately RMB7,803.1 million and current assets of approximately RMB6,318.4 million. Equity attributable to owners of the Company for the year ended 31 December 2010 increased by RMB573.5 million or 5.2% to RMB11,544.0 million from RMB10,970.5 million for the year ended 31 December 2009. Such increase was mainly due to the amount of profit distributed during the period not exceeding the earnings.

Current Assets

For the year ended 31 December 2010, the inventory of the Group increased by RMB593.9 million or 70% to RMB1,442.9 million from RMB849.0 million for the year ended 31 December 2009. Such increase was mainly attributable to the increase in raw materials such as lead concentrate and gold concentrate gathered by Luoyang Yongning Gold & Lead Refining Co., Ltd.* (洛陽永寧金鉛冶煉有限公司) (“Yongning Gold & Lead”) in anticipation of its production in 2011.

Financial Resources and Capital Structure

For the year ended 31 December 2010, property, plant and equipment increased by RMB243.6 million or 5.7% to RMB4,547.6 million from RMB4,304.0 million for the year ended 31 December 2009. The increase was mainly attributable to the greater efforts put into the following projects by the Company:

- 1) construction project of No.4 Crushing Station of Mining Branch (礦山公司);
- 2) renovation project for the mining branches and expansion project of tailing storage;
- 3) successful acquisition of the assets of three bankrupt gold mines located at Luoning County by Luoyang Kunyu Mining Co., Ltd.* (洛陽坤宇礦業有限公司); and
- 4) construction project of a smelting plant of Yongning Gold & Lead with a consolidated capacity of 80,000 tonnes per year.

Assets-Liabilities Ratio

The gearing ratio (total liabilities/total assets) of the Group increased to 15.1% as at 31 December 2010 from 11.0% as at 31 December 2009. Such increase was mainly attributable to the borrowings of RMB550 million to facilitate the sourcing of raw materials for the trial production of a newly constructed lead-gold smelting plant.

Cash Flow

For the year ended 31 December 2010, the Group had cash and cash equivalents of RMB2,839.4 million, representing an increase of RMB14.6 million or 0.5% from RMB2,824.8 million for the year ended 31 December 2009.

For the year ended 31 December 2010, net cash outflow generated from operating activities was RMB13.9 million; net cash outflow generated from investment activities was RMB124.6 million; net cash inflow generated from financing activities was RMB153.2 million, including the payment of dividend in the sum of RMB440.7 million in 2009.

During the period, there was a modest increase in the market prices of molybdenum products at home and abroad as a result of a weakening greenback as affected by the monetary policy of Quantitative Easing in the United States and the implementation of management on total mining since molybdenum being shortlisted as a protective mining mineral starting from 2011. During 2010, the Group implemented strict internal management and energy saving measures, thus maintaining sound operation status and healthy financial position. As at the end of 2010, the Company had sufficient capital which enabled it to operate smoothly or satisfied the liquidity needed for production capacity expansion. It also ensured funding support for any possible mergers and acquisition as well as expansion of the Group.

Exposure to Fluctuations in Exchange Rate

The Group conducts its operations in the PRC. As the production capacity of the Group increases along with the market expansion and recovery in the overseas molybdenum market, export sales to different countries by the Group or its subsidiary established in Hong Kong are expected to increase. The Group mainly settle transactions of export sales in US dollars. Due to periodicity in calculating the amount of export income, the foreign currency risks of the Group are primarily generated from the sales of products in foreign currencies.

As at 31 December 2010, the Group has no formal hedging policies in place. The Group has not entered into any foreign currency exchange contracts or derivatives to hedge against the Group's currency risks.

Exposure to Price Fluctuations of Molybdenum Products

As the trading price of the Group's molybdenum products is calculated based on international and domestic prices, the Group has been exposed to the price fluctuations of molybdenum products. In the long run, the international and domestic prices of molybdenum products mainly depend on market demand and supply. These factors are beyond our control. Further, the prices of molybdenum products are also susceptible to the global and PRC economic cycles, taxation policies as well as variations in the global currency market. The Group has not entered into any trading contracts and has not made any pricing arrangement to hedge against the risk arising from fluctuations in the price of nonferrous products.

Exposure to Interest Rate

The exposure to interest rate of the Group is mainly related to our short-term and long-term borrowings and deposits. The interest rate of outstanding liabilities of the Group is calculated based on the base rate amended by The People's Bank of China and the Hong Kong inter-bank market from time to time. As of the date of this report, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

Charge on Assets

As at 31 December 2010, the Group had pledged deposits amounting to RMB23.9million (at 31 December 2009:RMB44.0 million) to secure short term bank facilities granted by the relevant banks, and the Group had pledged bank acceptances bills amounting to RMB74.8million (at 31 December 2010:RMB50.3million) to issue bank bills.

Contingent Liabilities

As at 31 December 2010, the Group had the following contingent liabilities:

During the year ended 31 December 2009, the Group was involved in civil litigation relating to a claim from a mining company (the “plaintiff”) for damages arising from the Group’s construction of a manufacturing plant which affect the plaintiff’s mining activities in the area for an amount of approximately RMB135 million. During the year ended 31 December 2010, the plaintiff increased the claimed amount by RMB95 million to approximately RMB230 million. The Group objected against the additional claim as it was submitted after the limitation period.

As the Directors considered that the Group had good defenses to these claims and would continue to defend vigorously, no provision in connection with the legal claim has been made in the consolidated financial statements.

(IV) HUMAN RESOURCES

As at 31 December 2010, the Group employed approximately 8,083 full time employees, as compared to 8,006 full time employees as 31 December 2009. The Group’s staff costs for the year ended 31 December 2010 amounted to RMB472.8 million. The remuneration portfolio of the Group’s employees comprises salary, bonus and allowances. The Group has participated in the social insurance contribution plans introduced by the PRC local governments.

(V) PROSPECTS

In 2011, further recovery in the global economy and the acceleration of industrialization and urbanization in emerging countries have driven the iron and steel industry to experience a structural upgrade, with stainless steel and special steel gradually taking up a larger share in the market. Together with the growing applications of molybdenum in iron and steel, petrochemicals, new energy and new materials as well as the mining restrictions on molybdenum and other precious metals by countries principally engaged in molybdenum production, the molybdenum market for 2011 looks set to outperform that in 2010.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2011**(I) BUSINESS OVERVIEW**

During the year 2011, the Group achieved a steady increase in the production volume of molybdenum and tungsten products. In 2011, the production volume of molybdenum concentrates (including 47% Mo), molybdenum oxides (including 51% Mo), ferromolybdenum (including 60% Mo) and tungsten concentrates (including 65% WO₃) of the Group (including Yulu Company) amounted to approximately 33,005 tonnes, 36,935 tonnes, 29,512 tonnes and 11,670 tonnes, respectively, representing an increase of 3.5%, 8.5%, 11% and 40% over 2010, respectively.

(II) FINANCIAL REVIEW**Overview**

For the year ended 31 December 2011, profit before taxation was RMB1,533.1 million, representing an increase of RMB187.5 million or 13.9% from RMB1,345.6 million for the year ended 31 December 2010. For the year ended 31 December 2011, comprehensive income attributable to the owners of the Group was RMB1,122.8 million, representing an increase of RMB157.3 million or 16.3% from RMB965.5 million for the year ended 31 December 2010.

Operating Results

For the year ended 31 December 2011, the Group recorded a turnover of RMB6,001.7 million, representing an increase of RMB1,605.3 million or 36.5% from RMB4,396.4 million for the year ended 31 December 2010. For the year ended 31 December 2011, the Group achieved a gross profit of RMB1,927.8 million, representing an increase of RMB330.4 million or 20.7% from RMB1,597.4 million for the year ended 31 December 2010. The increase in gross profit for the period was mainly attributable to a surge in the selling price of tungsten products during the period as compared with the previous year, coupled with an increase of 25.6% in the sales volume thereof as compared with the previous year, leading to an increase of RMB283.9 million in gross profit.

Operating Results, Operating Cost, Gross Profit & Gross Profit Margin by Products

The table below sets out the turnover, cost of sales, gross profit and gross profit margin of our products in 2011 and 2010:

Product Name	For the year ended 31 December							
	2011				2010			
	Turnover	Cost of sales	Gross profit (loss)	Gross profit margin	Turnover	Cost of sales	Gross profit (loss)	Gross profit margin
	(RMB million)	(RMB million)	(RMB million)	(%)	(RMB million)	(RMB million)	(RMB million)	(%)
Domestic market								
— Molybdenum additive materials	3,367.3	2,108.5	1,258.8	37.4%	3,119.4	1,920.7	1,198.7	38.4%
— Tungsten concentrate (containing 65% WO ₃)	626.6	160.6	466.0	74.4%	304.7	122.6	182.1	59.8%
— Processed tungsten & molybdenum products	144.9	135.7	9.2	6.3%	124.8	118.7	6.1	4.9%
— Gold and silver and relevant products	638.6	452.1	186.5	29.2%	224.6	165.7	58.9	26.2%
— Electrolytic lead	401.7	433.4	(31.7)	(7.9%)	—	—	—	—
— Sulfuric acid (92.5% concentration)	26.0	36.2	(10.2)	(39.2%)	8.3	22.5	(14.2)	(171.0%)
— Others	730.7	684.2	46.5	6.4%	225.6	211.2	14.4	6.4%
Sub-total	5,935.8	4,010.7	1,925.1	32.4%	4,007.4	2,561.4	1,446.0	36.1%
International market								
— Molybdenum additive materials	49.1	46.9	2.2	4.5%	356.4	206.6	149.8	42.0%
— Processed tungsten & molybdenum products	16.8	16.3	0.5	3.0%	32.6	31.0	1.6	4.9%
Sub-total	65.9	63.2	2.7	4.1%	389.0	237.6	151.4	38.9%
Total	6,001.7	4,073.9	1,927.8	32.1%	4,396.4	2,799.0	1,597.4	36.3%

Turnover increased by RMB1,605.3 million or 36.5% to RMB6,001.7 million in 2011 from RMB4,396.4 million in 2010, mainly attributable to: 1) an increase in the turnover of molybdenum products and tungsten concentrate as compared with that of 2010 following the surge in the sales volume and the prices of molybdenum products and tungsten concentrate in 2011; 2) an increase in turnover following the additional contribution of products such as electrolytic lead, anode slime and raw lead to sales in 2011; 3) an increase in the sales from trade in 2011 as compared with that of 2010; and 4) a decrease in sales from the international market in 2011 as compared that of 2010 under the influence of international market price.

For the year ended 31 December 2011, the operating cost (exclusive of the cost of sales after tax in the sales item) of the Group was RMB4,073.9 million, representing an increase of RMB1,274.9 million or 45.5% from RMB2,799.0 million for the same period in 2010. The main reasons for the increase in the operating cost are as follows: 1) an increase in the cost of sales of molybdenum products and tungsten concentrate as compared with that of 2010, respectively following the growth in the sales volume of molybdenum products and tungsten concentrate in 2011 as compared with 2010; 2) an increase in the cost of sales following the additional contribution of products such as electrolytic lead, anode slime and raw lead to sales in 2011; and 3) the increase in costs due to the increase in sales from trade in 2011.

For the year ended 31 December 2011, the average gross profit margin of the Group was 32.1%, representing a decrease of 4 percentage points as compared with 36.3% for the same period in 2010. The main reasons for the decrease in the average gross profit margin are as follows: 1) a decrease in the average gross profit margin for the year as compared with that of 2010, which was due to an increase in the cost of sales of ferromolybdenum as compared with last year given an increase in purchase of molybdenum concentrate, being raw materials for production of ferromolybdenum, from external sources in 2011; 2) a decrease in the average gross profit margin for the year as compared with that of last year, which was due to RMB31.7 million of gross loss from additional sales of electrolytic lead in 2011 following a decrease in market price; and 3) an increase in the average gross profit margin for the year as compared with that of 2010, which was due to an increase in the gross profit margin of tungsten concentrate, gold and silver in 2011 as compared with that of 2010, given an increase of market price.

Other Income and Gains

For the year ended 31 December 2011, other income of the Group amounted to RMB66.8 million, representing a decrease of RMB73.9 million or 52.5% from RMB140.7 million for the same period in 2010. Such decrease was mainly due to a decrease of RMB19.7 million and RMB48.5 million in interest income from deposit and income from investment in debt securities for the year, respectively, as compared with that for in 2010.

Selling and Distribution Expenses

For the year ended 31 December 2011, the selling and distribution expenses of the Group amounted to RMB24.6 million, representing an increase of RMB9.5 million or 62.9% from RMB15.1 million as compared with the same period in 2010. Such increase was mainly attributable to the increase in the sales volume of the relevant products.

Administrative Expenses

For the year ended 31 December 2011, the administrative expenses of the Group was RMB271.8 million, representing an increase of RMB51.1 million or 23.2% from RMB220.7 million for the same period in 2010. Such increase in administrative expenses was mainly attributable to an increase of RMB23.8 million in all kinds of additional salary and social insurance as compared with 2010 following an increase of RMB23.9 million in salary as part of administrative expenses as compared with 2010 as a result of an increase in salary and wages of the Group for the year as compared with 2010.

Other Expenses and Losses

For the year ended 31 December 2011, other expenses of the Group amounted to RMB178.8 million, representing an increase of RMB38.1 million or 27.1% from RMB140.7 million for the same period in 2010. Such increase in other expenses and losses was mainly attributable to 1) a year-on-year increase of RMB37.4 million in expenses for technological research and development of new techniques of mining, processing, smelting and deep processing; and 2) the net losses arising from the disposal of non-functional fixed assets during the period.

Finance Costs

For the year ended 31 December 2011, the finance costs of the Group amounted to RMB95.5 million, representing an increase of RMB53.7 million or 128.5% from RMB41.8 million for the same period in 2010. Such increase was mainly attributable to an increase in finance costs as a result of a net increase of RMB1,567.6 million borrowings of the Group in 2011.

Share of Results of Associates

For the year ended 31 December 2011, the results of associated companies attributable to the Group amounted to RMB117.9 million, representing an increase of RMB85.3 million or 261.7% over RMB32.6 million for the same period in 2010. Such increase was mainly attributable to the increase in results of associated companies for the year as compared with that for the same period in 2010.

Share of Results of Jointly Controlled Entities

For the year ended 31 December 2011, the share of loss in jointly controlled entities attributable to the Group amounted to RMB8.7 million, representing an increase of RMB2 million or 29.9% from the loss of RMB6.7 million for the same period in 2010. This was mainly attributable to the operating loss incurred by Luoyang High-Tech, a jointly controlled entity during the period.

Income Tax Expenses

For the year ended 31 December 2011, the income tax expense of the Group amounted to RMB372.3 million, representing an increase of RMB28.4 million or 8.3% from RMB343.9 million for the same period in 2010. Such increase was mainly attributable to the increase in profits during the period.

Non-Controlling Interests

For the year ended 31 December 2011, the non-controlling interests of the Group amounted to RMB38.0 million, representing an increase of RMB1.9 million or 5.3% from RMB36.1 million for the same period in 2010. Such increase was mainly attributable to the increase in profits from four holding subsidiaries of the Group.

Profit or Loss Attributable to Owners of the Company

For the year ended 31 December 2011, the comprehensive income attributable to owners of the Company amounted to RMB1,124.7 million, representing an increase of RMB161.2 million or 16.7% from RMB963.5 million for the year ended 31 December 2010. This was mainly due to the increase in profit for the year ended 31 December 2011.

(III) FINANCIAL POSITION

For the year ended 31 December 2011, the total assets of the Group amounted to approximately RMB15,396.7 million, comprising non-current assets of approximately RMB8,394.5 million and current assets of approximately RMB7,002.3 million. Equity attributable to owners of the Company for the year ended 31 December 2011 decreased by RMB845.3 million or 7.3% to RMB10,698.7 million from RMB11,544.0 million for the year ended 31 December 2010. Such decrease was mainly due to the distribution of profit for 2010 and previous years during the period.

Current Assets

For the year ended 31 December 2011, current assets increased by RMB683.8 million or 10.8% to RMB7,002.3 million from RMB6,318.4 million for the year ended 31 December 2010. Such increase was mainly attributable to the increase in sales for the year and the increase in trade receivables and inventories following the commencement of production of electrolytic lead projects.

Financial Resources and Capital Structure

For the year ended 31 December 2011, property, plant and equipment decreased by RMB136.7 million or 3.0% to RMB4,410.9 million from RMB4,547.6 million for the year ended 31 December 2010, mainly attributable to the increase in accumulated depreciation during the period.

Assets-Liabilities Ratio

The gearing ratio (total liabilities/total assets) of the Group increased to 24.9% as at 31 December 2011 from 15.1% as at 31 December 2010. Such increase ratio was mainly attributable to RMB1,563 million additional borrowings of the Group and the issuance of debenture in 2011.

Cash Flow

For the year ended 31 December 2011, the Group had cash and cash equivalents of RMB2,779.2 million, representing a decrease of RMB60.2 million or 2.1% from RMB2,839.4 million for the year ended 31 December 2010.

For the year ended 31 December 2011, net cash inflow generated from operating activities was RMB975.4 million; net cash outflow generated from investment activities was RMB527.9 million; net cash outflow generated from financing activities was RMB507.8 million.

During the period, there was a modest increase in the market price of molybdenum products at home and abroad as a result of a weakening greenback as affected by the monetary policy of Quantitative Easing in the United States and the implementation of management on total mining since molybdenum being shortlisted as a protective mining mineral starting from 2011. During 2011, the Group implemented strict internal management and energy saving measures, thus maintaining sound operation status and healthy financial position. As at the end of 2011, the Company had sufficient capital which enabled it to operate in a virtuous circle or satisfy the liquidity requirement for coping with the variations in the production capacity. It also ensured funding support for any possible resource mergers and acquisition as well as expansion of the Group.

Exposure to Fluctuations in Exchange Rate

The Group conducts its operations in the PRC. As the production capacity of the Group increases along with the market expansion and recovery in the overseas molybdenum market, export sales to different countries by the Group or its subsidiary established in Hong Kong will increase. The Group mainly settle transactions of export sales in US dollars. Due to periodicity in calculating the amount of export income, the foreign currency risks of the Group are primarily generated from the sales of products in foreign currencies.

As at 31 December 2011, the Group has no formal hedging policies in place. The Group has not entered into any foreign currency exchange contracts or derivatives to hedge against the Group's currency risks.

Exposure to Price Fluctuations of Molybdenum Products

As the trading price of the Group's molybdenum products is calculated based on international and domestic prices, the Group has been exposed to the price fluctuation risk of molybdenum products. In the long run, the international and domestic prices of molybdenum products mainly depend on market demand and supply. These factors are beyond our control. Further, the prices of molybdenum products are also susceptible to the global and PRC economic cycles, taxation policies as well as fluctuations in the global currency market. The Group has not entered into any trading contracts and has not made any pricing arrangement to hedge against the risk arising from fluctuations in the price of nonferrous products.

Exposure to Interest Rate

The exposure to interest rate of the Group is mainly related to our short-term and long-term borrowings and deposits. The interest rate of outstanding liabilities of the Group is calculated based on the benchmark interest rate amended by The People's Bank of China and the Hong Kong inter-bank market from time to time. As at 31 December 2011, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

Contingent Liabilities

As at 31 December 2011, the Group had the following contingent liabilities:

During the year ended 31 December 2009, the Group was involved in a civil litigation relating to a claim from a mining company (the "plaintiff") for damages arising from the Group's construction of a manufacturing plant which affect the plaintiff's mining activities in the area for an amount of approximately RMB135 million. During the year ended 31 December 2010, the plaintiff increased the claim by RMB95 million to approximately RMB230 million. The Group has lodged objections for the additional claim as the claim was submitted after the permission period. The court has ruled in favor of the Group and rejected the increased claim. The plaintiff appealed against the decision. The appeal was not heard during the year ended 31 December 2011.

As the Directors considered that the Group had good defenses to these claims and would continue to defend vigorously, no provision in connection with the legal claim has been made in the consolidated financial statements. The appeal was filed by the plaintiff was subsequently dismissed by the court.

Charge on Assets

As at 31 December 2011, the Group had pledged deposits amounting to RMB80.9 million (at 31 December 2010: RMB23.9 million) to secure short term bank facilities granted by the relevant banks, the Group had pledged bank acceptances bills amounting to RMB105.3 million (at 31 December 2010:RMB74.8 million) to issue bank bills.

(IV) HUMAN RESOURCES

As at 31 December 2011, the Group employed approximately 8,094 full time employees, as compared to 8,083 full time employees as 31 December 2010. The Group's staff costs for the year ended 31 December 2011 amounted to RMB700.9 million. The remuneration portfolio of the Group's employees comprises salary, bonus and allowances. The Group has participated in the social insurance contribution plans introduced by the PRC local governments.

(V) PROSPECTS

In 2012, further recovery in the global economy and the acceleration of industrialization and urbanization in emerging countries have driven the iron and steel industry to experience a structural upgrade. In addition, the applications of molybdenum in iron and steel, petrochemicals, catalysts, new energy and new materials were further broadened. Owing to the fact that the current price of molybdenum is lower than production cost of certain domestic suppliers, their suspension and reduction in production and reluctance to sell would help the price of molybdenum rise steadily. Taking into account the mining restrictions on molybdenum and other precious metals by countries principally engaged in molybdenum production, we are cautiously optimistic on the outlook for the molybdenum market in 2012. Meanwhile, compared with other molybdenum enterprises, the Group's unique scheelite recovery business, precious metal business and principal molybdenum business may mutually reinforce each other, thus able to hedge against various potential market risks.

C. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

Pursuant to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” issued by Hong Kong Stock Exchange in December 2010, Mainland incorporated companies listed in Hong Kong are allowed by the Hong Kong Stock Exchange commencing from 15 December 2010 to prepare their financial statements using the China Accounting Standards for Business Enterprises (“CASBE”), and Mainland audit firms that have been approved by the Ministry of Finance of the PRC and CSCR are eligible to serve these companies as their auditors and to audit such financial statements using Mainland auditing standards. On 21 December 2012, an extraordinary general meeting of the Company was held at which the Shareholders resolved to amend the Articles of Association which enabled the Company to prepare its financial statements in accordance with Mainland accounting standards. As a result, the Company adopted CASBE in preparing its financial statements commencing from the financial year ended 31 December 2012.

(I) BUSINESS OVERVIEW

The Group is primarily engaged in the mining and processing, smelting, deep processing, trade, research and development of molybdenum, tungsten, gold and other precious metals. During the year 2012, the Company’s production volume of molybdenum remained stable and the production volume of tungsten products achieved a steady growth. In 2012, the production volume of molybdenum concentrates (including 47% Mo), molybdenum oxides (including 51% Mo), ferromolybdenum (including 60% Mo) and tungsten concentrates (including 100% WO₃) (excluding Yulu Company) of the Company amounted to approximately 32,456 tonnes, 34,148 tonnes, 25,581 tonnes and 5,496 tonnes, respectively, representing a decrease of 1.7%, 7.6%, 13.3% and an increase of 16.4% as compared with that of 2011, respectively.

(II) FINANCIAL REVIEW**Overview**

For the year ended 31 December 2012, the net profit of the Group was RMB1,016.4 million, representing a decrease of RMB139.8 million or 12.1% from RMB1,156.2 million for the year ended 31 December 2011. For the year ended 31 December 2012, net profit attributable to the owners of the parent company was RMB1,050.3 million, representing a decrease of RMB67.9 million or 6.1% from RMB1,118.2 million for the year ended 31 December 2011.

Operating Results

For the year ended 31 December 2012, the Group recorded an operating revenue of RMB5,710.9 million, representing a decrease of RMB388.8 million or 6.4% from RMB6,099.7 million for the year ended 31 December 2011. For the year ended 31 December 2012, the gross profit of the Group was RMB1,701.7 million, representing a decrease of RMB486.6 million or 22.2% from RMB2,188.3 million for the same period last year.

Operating Results, Operating Cost, Gross Profit & Gross Profit Margin by Products

The table below sets out the turnover, cost of sales, gross profit and gross profit margin of our products in 2012 and 2011:

Product Name	For the year ended 31 December							
	2012				2011			
	Turnover (RMB million)	Cost of sales (RMB million)	Gross profit (RMB million)	Gross profit margin (%)	Turnover (RMB million)	Cost of sales (RMB million)	Gross profit (RMB million)	Gross profit margin (%)
Domestic market								
— Molybdenum additive materials	2,599.5	1,860.5	739.0	28.4%	3,367.3	1,974.1	1,393.2	41.4%
— Tungsten-related products	929.0	204.6	724.4	78.0%	626.6	152.0	474.6	75.7%
— Deep-processed molybdenum products	124.6	129.0	(4.4)	(3.5%)	141.6	126.8	14.8	10.5%
— Gold and silver and relevant products	965.5	805.9	159.6	16.5%	638.6	413.2	225.4	35.3%
— Electrolytic lead	578.8	606.5	(27.7)	(4.8%)	401.7	433.4	(31.7)	(7.9%)
— Sulfuric acid	21.9	41.7	(19.8)	(90.4%)	26.0	36.2	(10.2)	(39.2%)
— Others	447.5	320.3	127.2	28.4%	828.7	708.0	120.7	14.6%
Sub-total	5,666.8	3,968.5	1,698.3	30.0%	6,030.5	3,843.7	2,186.8	36.3%
International market								
— Molybdenum additive materials	33.2	29.7	3.5	10.5%	49.1	46.8	2.3	4.7%
— Deep-processed molybdenum products	10.9	11.0	(0.1)	(0.9%)	20.1	20.9	(0.8)	(4.0%)
Sub-total	44.1	40.7	3.4	7.7%	69.2	67.7	1.5	2.2%
Total	5,710.9	4,009.2	1,701.7	29.8%	6,099.7	3,911.4	2,188.3	35.9%

For the year ended 31 December 2012, the Group recorded an operating revenue of RMB5,710.9 million, representing a decrease of RMB388.8 million or 6.4% from RMB6,099.7 million for the year ended 31 December 2011. Such decrease in operating revenue was mainly attributable to: 1) the decrease in operating revenue driven by a decrease in the selling prices of ferromolybdenum in the year under the influence of the international market price; and 2) a decrease in the sales from trade in 2012 as compared with that of 2011.

For the year ended 31 December 2012, the operating cost of the Group was RMB4,009.2 million, representing an increase of RMB97.8 million or 2.5% from RMB3,911.4 million for the same period last year. Such increase in the operating cost was mainly attributable to an increase in the sales of tungsten concentrate, gold, silver and electrolytic lead, the major products of the Group during the year.

For the year ended 31 December 2012, the average gross profit margin of the Group was 29.8%, representing a decrease of 6.1% from 35.9% for the same period last year. The main reason was the decrease in the overall gross profit margin of the Group which was due to decrease in the selling prices of ferromolybdenum, the major product of the Group, during the year as compared with the same period last year.

Business Tax and Levies

For the year ended 31 December 2012, the Group recorded a business taxes and levies of RMB268.9 million, representing an increase of RMB50.1 million or 22.9% from RMB218.8 million for the same period in 2011. Such increase was mainly due to the increase of resource tax rate during the year.

Selling Expenses

For the year ended 31 December 2012, the selling expenses of the Group amounted to RMB25.3 million, representing an increase of RMB0.7 million or 2.9% from RMB24.6 million for the same period in 2011. Such increase was mainly attributable to the increase in the sales volume of relevant products.

Administrative Expenses

For the year ended 31 December 2012, the administrative expenses of the Group was RMB433.3 million, representing a decrease of RMB26.7 million or 5.8% from RMB460.0 million for the same period in 2011. Such decrease was mainly attributable to the strengthening of expenses control imposed by the Group during the year.

For the year ended 31 December 2012, the Group's administrative expenses included a technology development fee of RMB112.7 million. The main projects included: the research on the application of the gradual advancement method through the inclined holes exposed at the flank in 1310 over-mined area in Zone E3 (邊部側翼揭露斜孔分次逐漸推進法在E3區1310空區處理中的應用研究), the research on the application of cut-and-fill by using smallbore gravels in the treatment of over-mined area (小孔徑碎石充填法在治理空區中的應用研究), the research on the application of automation for ore grinding based on the fuzzy control (基于模糊控制的磨礦自動化應用研究) and the research on the application of automatic system for dehydration and packaging of products (產品自動化脫水包裝系統應用研究).

Finance Expenses

For the year ended 31 December 2012, the finance expenses of the Group amounted to RMB49.6 million, representing a decrease of RMB19.1 million or 27.8% from RMB68.7 million for the same period in 2011. Such decrease was mainly attributable to an increase in interest income on bank structured deposits.

Investment Income

For the year ended 31 December 2012, the investment income of the Group was RMB151.0 million, representing an increase of RMB24.0 million or 18.9% from RMB127.0 million for the same period in 2011. Such increase was mainly attributable to the income increase from the investment in treasury products and improvement in results of Yulu Mining, an associated company, as compared with the same period last year.

Non-operating Income

For the year ended 31 December 2012, the non-operating income of the Group amounted to RMB54.2 million, representing an increase of RMB39.4 million or 266.2% from RMB14.8 million for the same period last year. Such increase was mainly attributable to an increase of RMB44.3 million in the government grants received during the year as compared with last year.

Non-operating Expenses

For the year ended 31 December 2012, the non-operating expenses of the Group amounted to RMB4.2 million, representing a decrease of RMB16.2 million or 79.4% from RMB20.4 million for the same period in 2011. Such decrease was mainly due to a decrease in net loss from the disposal of fixed assets in the year as compared with last year.

Income Tax Expenses

For the year ended 31 December 2012, the income tax expenses of the Group amounted to RMB80.6 million, representing a decrease of RMB275.2 million or 77.3% from RMB355.8 million for the same period last year. Such decrease was mainly attributable to the Company's entitlement to an income tax preferential ratio of 15% upon being recognized as a new and high technology enterprise during the year.

Net Profit Attributable to Owners of the Parent Company

For the year ended 31 December 2012, the net profit of the Group attributable to owners of the parent company amounted to RMB1,050.3 million, representing a decrease of RMB67.9 million or 6.1% from RMB1,118.2 million for the year ended 31 December 2011. Such decrease was mainly attributable to a decrease in the net profit for the year ended 31 December 2012.

Minority Interests

For the year ended 31 December 2012, the minority interests of the Group was RMB-33.9 million, representing a decrease of RMB71.9 million or 189.3% from RMB38.0 million for the same period last year. Such decrease was mainly attributable to the decrease in the net profit of the Group's holding companies during the year.

(III) FINANCIAL POSITION

For the year ended 31 December 2012, the total assets of the Group amounted to RMB15,749.3 million, comprising non-current assets of RMB8,135.9 million and current assets of RMB7,613.4 million. Equity attributable to shareholders of the parent company as at 31 December 2012 increased by RMB1,151.4 million or 11.1% to RMB11,541.5 million from RMB10,390.1 million as at 31 December 2011. Such increase was mainly due to the fact that the earnings in 2012 was more than the profit distribution in the same year.

Current Assets

For the year ended 31 December 2012, current assets of the Group increased by RMB762.7 million or 11.1% to RMB7,613.4 million from RMB6,850.7 million as at 31 December 2011. Such increase was mainly attributable to the proceeds from the A share listing during the year.

Non-Current Assets

For the year ended 31 December 2012, the non-current assets of the Group amounted to RMB8,135.9 million, representing an increase of RMB40.5 million or 0.5% from RMB8,095.4 million as at 31 December 2011. As at 31 December 2012, the Group put fixed assets with net book value of RMB86.5 million and land use rights with net book value of RMB34 million in pledge for bank line of credit of RMB63 million.

Current Liabilities

For the year ended 31 December 2012, the current liabilities of the Group amounted to RMB1,305.6 million, representing a decrease of RMB2,061.2 million or 61.2% from RMB3,366.8 million as at 31 December 2011.

Non-Current Liabilities

For the year ended 31 December 2012, the non-current liabilities of the Group amounted to RMB2,072.3 million, representing an increase of RMB1,752.0 million or 546.9% from RMB320.3 million as at 31 December 2011.

As at 31 December 2012, the Group had no contingent liabilities.

Assets-Liabilities Ratio

The gearing ratio (total liabilities/total assets) of the Group dropped to 21.4% as at 31 December 2012 from 24.7% as at 31 December 2011.

Cash Flow

For the year ended 31 December 2012, the Group had cash and cash equivalents of RMB1,463.6 million, representing a decrease of RMB1,315.6 million or 47.3% from RMB2,779.2 million as at 31 December 2011.

For the year ended 31 December 2012, net cash inflow generated from operating activities was RMB1,606.2 million; net cash outflow generated from investment activities was RMB2,666.9 million; net cash outflow generated from financing activities was RMB254.8 million, including the payment for dividends in 2011 of RMB352.2 million.

During 2012, the Group implemented strict internal management and costs saving measures, thus maintaining sound operation status and healthy financial position. As at the end of 2012, the Company had sufficient capital which enabled it to operate in a virtuous circle or satisfy the liquidity requirement for coping with the variations in the production capacity. It also ensured funding support for any possible resource mergers and acquisitions as well as expansion of the Group.

Exposure to Price Fluctuations of Products

As the trading price of the Group's molybdenum, tungsten and precious metals products are calculated based on international and domestic prices, the Group has been exposed to the price fluctuation risk of molybdenum, tungsten and precious metals products. In the long run, the international and domestic prices of molybdenum, tungsten and precious metals products mainly depend on market demand and supply. These factors are beyond our control. Further, the prices of molybdenum, tungsten and precious metals products are also susceptible to the global and PRC economic cycles, taxation policies as well as fluctuations in the global currency market. The Group has not entered into any trading contracts and has not made any pricing arrangement to hedge against the risk arising from fluctuations in the price of nonferrous products.

Exposure to the Mineral Resources

As an enterprise engaged in mineral exploitation, the Company is dependent on resources. The retained reserves and grade of mineral resources directly affect the Company's operation and development. The exploitation of mineral reserves with relatively low grade may be economically infeasible if the cost of production rises due to fluctuations in the market price of metal products, the drop in the recovery rate, inflation or other factors, or restrictions caused by technical problems and natural conditions such as weather and natural disasters in the process of mining. Therefore, full utilisation of the retained reserves of the Company cannot be guaranteed and the production capacity of the Company might be affected.

Exposure to Interest Rate

The exposure to interest rate of the Group is mainly related to our short-term and long-term borrowings and deposits. The outstanding liabilities of the Group are calculated based on the benchmark interest rate amended by The People's Bank of China and the Hong Kong inter-bank market from time to time. As at 31 December 2012, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

Contingent Liabilities

As at 31 December 2012, the Group had the following contingent liabilities:

On 17 December 2012, the Company received relevant documents from the Intermediate People's Court of Luoyang City, Henan Province, stating that Feihongxiang Mining Company Limited, Luoyang, (洛陽市飛虹祥礦業有限公司) ("Feihongxiang") filed a lawsuit alleging that the construction of Luchanggou tailing storage owned by the Company was occupied the Wangjiagou lead and zinc mining area owned by Feihongxiang and demanded the Company to cease the infringement and compensate for their damages by approximately RMB150 million. The Company and its attorneys believe that no occupancy recognised by the competent administration department of national land and resources and construction over the mining rights of Wangjiagou existed in Luchanggou tailing storage. In addition, pursuant to the proof from the competent environmental protection department in the location where the Luchanggou tailing storage of the Company is situated, there is currently insufficient rationale that, as Feihongxiang believed, the sewage discharged by Luchanggou tailing storage breached relevant regulations and eroded the mineral deposit of Wangjiagou mining area. Therefore, the Company believed that the litigation would not have any significant impact on the financial position of the Company and has not made any provision for an amount claimed in the aforesaid issue in its financial statements for the year ended 31 December 2012. Subsequently, Feihongxiang had applied for and approved by the court the withdrawal of its petition against the Company for infringement.

On 30 January 2013, the Company received relevant documents from the Intermediate People's Court of Luoyang City, Henan Province, stating that West Lead Mine, Yangshuao, Luanchuan County (欒川縣楊樹凹西鉛礦) ("Yangshuao") filed a lawsuit alleging that the tailing storage built by the No. 3 Ore Processing Branch, a subsidiary of the Company, was within its mining area. As the height of the dam of the tailing storage increased to occupy upwards and the level of the groundwater rose, the mining facilities and equipment of Yangshuao were damaged and its mining rights needed to be written off. The plaintiff was unable to exploit the defined lead-zinc ore and an economic loss was thus incurred. Therefore, the plaintiff made claims that No. 3 Ore Processing Branch should cease the infringement and compensate the plaintiff for a direct economic loss of approximately RMB18 million. Having reviewed the evidence, the Company and its attorneys were of the view that the existence of the infringement alleged by the plaintiff could not be confirmed. If Yangshuao was unable to submit new evidence to the court, its claim of infringement was unlikely to be supported by the court based on the evidence submitted. Therefore, the Company believed that the litigation would not have any significant impact on the financial position of the Company and has not made any provision for the amount claimed in its financial statements for the year ended 31 December 2012.

(IV) HUMAN RESOURCES

As at 31 December 2012, the Group employed approximately 8,139 full time employees, as compared to 8,094 full time employees as 31 December 2011. The Group's staff costs for the year ended 31 December 2012 amounted to RMB606.8 million. Based on the general operation of the Company and the contribution of employees, the Group provided employees with remuneration and benefits, including salary, pension insurance, medical insurance, unemployment insurance, maternity insurance, work injury insurance, housing reserve fund and state-administered retirement benefit scheme.

(V) PROSPECTS

In 2013, based on the future economic and market dynamics, the management of the Company will tenaciously adhere to the development strategies of the Group to make the third leap forward development in history. Particular efforts will be put into the following areas: 1) spare no efforts in the management over the Group's existing business segments, with plans to produce approximately 29,240 tonnes of molybdenum concentrates (containing 47% Mo), 5,600 tonnes of tungsten concentrates (containing 100% WO₃); 2) adhere to its strategy of a molybdenum-led development supplemented by tungsten and precious metal business; 3) alter its economic growth pattern by adjusting and optimising industrial institutions, increasing investment in scientific research and development and focusing on the key technology research and development programs; 4) actively adjust marketing strategy and enhance market competitiveness to endeavor to capture market shares; 5) step up human resources management, optimize the Company's talent structure, strive to attract and cultivate talents, and strengthen technological innovation, in a bid to lay a solid talent base for future development of the Group; and 6) persist on its "go global" strategy. By making the best use of opportunities in the current economic environment, the Company will endeavor to identify potential targets for mergers and acquisitions domestically and internationally so as to expand its business, improve its profitability and maximise shareholders' value.

D. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2013**(I) BUSINESS REVIEW**

During the first half of 2013, capitalising on its abundant resources, scale of production and an integrated production chain, the Group's production volume of its major products increased at various degrees as compared with the same period last year. From January to June, the Group's production of molybdenum concentrates (including 47% Mo) amounted to approximately 17,380 tonnes, representing an increase of 6.53% as compared with the same period last year. The production of tungsten (100% WO₃) amounted to 3,264 tonnes (excluding Yulu Company), representing an increase of 19.74% as compared to the same period last year. The Group produced approximately 38,880 tonnes of sulphuric acid (98% concentration), 786 kg of gold and 40,786 kg of silver. Based on the market condition in the first half of 2013, the Group concentrated its sales in the domestic market. The top ten clients of the Company accounted for 30.31% of its domestic sales volume.

(II) FINANCIAL REVIEW**Overview**

For the six months ended 30 June 2013, profit attributable to owners of the Company was RMB604.9 million, representing a decrease of RMB115.8 million or 16.1% from RMB720.7 million for the six months ended 30 June 2012.

Operating Results

For the six months ended 30 June 2013, the Group recorded an operating revenue of RMB2,689.7 million, representing a decrease of RMB343.4 million or 11.3% from RMB3,033.1 million for the six months ended 30 June 2012. For the six months ended 30 June 2013, the Group achieved a gross profit of RMB875.9 million, representing a decrease of RMB170.1 million or 16.3% from RMB1,046.0 million in the same period last year.

Operating Results, Operating Cost, Gross Profit & Gross Profit Margin by Products

The table below sets out the operating revenue, operating cost, gross profit and gross profit margin of the Group's products in the first half of 2013 and in the first half of 2012:

Product Name	First half of 2013				First half of 2012			
	Operating revenue (RMB million)	Operating cost (RMB million)	Gross profit (RMB million)	Gross profit margin (%)	Operating revenue (RMB million)	Operating cost (RMB million)	Gross profit (RMB million)	Gross profit margin (%)
Domestic market								
— Molybdenum additive materials	1,245.1	802.5	442.6	35.6%	1,450.2	965.0	485.2	33.5%
— Tungsten concentrate (100%WO ₃)	545.2	101.6	443.6	81.4%	515.7	114.5	401.2	77.8%
— Processed tungsten & molybdenum products	17.6	17.7	(0.1)	(0.6%)	68.2	65.7	2.5	3.7%
— Gold and silver and relevant products	354.0	323.7	30.3	8.6%	211.0	141.7	69.3	32.8%
— Electrolytic lead	299.9	358.6	(58.7)	(19.6%)	299.3	302.7	(3.4)	(1.1%)
— Other	214.7	197.4	17.3	8.1%	461.0	373.6	87.4	19.0%
Sub-total	2,676.5	1,801.5	875	32.7%	3,005.4	1,963.2	1,042.2	34.7%

Product Name	First half of 2013				First half of 2012			
	Operating revenue (RMB million)	Operating cost (RMB million)	Gross profit (RMB million)	Gross profit margin (%)	Operating revenue (RMB million)	Operating cost (RMB million)	Gross profit (RMB million)	Gross profit margin (%)
International market								
— Molybdenum additive materials	13.2	12.3	0.9	6.8%	21.7	18.3	3.4	15.7%
— Processed tungsten & molybdenum products	—	—	—	—	6.0	5.6	0.4	6.7%
Sub-total	13.2	12.3	0.9	6.8%	27.7	23.9	3.8	13.7%
Total	2,689.7	1,813.8	875.9	32.6%	3,033.1	1,987.1	1,046.0	34.5%

The operating revenue decreased by RMB343.4 million or 11.3% to RMB2,689.7 million in the same period of 2013 from RMB3,033.1 million in the first half of 2012, mainly attributable to: 1) a decrease in the selling prices of ferromolybdenum, gold and silver which are major products of the Group as compared with the same period last year, given the overall economic environment, and causing a decrease in operating revenue; and 2) a decrease in the sales volume of ferromolybdenum and deep-processed molybdenum products as compared with the same period last year.

For the six months ended 30 June 2013, the operating cost of the Group amounted to RMB1,813.8 million, representing a decrease of RMB173.3 million or 8.7% from RMB1,987.1 million for the same period last year, mainly attributable to: 1) the decrease in the sales volume of ferromolybdenum during the period as compared with the same period last year; and 2) the significant decrease in the cost of molybdenum and related products as compared with the same period last year following the intensified costs management of the Group during the period.

For the six months ended 30 June 2013, the average gross profit margin of the Group was 32.6%, representing a decrease of 1.9 percentage points as compared with 34.5% for the same period last year, mainly attributable to the slight decline in the overall gross profit of the Group as a result of a decrease in the selling prices of gold and silver and relevant products of the Group during the period as compared with the same period last year and the decline in the gross profit of electrolytic lead products.

Business Tax and Surcharges

For the six months ended 30 June 2013, the business tax and surcharges of the Group amounted to RMB125.0 million, representing a decrease of RMB15.9 million or 11.3% from RMB140.9 million for the same period last year. Such decrease was mainly attributable to a decrease in the payable turnover taxes during the period.

Selling Expenses

For the six months ended 30 June 2013, the selling expenses of the Group amounted to RMB9.2 million, representing a decrease of RMB3.2 million or 25.8% from RMB12.4 million for the same period last year, which was mainly attributable to a decrease in the sales volume of relevant products.

Administrative Expenses

For the six months ended 30 June 2013, the administrative expenses of the Group amounted to RMB139.2 million, representing a decrease of RMB71.4 million or 33.9% from RMB210.6 million for the same period last year. Such decrease was mainly attributable to the reduction of administrative expenses following the strengthening of budget management.

Finance Expenses

For the six months ended 30 June 2013, the finance expenses of the Group amounted to RMB9.6 million, representing a decrease of RMB20.7 million or 68.3% from RMB30.3 million for the same period last year. Such decrease was mainly attributable to an increase in interest income on structured bank deposits during the period.

Investment Income

For the six months ended 30 June 2013, the investment income of the Group was RMB137.7 million, representing an increase of RMB61.5 million or 80.7% from RMB76.2 million for the same period last year. Such increase was mainly attributable to the increase in income from the investment in treasury products and improvement in results of Yulu Company, an associated company, as compared with the same period last year.

Non-operating Income

For the six months ended 30 June 2013, the non-operating income of the Group amounted to RMB7.0 million, representing a decrease of RMB17.3 million or 71.2% from RMB24.3 million for the same period last year. Such decrease was mainly attributable to a decrease in the government grants received during the period as compared with the same period last year.

Non-operating Expenses

For the six months ended 30 June 2013, the non-operating expenses of the Group amounted to RMB1.8 million, which was on par with RMB1.8 million for the same period last year.

Income Tax Expenses

For the six months ended 30 June 2013, the income tax expenses of the Group amounted to RMB111.3 million, representing an increase of RMB88.7 million or 392.5% from RMB22.6 million for the same period last year. Such increase was mainly attributable to the income tax refund due to the Company's entitlement to an income tax preferential ratio as a new and high technology enterprise for 2011 during the same period last year.

Net Profit Attributable to Owners of the Parent Company

For the six months ended 30 June 2013, the net profit of the Group attributable to owners of the parent company amounted to RMB604.9 million, representing a decrease of RMB115.8 million or 16.1% from RMB720.7 million for the six months ended 30 June 2012. Such decrease was mainly attributable to the fact that there was an income tax refund in the same period last year.

Minority Interests

For the six months ended 30 June 2013, the minority interests of the Group was RMB50.3 million, representing a decrease of RMB45.5 million or 947.9% from RMB4.8 million for the same period last year. Such decrease was mainly attributable to the decrease in the net profit of the Group's holding companies during the period.

(III) FINANCIAL POSITION

For the six months ended 30 June 2013, the total assets of the Group amounted to RMB16,349.7 million, comprising non-current assets of RMB7,999.9 million and current assets of RMB8,349.8 million. Equity attributable to shareholders of the parent company for the six months ended 30 June 2013 increased by RMB40.7 million or 0.4% to RMB11,582.2 million from RMB11,541.5 million as at 31 December 2012. Such increase was mainly due to the increase in profit of the Company during the period.

Current Assets

As at 30 June 2013, the current assets of the Group increased by RMB736.4 million or 9.7% to RMB8,349.8 million from RMB7,613.4 million as at 31 December 2012. Such increase was mainly attributable to the increase in current assets as bank borrowings increased during the period.

Non-Current Assets

As at 30 June 2013, the non-current assets of the Group amounted to RMB7,999.9 million, representing a decrease of RMB136 million or 1.7% from RMB8,135.9 million as at 31 December 2012. As at 30 June 2013, the Group did not put non-current assets in pledge.

Current Liabilities

As at 30 June 2013, the current liabilities of the Group amounted to RMB1,941.3 million, representing an increase of RMB635.7 million or 48.7% from RMB1,305.6 million as at 31 December 2012. Such increase was mainly attributable to the increase in short-term borrowings during the period.

Non-Current Liabilities

As at 30 June 2013, the non-current liabilities of the Group amounted to RMB2,072.9 million, representing an increase of RMB0.6 million or 0.03% from RMB2,072.3 million as at 31 December 2012.

As at 30 June 2013, the Group had no contingent liabilities.

Assets-Liabilities Ratio

The gearing ratio (total liabilities/total assets) of the Group increased to 24.6% as at 30 June 2013 from 21.4% as at 31 December 2012

Cash Flow

As at 30 June 2013, the Group had cash and cash equivalents of RMB1,253.5 million, representing a decrease of RMB210.1 million or 14.4% from RMB1,463.6 million as at 31 December 2012.

For the six months ended 30 June 2013, net cash inflow generated from operating activities was RMB1,063.8 million; net cash inflow generated from investment activities was RMB-1,400.2 million; net cash inflow generated from financing activities was RMB126.3 million, including the payment of dividends for 2012 of RMB571.5 million.

During the first half of 2013, the Group implemented strict internal management and costs saving measures, thus maintaining sound operation status and healthy financial position. For the six months ended 30 June 2013, the Company had sufficient capital which enabled it to operate in a virtuous circle and satisfy the liquidity requirement for coping with the variations in the production capacity.

Exposure to Fluctuations in Exchange Rate

The Group conducts its operations in the PRC. As the production capacity of the Group increases along with its development in the markets and recovery in the overseas molybdenum market, export sales to different countries by the Group or its subsidiary established in Hong Kong will increase. The Group mainly settles transactions of export sales in US dollars. Due to periodicity in calculating the amount of export income, the foreign currency risks of the Group are primarily generated from the sales of products in foreign currencies.

As at 30 June 2013, the Group has no formal hedging policies in place. The Group has not entered into any foreign currency exchange contracts or derivatives to hedge against the Group's currency risks.

Exposure to Price Fluctuations of Products

As the trading price of the Group's molybdenum, tungsten and precious metals products are calculated based on international and domestic prices, the Group has been exposed to the price fluctuation risk of molybdenum, tungsten and precious metals products. In the long run, the international and domestic prices of molybdenum, tungsten and precious metals products mainly depend on market demand and supply. These factors are beyond our control. Further, the prices of molybdenum, tungsten and precious metals products are also susceptible to the global and PRC economic cycles, taxation policies as well as fluctuations in the global currency market. The Group has not entered into any trading contracts and has not made any pricing arrangement to hedge against the risk arising from fluctuations in the price of nonferrous products.

Exposure to the Mineral Resources

As an enterprise engaged in mineral exploitation, the Company is highly dependent on resources. The retained reserves and grade of mineral resources directly affect the Company's operation and development. The exploitation of mineral reserves with relatively low grade may be economically infeasible if the cost of production rises due to fluctuations in the market price of metal products, the drop in the recovery rate, inflation or other factors, or restrictions caused by technical problems in the process of mining and natural conditions such as weather and natural disasters. Therefore, full utilization of the retained reserves of the Company cannot be guaranteed and the production capacity of the Company might be affected.

Exposure to Interest Rate

The exposure to interest rate of the Group is mainly related to our short-term and long-term borrowings and deposits. The outstanding liabilities of the Group are calculated based on the benchmark interest rate amended by The People's Bank of China and the Hong Kong inter-bank market from time to time. As at 30 June 2013, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

(IV) MATERIAL ACQUISITION AND DISPOSAL

In May 2010, the Company completed the transfer of its 50% interests in Luoyang High-Tech Metals Co., Ltd.* (洛陽高科鉬鎢材料有限公司) (“Luoyang High-Tech”) to Eastern Special Metals Hong Kong Limited (a subsidiary wholly-owned by Molibdenos y Metales S.A. (“Molymet”)) for a consideration of approximately RMB258 million. Following the completion of the transfer, Luoyang High-Tech became a sino-foreign equity joint venture. In addition, the Group acquired 100% equity interest of Luoyang Construction Investment and Mining Co., Ltd.* (洛陽建投礦業有限公司) and 100% equity interest of Luanchuan Huqi Mining Company Limited* (欒川縣滬七礦業有限公司) on 22 April 2010 and 5 May 2010, respectively, as a result, the Company became indirectly interested in 55% equity interest in Shangfanggou molybdenum mine (上房溝).

On 16 August 2010, Xinjiang Luomu Mining Co., Ltd.* (新疆洛鉬礦業有限公司) was jointly incorporated by the Company and Henan Yukuang Xinyuan Mining Co., Ltd.* (河南豫礦鑫源礦業有限公司), an institution under the administration of Henan Provincial Bureau of Geo-exploration and Mineral Development. On 12 November 2010, the Company, No.2 Geological Institution of Henan Provincial Bureau of Geoexploration and Mineral Development and other parties executed a transfer agreement of a molybdenum mine located in East Gobi, Hami, Xinjiang.

On 22 November 2010, the Company, Henan Yukuang Xinyuan Mining Co., Ltd.* (河南豫礦鑫源礦業有限公司), State-owned Assets Investment and Operation Company Limited of Hami District (哈密地區國有資產投資經營有限公司) and Xinjiang Luomu Mining Co., Ltd.* jointly entered into a co-operation agreement in relation to the development of the molybdenum mine located in East Gobi, Hami, Xinjiang, the PRC.

Save as disclosed, the Group did not make any material acquisition or disposal of subsidiary or associate companies in the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013.

(V) SIGNIFICANT INVESTMENTS

Save as disclosed in this circular, there were no other significant investments held during the period under review.

(VI) HUMAN RESOURCES

As at 30 June 2013, the Group employed approximately 8,235 employees, as compared to 8,121 employees as at 30 June 2012. The Group's staff costs for the six months ended 30 June 2013 amounted to RMB307.89 million. Based on the general operation of the Company and the contribution of employees, the Group provided employees with remuneration and benefits, including salary, pension insurance, medical insurance, unemployment insurance, maternity insurance, work injury insurance, housing reserve fund and state-administered retirement benefit scheme.

(VII) PROSPECTS

In the second half of 2013, the production volume of major products will remain the same as that in the first half of 2013 with reference to the market conditions.

The management of the Company will aggressively respond to opportunities and challenges in the molybdenum and tungsten markets, to further carry on with production and operation to fully meet the targets set for the year. In addition, the Company will seek to implement new projects and to develop new economic growth. Through vigorous resource integration and overseas acquisitions in strict adherence to our corporate development strategies, the Company expects to enhance its comprehensive strengths and profitability to achieve better returns to shareholders.



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**ACCOUNTANTS' REPORT
ON THE RELEVANT BUSINESSES**

The Directors

China Molybdenum Co., Ltd.

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of the Relevant Businesses (defined below), which are proposed to be sold by Rio Tinto’s wholly-owned subsidiary North Mining Limited (“NML”) as vendor to China Molybdenum Co., Ltd. (“CMOC” or the “Company”) as purchaser pursuant to a binding agreement entered into effective on 26 July 2013, for each of the three years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013 (the “Relevant Periods”) for inclusion in the circular of CMOC dated 8 November 2013 (the “Circular”) in connection with the proposed acquisition of the Relevant Businesses by the Company constituting a very substantial acquisition under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Relevant Businesses represent (i) through NML, Rio Tinto’s indirect joint control interest in an unincorporated joint venture which is known as “Northparkes Joint Venture”, which in turn owns the Northparkes Mine; and (ii) through an agreement known as the “Northparkes Management Agreement” dated 22 July 1993, NML’s mine management business over the Northparkes Mine where NML has been appointed as the manager to manage the daily operation of the Northparkes Mine. The joint control interest over the Northparkes Joint Venture has been accounted by NML as a jointly controlled operation reflecting NML’s rights to the assets, and the obligation for the liabilities relating to the joint venture arrangement over the Northparkes Mine. As NML also has other businesses not subject to the proposed transaction as mentioned above, the Financial Information of the Relevant Businesses has been segregated from the books and records of NML. Income, expenditures, assets and liabilities directly attributable to the Relevant Businesses are allocated to the Relevant Businesses specifically.

As at the date of this report, no statutory financial statements have been prepared for the Relevant Businesses as the Relevant Businesses were not a separate legal entity subject to regulatory reporting requirements during the Relevant Periods.

For the purpose of this report, the management of the Relevant Businesses have prepared the financial statements of the Relevant Businesses for the Relevant Periods (the “Underlying Financial Statements”) using accounting policies which are in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). We have undertaken an independent audit of the Financial Information of the Relevant Businesses for the Relevant Periods in accordance with International Standards on Auditing (“ISA”) issued by the International Auditing and Assurance Standards Board (“IAASB”).

We have examined the Financial Information in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

The Financial Information set out in this report has been prepared by the directors of the Company based on the aforementioned Underlying Financial Statements and in accordance with the accounting policies set out in Note 3 to the Financial Information for inclusion in the Circular. No adjustments were considered necessary to the Underlying Financial Statements in the preparation of the Financial Information for inclusion in the Circular.

The directors of the Company are responsible for the Financial Information and the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation of the Financial Information set out in Note 1 below, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Relevant Businesses as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, and of the results and cash flows of the Relevant Businesses for the Relevant Periods.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Relevant Businesses for the six months ended 30 June 2012, together with the notes thereon (together the “June 2012 Financial Information”) have been extracted from the Relevant Businesses’ unaudited financial statements for the same period (the “June 2012 Underlying Financial Statements”) which were prepared by management of the Relevant Businesses for the purpose of this report. The June 2012 Financial Information set out in this report has been prepared by the directors of the Company based on the aforementioned June 2012 Underlying Financial Statements.

We conducted our review of the June 2012 Financial Information in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB. Our review of the June 2012 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2012 Financial Information.

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the June 2012 Financial Information does not in all material respects present a true and fair view in accordance with the basis of preparation set out in Note 1 to the Financial Information.

A. FINANCIAL INFORMATION OF THE RELEVANT BUSINESSES

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Years ended 31 December			Six months ended 30 June	
		2012	2011	2010	2013	2012
<i>(in thousands of Australian dollars)</i>						<i>(unaudited)</i>
Sales revenue	5	438,219	388,939	337,695	182,352	204,804
Cost of sales		<u>(170,895)</u>	<u>(152,169)</u>	<u>(124,316)</u>	<u>(77,298)</u>	<u>(77,629)</u>
Gross profit		<u>267,324</u>	<u>236,770</u>	<u>213,379</u>	<u>105,054</u>	<u>127,175</u>
Exploration expenses		(46,991)	(35,206)	(9,080)	(4,559)	(27,590)
Administrative expenses		(18,110)	(14,651)	(14,789)	(7,501)	(8,614)
Marketing and distribution expenses		(11,908)	(12,286)	(15,664)	(6,183)	(5,368)
Finance items — net	6	11,832	10,579	6,157	5,864	6,122
Other — net		<u>4,602</u>	<u>(1,846)</u>	<u>260</u>	<u>2,466</u>	<u>2,160</u>
Profit before tax	7	206,749	183,360	180,263	95,141	93,885
Income tax expense	9	<u>(59,331)</u>	<u>(53,889)</u>	<u>(53,847)</u>	<u>(28,816)</u>	<u>(27,551)</u>
Profit for the period		<u>147,418</u>	<u>129,471</u>	<u>126,416</u>	<u>66,325</u>	<u>66,334</u>
Total comprehensive income for the period		<u>147,418</u>	<u>129,471</u>	<u>126,416</u>	<u>66,325</u>	<u>66,334</u>

COMBINED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December			At 30 June
		2012	2011	2010	2013
<i>(in thousands of Australian dollars)</i>					
Assets					
Non-current assets					
Property, plant and equipment	10	418,705	399,838	367,977	405,622
Inventories	11	61,582	61,622	54,795	61,316
Total non-current assets		480,287	461,460	422,772	466,938
<i>Current assets</i>					
Loans receivable	17	459,707	305,215	183,724	530,202
Inventories	11	19,513	21,622	25,232	20,139
Trade and other receivables	12	49,680	82,769	90,196	44,038
Cash and cash equivalents		8,319	6,418	1,155	6,778
Total current assets		537,219	416,024	300,307	601,157
Total assets		1,017,506	877,484	723,079	1,068,095
Liabilities and Equity					
<i>Non-current liabilities</i>					
Deferred tax liabilities	9	13,304	13,525	11,894	13,902
Provisions	14	69,828	65,542	56,753	70,535
Total non-current liabilities		83,132	79,067	68,647	84,437

	Notes	At 31 December			At 30 June
		2012	2011	2010	2013
<i>(in thousands of Australian dollars)</i>					
<i>Current liabilities</i>					
Trade and other payables	15	39,310	49,039	31,830	34,379
Income taxes payable	9	26,948	31,266	34,359	17,309
Provisions	14	8,643	6,057	5,659	6,172
Total current liabilities		<u>74,901</u>	<u>86,362</u>	<u>71,848</u>	<u>57,860</u>
Total liabilities		<u>158,033</u>	<u>165,429</u>	<u>140,495</u>	<u>142,297</u>
<i>Equity</i>					
Owner's net investment		<u>859,473</u>	<u>712,055</u>	<u>582,584</u>	<u>925,798</u>
Total equity		<u>859,473</u>	<u>712,055</u>	<u>582,584</u>	<u>925,798</u>
Total liabilities and equity		<u>1,017,506</u>	<u>877,484</u>	<u>723,079</u>	<u>1,068,095</u>

COMBINED STATEMENT OF CHANGES IN EQUITY

<i>(in thousands of Australian dollars)</i>	Owner's Net Investment	Total Equity
At 1 January 2010	486,168	486,168
<i>Year ended 31 December 2010 Activity:</i>		
Total comprehensive income for the year	126,416	126,416
Transfers to the Owner	(30,000)	(30,000)
	<hr/>	<hr/>
At 31 December 2010	582,584	582,584
<i>Year ended 31 December 2011 Activity:</i>		
Total comprehensive income for the year	129,471	129,471
	<hr/>	<hr/>
At 31 December 2011	712,055	712,055
<i>Year ended 31 December 2012 Activity:</i>		
Total comprehensive income for the year	147,418	147,418
	<hr/>	<hr/>
At 31 December 2012	859,473	859,473
<i>Six months ended 30 June 2013 Activity:</i>		
Total comprehensive income for the period	66,325	66,325
	<hr/>	<hr/>
At 30 June 2013	<u>925,798</u>	<u>925,798</u>
At 1 January 2012 (audited)	712,055	712,055
<i>Six months ended 30 June 2012 Activity:</i>		
Total comprehensive income for the period	66,334	66,334
	<hr/>	<hr/>
At 30 June 2012 (unaudited)	<u>778,389</u>	<u>778,389</u>

COMBINED STATEMENT OF CASH FLOWS

	Notes	Years ended 31 December			Six months ended 30 June	
		2012	2011	2010	2013	2012
<i>(in thousands of Australian dollars)</i>						<i>(unaudited)</i>
Cash flows from operating activities						
Receipts from customers		471,309	396,366	287,959	187,994	243,001
Payments to suppliers and employees		<u>(188,483)</u>	<u>(147,663)</u>	<u>(139,923)</u>	<u>(71,629)</u>	<u>(106,464)</u>
Cash generated from operations		282,826	248,703	148,036	116,365	136,537
Income taxes paid	9	<u>(63,870)</u>	<u>(55,351)</u>	<u>(23,660)</u>	<u>(37,857)</u>	<u>(40,970)</u>
Net cash generated by operating activities		<u>218,956</u>	<u>193,352</u>	<u>124,376</u>	<u>78,508</u>	<u>95,567</u>
Cash flows from investing activities						
Payments for purchases of property, plant and equipment		(62,563)	(66,598)	(60,004)	(9,554)	(17,809)
Advances on loans receivable	17	<u>(154,492)</u>	<u>(121,491)</u>	<u>(33,408)</u>	<u>(70,495)</u>	<u>(78,807)</u>
Cash used in investing activities		<u>(217,055)</u>	<u>(188,089)</u>	<u>(93,412)</u>	<u>(80,049)</u>	<u>(96,616)</u>
Cash flows from financing activities						
Transfers to the Owner		<u>—</u>	<u>—</u>	<u>(30,000)</u>	<u>—</u>	<u>—</u>
Cash used in financing activities		<u>—</u>	<u>—</u>	<u>(30,000)</u>	<u>—</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents						
Opening cash and cash equivalents		<u>6,418</u>	<u>1,155</u>	<u>191</u>	<u>8,319</u>	<u>6,418</u>
Closing cash and cash equivalents		<u><u>8,319</u></u>	<u><u>6,418</u></u>	<u><u>1,155</u></u>	<u><u>6,778</u></u>	<u><u>5,369</u></u>

1. GENERAL INFORMATION

Throughout the Relevant Periods, Rio Tinto's interest in the Northparkes Mines was held by NML. Rio Tinto is comprised of Rio Tinto plc and Rio Tinto Limited and their respective subsidiaries, joint arrangements and associates. NML holds an 80 per cent interest in the unincorporated joint venture operating under the name of Northparkes Mines (NPM). Collectively, NML's corporate and commercial activities pertaining to NPM and its 80 per cent holding in the revenues, expenses, assets and liabilities of NPM are referred to as the Relevant Businesses throughout this document. When used throughout this document, Rio Tinto or Owner refers to Rio Tinto and, where applicable, one or more of its subsidiaries, joint arrangements and associates.

Throughout the Relevant Period, the Relevant Businesses were headquartered in Parkes, New South Wales, Australia.

On 29 July 2013 Rio Tinto announced it had reached a binding agreement for the sale of the Relevant Businesses to China Molybdenum Co., Ltd. ("CMOC") for \$820 million U.S. dollars ("USD") (equivalent to approximately HKD\$6,361 million Hong Kong dollars ("HKD") at the announcement date), subject to certain conditions.

Description of business

NPM is a copper and gold mining and processing operation in Goonumbla, situated approximately 27 kilometres northwest of the town of Parkes in Central West New South Wales.

As described above, NML holds an 80 per cent interest in NPM and has been appointed as the Manager under the terms of the Northparkes Management Agreement to manage, supervise and conduct the operations to be undertaken pursuant to the terms of the Northparkes Joint Venture Agreement. The remaining 20 per cent interest in NPM is held by Sumitomo Metal Mining Oceania Pty Ltd (SMM) and SC Mineral Resources Pty Ltd (SCM), collectively, Sumitomo. Each of NML, SMM and SCM are individually referred to as a Joint Venturer, and collectively they represent the Joint Venturers.

Basis of preparation

The Relevant Businesses' combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The accounting policies applied in the preparation of the Financial Information are presented in Note 3 - Significant Accounting Policies. These policies have been consistently applied to all of the Relevant Periods.

Carve-out accounting

The Relevant Businesses' combined statements of profit or loss and other comprehensive income, cash flows and changes in equity for the years ended 31 December 2012, 2011 and 2010 and for the six months ended 30 June 2013 and 2012; the Relevant Businesses' combined statement of financial position at 31 December 2012, 2011 and 2010 and at 30 June 2013; and the related notes thereto (collectively, the Relevant Businesses' Financial Information) are prepared on a carve-out basis, having been derived from the accounting records of the Owner using the historical results of operations and historical bases of assets and liabilities of the entities and businesses comprising the Relevant Businesses.

As a result of the application of carve-out accounting, the net assets of the Relevant Businesses as presented in the Financial Information are carried at different values than the net asset values of the Relevant Businesses as carried by the Owner in its consolidated statement of financial position.

Management believes the assumptions underlying the Financial Information are reasonable. However, the Financial Information included herein may not necessarily be representative of the Relevant Businesses' combined results of operations, financial position and cash flows in the future or what its historical results of operations, financial position and cash flows would have been had the Relevant Businesses been a stand-alone entity during the periods presented.

As the Financial Information represent a portion of entities and businesses of the Owner which do not constitute a separate legal or consolidated 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 Relevant Businesses (and any subsequent investments and other adjustments thereto); (ii) the Owner's share of accumulated profit or loss of the Relevant Businesses; and (iii) any other transfers to and from the Owner, including any dividends or other distributions to the Owner and other cash and non-cash items.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and revised standards adopted by the Relevant Businesses

The Relevant Businesses has adopted the following standards and applied these standards retrospectively to the earliest period(s) presented in the Financial Information. These standards have a mandatory effective date for the annual period beginning on or after 1 January 2013.

IFRS 10 “Consolidated Financial Statements”

IFRS 10 was issued in May 2011 and replaces all of the guidance on control in IAS 27 “Consolidated and Separate Financial Statements”. IFRS 10 introduces a single control model to determine whether an investee should be consolidated. The Relevant Businesses assessed that the adoption of IFRS 10 did not result in any change in the consolidation status of any entities within the Relevant Businesses and accordingly, did not have a significant impact on the Relevant Businesses’ Financial Information.

IFRS 11 “Joint Arrangements”

IFRS 11 was issued in May 2011 and categorises joint arrangements as either joint ventures or joint operations and prescribes the accounting treatment accordingly. Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. The Relevant Businesses assessed that the adoption of IFRS 11 did not result in any change to the classification of or accounting for its joint operation and accordingly, did not have a significant impact on the Relevant Businesses’ Financial Information.

IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 was issued in May 2011 and provides in a single standard for all of the disclosure requirements about an entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The adoption of IFRS 12 did not have a significant impact on the Relevant Businesses’ Financial Information.

IFRS 13 "Fair Value Measurement"

IFRS 13 was issued in May 2011 and provides a single source of guidance on how fair value is measured, replacing the fair value measurement guidance that was previously dispersed throughout IFRS. IFRS 13 expands the disclosure requirements regarding fair value to include all assets and liabilities, not just financial assets and liabilities. Subject to limited exceptions, the IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The adoption of IFRS 13 did not have a significant impact on the Relevant Businesses' Financial Information.

Amendment to IAS 19 "Employee Benefits"

This amendment to IAS 19 was issued in June 2011 introducing several modifications to the accounting for employees benefits including (i) changing the definition of short-term and other long-term employee benefits to clarify the distinction between the two; and (ii) removing the accounting policy choice for recognition of actuarial gains and losses as part of profit and loss or through use of the corridor method. Additionally, IAS 19 introduced the method of computing the net interest costs associated with post retirement benefits, whereby the finance charge is computed by discounting the net defined benefit asset (liability). As a result, accounting for the components of the expected return on plan assets and the interest cost on defined benefit obligations has been eliminated. The adoption of the amended IAS 19 did not have a significant impact on the Relevant Businesses' Financial Information.

Other standards

The Relevant Businesses has determined that all other recently issued accounting standards will not have a significant impact on its combined results of operations, financial position and cash flows, or do not apply to its operations.

Standards, amendments and interpretations applicable to future reporting periods

- *IFRS 9 “Financial Instruments” (required to be adopted in 2015)*

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Relevant Businesses has not yet evaluated the potential impact the adoption of IFRS 9 would have on its Financial Information.

- *Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities” (required to be adopted in 2014)*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The Relevant Businesses has not yet evaluated the potential impact the adoption of amendments to IAS 32 would have on its Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The Financial Information has been prepared under the historical cost convention. The Relevant Businesses' policies in respect of these items are presented in the notes below.

(b) Basis of combination

The Financial Information include all of the assets, liabilities, revenues, expenses and cash flows of the entities included in the Relevant Businesses. All intragroup balances, transactions, income and expenses, including unrealised profits arising from intragroup transactions, have been eliminated on combination. Balances and transactions between the Relevant Businesses and the Owner have been identified as related party balances and transactions in the accompanying combined financial statements.

Joint arrangements: A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e., activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. The Relevant Businesses has the following type of joint arrangement:

Joint operation: A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. The assets, liabilities, revenues, expenses and cash flows of the joint operation are incorporated into the Relevant Businesses' Financial Information under the appropriate headings in relation to its interest in the joint operation.

Where necessary, adjustments are made to the financial results and balances of subsidiaries and joint operations to bring their accounting policies into line with those policies used by the Relevant Businesses.

(c) Sales revenue

Sales revenue is measured at the fair value of the consideration received or receivable, net of value-added taxes, export duties and other sales taxes. Sales revenues under certain customer contracts are subject to provisional pricing terms whereby the amounts are invoiced and recorded at estimated or established pricing levels at the time of shipment, with subsequent adjustments made based upon commodity price-based models at the established settlement date.

Sales revenue is only recognised on individual sales when all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- the product is in a form suitable for delivery and no further processing is required by, or on behalf of the Relevant Businesses;
- the quantity and quality of the product can be determined with reasonable accuracy;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Relevant Businesses; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

(d) Interest income

The Relevant Businesses records interest income using the effective interest rate method on its loans receivable from related parties and cash and cash equivalents balances.

(e) Currency translation

The Relevant Businesses' Financial Information are presented in Australian dollars (AUD or "\$" hereinafter in the Financial Information). The Relevant Businesses' functional currency is the AUD, as it is the currency of the primary economic environment in which it operates. Transactions denominated in other currencies are translated to the functional currency at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as a component of Finance costs within Finance items - net in the Relevant Businesses' statement of profit or loss and other comprehensive income.

(f) Exploration and evaluation

Exploration and evaluation activities are evaluated at the time of the expenditure to determine whether they should be expensed or capitalised. Capitalisation of expenditures as a separate asset in Mine Development commences when it is probable that future economic benefits will flow to the Relevant Businesses and the costs of the project can be reasonably measured. Useful life is not determined and depreciation does not commence until the accumulated costs are completed and the mine enters service. Expenditures for projects for which economic benefits are not expected to flow to the Relevant Businesses are expensed in the statement of profit or loss and other comprehensive income during the period in which they are incurred.

(g) Property, plant and equipment*Land, buildings, plant and equipment*

Land, buildings, plant and equipment are stated at historical cost, less accumulated depreciation. The cost of property, plant and equipment is comprised of its purchase price, plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Relevant Businesses and the costs of the item can be reasonably measured. All other repairs and maintenance are charged to the combined statement of profit or loss and other comprehensive income during the period in which they are incurred.

Mine development

Development expenditures for the initial establishment of access to mineral reserves in respect of the project are capitalised as part of the cost of each area of interest. Subsequent development expenditures are charged to the combined statement of profit or loss and other comprehensive income as incurred, except where it is probable that future economic benefits will flow to the Relevant Businesses and the costs of the project can be reasonably measured.

Close down and restoration costs

Estimated close down and restoration costs are also capitalised as the obligation arises. These are comprised of the estimated net present value of expenditures necessary for the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas, and changes in cost estimates, discount rates and the life-of-mine. In connection with these capitalised costs, the Relevant Businesses records provisions for close down and restoration costs in its combined statement of financial position.

Capital work in progress

Capital work in progress ("CWIP") includes all expenditure at cost that are specifically identifiable to long-term projects which are incomplete at the statement of financial position date, including the construction of plant buildings and equipment, development of mines and other related infrastructure and services. Upon completion and placement into service, such assets are transferred from CWIP to the appropriate class of property, plant and equipment, at which time depreciation commences.

During the construction of a new mining project, an estimate of the net value to be obtained from selling the by-products derived is deducted from the cost of the asset. Once the mining project commences commercial operations, all costs are expensed in the profit or loss statement and amortisation of the mine property commences.

Derecognition of assets on disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Relevant Businesses's combined statement of profit or loss and other comprehensive income.

(h) Depreciation, amortisation and impairments of non-current assets

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line or units-of-production basis, as appropriate. Assets are fully depreciated or amortised over their estimated useful lives or over the estimated remaining life of the related area of interest, if shorter.

For items of property, plant and equipment (excluding land) that have useful lives equal to or exceeding that of the area of interest, depreciation is calculated on a units-of-production basis. This method is used to allocate the cost of each item over the number of tonnes of copper metal still to be produced from the area. Depreciation is calculated for the remaining items of property, plant and equipment (excluding land) on a straight-line basis to allocate the cost of each item over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. Estimated useful lives are as follows:

- Buildings: life-of-mine
- Mine development: life-of-mine, or the related area of interest, if shorter
- Plant and equipment: 3 - 15 years

Where there is a change in the remaining life of an asset, the depreciation charge is amended prospectively from the date of change.

Amortisation

Amortisation of mine properties and development is provided on the units-of-production method that results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources in the relevant area of interest.

Impairments

Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Impairment is assessed at the cash generating unit (CGU) level which, in accordance with IAS 36 "Impairment of Assets", is identified as the smallest identifiable Relevant Businesses of assets that generates cash inflows, which are largely independent of the cash inflows from other assets.

(i) Determination of mineral reserve estimates

The Relevant Businesses estimates its mineral reserves based on information compiled by Competent Persons (as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code) 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 amortisation 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 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.

(j) Provisions and contingencies*Close down and restoration provisions*

The Relevant Businesses holds provisions for close down and restoration costs in respect of areas disturbed but not yet restored, which include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of the disturbed areas. Close down and restoration costs are a normal consequence of the Relevant Businesses' operations, and the majority of close down and restoration expenditures is incurred at the end of the life of the Relevant Businesses' operating assets. Although the ultimate cost to be incurred is uncertain, the Relevant Businesses' businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are updated annually during the life of the operation to reflect known developments, e.g. revisions to cost estimates and to the estimated lives of operations, and are subject to formal review at regular intervals.

The initial closure provision together with subsequent movements in the provisions for close down and restoration costs, including those resulting from new disturbances, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

The amortisation of the discount applied in establishing the net present value of provisions is included as a component of Finance costs within Finance items - net in the Relevant Businesses' combined statement of profit or loss and other comprehensive income.

Employee entitlements

Provisions for employee entitlements are based on the remaining amounts due under various contractual and employment agreements, and are periodically adjusted for any anticipated or unanticipated events or changes in circumstances that would reduce or increase these obligations.

Other provisions

Provisions for legal and other potential claims are made when it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. These costs are charged to the Relevant Businesses' combined statement of profit or loss and other comprehensive income. Further, other provisions and liabilities are recognised during the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow and timing can be reliably estimated. The timing of recognition and quantification of the liability requires the application of judgment to existing facts and circumstances, which can be subject to change. A change in estimate of a recognised provision or liability would result in a charge or credit to profit or loss in the period in which the change occurs, with the exception of close down and restoration costs described above.

Contingencies

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Relevant Businesses. Contingent liabilities are not recognised in the Relevant Businesses' Financial Information but are disclosed unless the possibility of an outflow of economic resources is considered remote.

(k) Employee benefits*Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in current trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

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 on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Post retirement benefits

Employees are entitled to receive benefits upon retirement, disability or death in connection with their participation in the Rio Tinto Superannuation Fund, an Owner-sponsored pension plan. Relevant Businesses employees only participate in the defined contribution component of the plan. Benefits under the defined contribution component of the plan are limited to the amounts of contributions made.

Relevant Businesses participants in the defined contribution component of the Owner-sponsored plan are entitled to their accumulation account balance upon separation from the Owner. The accumulated account balance will 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 Relevant Businesses' combined statement of profit or loss and other comprehensive income in the period to which the contributions relate. Any unpaid contributions are recorded as a liability in the period in which the liability is incurred.

Share-based payments

Certain employees of the Relevant Businesses participate in a number of the Owner's share-based payment plans. The fair value of share plans is determined at the date of grant, taking into account any market-based vesting conditions attached to the award. These plans are considered to be equity-settled share-based payment plans and are recognised over the expected benefit period. The fair value of cash-settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between reporting periods are recognised as an expense. The grant date fair value of the awards is determined from the market value of the shares at the date of award and adjusted for any market based vesting conditions attached to the award. Fair values are subsequently remeasured at each reporting period date to reflect the market value of shares at the measurement date.

Participation in these plans by Relevant Businesses employees will cease upon separation from the Owner. Outstanding awards as of separation will either vest in full or in proportion to the Relevant Businesses employee's time employed by Rio Tinto during the vesting period up until the date of separation from the Owner. Some awards will be based upon certain Rio Tinto performance conditions. The awards will either be available as soon as practicable after the separation from the Owner or in the case of performance-based awards, at the award's original vesting date. Participation in these plans by Relevant Businesses employees is not considered significant to the Relevant Businesses in any of the periods presented.

Employee benefits costs

All of the Relevant Businesses' costs associated with the employee benefits described above are included in the respective function to which they pertain to in the Relevant Businesses' combined statement of profit or loss and other comprehensive income.

(I) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, taking into account the expected timing of production and shipment of finished goods, less the estimated costs of completion and the estimated costs necessary to complete the sale. Net realisable value is calculated on an undiscounted basis. The Relevant Businesses defines cost as follows:

- For consumable stores, cost is the purchase price, including freight and storage costs, as applicable;
- Raw materials cost comprises direct materials, direct labour, depreciation and amortisation and an appropriate proportion of variable and fixed overhead expenditures;
- Work in progress cost includes in-circuit and stockpile components as determined by production records. The cost of work in progress includes the cost of direct materials, labour, depreciation and amortisation and an appropriate proportion of variable and fixed overhead expenditure; and
- Finished goods cost includes transport costs in addition to those costs included in work in progress.

(m) Taxation

The Relevant Businesses uses the liability approach for accounting for income taxes. Under this approach, deferred income tax assets and liabilities are recognised for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This approach also requires the recognition of deferred income tax assets for operating loss carryforwards and tax credit carryforwards. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability, such as on the recognition of a provision for close down and restoration costs and the related asset. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect profit or loss for either accounting or tax purposes. Furthermore, with the exception of the amortisation of discounts, deferred tax is not recognised on subsequent changes in the carrying values of such assets and liabilities, for example where the related assets are depreciated.

The effect on deferred income tax assets and liabilities of a change in tax rates and laws is recognised in income in the period that the rate change is substantively enacted. Deferred income tax assets and liabilities are measured using tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. Deferred income tax assets are recognised only to the extent that it is probable that they will be recovered. Recoverability is assessed having regard to the reasons why the deferred income tax asset has arisen and projected future taxable profit for the relevant entity in the Relevant Businesses.

The Relevant Businesses is subject to income taxes in Australia. The Relevant Businesses forms part of NML's statutory results, which are included in consolidated tax returns of the Owner. The Relevant Businesses has also entered into tax funding agreements, under which it compensates the Owner for any current tax payable assumed by the Owner, and is also compensated by the Owner for any current tax receivable and deferred tax assets relating to unused tax losses or credits that are transferred to entities within the Owner's tax consolidation Relevant Businesses. Assets or liabilities arising under the terms of these tax funding agreements with the Owner are recognised in the Relevant Businesses' combined statement of financial position.

As a result of using this methodology, the taxation recorded in the Relevant Businesses' combined statement of profit or loss and other comprehensive income has been affected by the taxation arrangements within Rio Tinto, is not necessarily representative of the taxation that would have been reported had the Relevant Businesses been an independent Relevant Businesses and is not necessarily representative of the taxation that may arise in the future.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Financial instruments

(i) Financial assets

The Relevant Businesses's financial assets are classified as loans and receivables. Management determines the classification of financial assets at initial recognition based on the purpose for which the financial assets were acquired.

Loans and receivables are comprised of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified based on their maturity date and are carried at amortised cost less any impairment

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

(ii) *Financial liabilities*

The Relevant Businesses's financial liabilities are classified as other liabilities. Management determines the classification of financial liabilities at initial recognition based upon the purpose under which the financial liabilities were assumed.

Other liabilities are comprised of non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. The Relevant Businesses's other liabilities are comprised of trade and other payables, recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognised in the Relevant Businesses's combined statement of profit or loss and other comprehensive income over the period to maturity using the effective interest method. Other liabilities are classified as current liabilities unless the Relevant Businesses has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fee and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

(iii) Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Where relevant market prices are available, these have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by using valuation techniques consistent with general market practice applicable to the instrument. The Relevant Businesses derives fair value as follows:

- (a) The fair values of cash and cash equivalents approximate their carrying values;
- (b) The fair values of loans receivable are calculated as the present value of the estimated future cash flows using quoted prices in active markets or an appropriate market based yield curve. The carrying value of loans receivable is amortised cost; and
- (c) Financial assets carried at fair value based on quoted market prices where available. Where no price information is available from a quoted market source, fair value is estimated based on the Relevant Businesses' views on relevant future prices using modeling techniques.

The Relevant Businesses classifies its financial instruments according to the fair value hierarchy as follows:

- Level 1 — valuation is based on adjusted quoted prices in active markets for identical financial instruments.
- Level 2 — valuation is based on inputs that are observable for the financial instruments which includes quoted process for similar instruments or identical instruments in markets which are not considered to be active or either directly or indirectly based on observable market data.
- Level 3 — valuation is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(iv) *Derecognition of financial assets and liabilities*

Financial assets

A financial asset is derecognised when the contractual rights to the cash flows that comprise the financial asset expire or substantially all the risks and rewards of the asset are transferred.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Gains and losses arising upon the derecognition of financial assets and liabilities are recognised in Other - net in the Relevant Businesses' combined statement of profit or loss and other comprehensive income. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised as a gain or loss.

(p) Trade receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost, less any provision for impairment. Most of the Relevant Businesses' trade receivables are normally due for settlement no more than 21 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of trade receivables is established when there is objective evidence that the Relevant Businesses will not be able to collect all amounts due according to the original terms of sale. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency, default in payment or a significant deterioration in credit worthiness. Any impairment is recognised in Other - net in the Relevant Businesses' combined statement of profit or loss and other comprehensive income.

When a trade receivable is deemed uncollectable, it is written off against the allowance account to the extent that a provision for impairment was previously established. Trade receivables deemed uncollectable and written off for which no provision for impairment was previously established are charged directly to Other - net, and subsequent recoveries of amounts previously written off are credited against Other - net in the Relevant Businesses' combined statement of profit or loss and other comprehensive income.

(q) Leases

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the Relevant Businesses' combined statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(r) Operating segments and information by geographic area

The Relevant Businesses operates and is managed as a single business with all of its operations conducted in Australia, and has no disparate operating segments by products line or geography. Accordingly, all of the Relevant Businesses' results of operations and net assets represent those of a single operating segment. In respect of information by geographic area, all of the Relevant Businesses' assets are physically located in Australia. The Relevant Businesses reports sales revenue based on country of destination (see Note 5 - Sales Revenue).

(s) Royalties

Royalties are accrued when the liability from production crystallises and the related expense is included in cost of sales in the Relevant Businesses' combined statement of profit or loss and other comprehensive income.

(t) Goods and Services Tax ("GST")

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Certain amounts included in the Relevant Businesses' Financial Information involve the use of judgment and/or estimation. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the Financial Information. The key judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or impacting reported results within the next financial period are discussed below.

Determination of mineral reserve estimates

The Relevant Businesses estimates its mineral reserves based on information compiled by Competent Persons (as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code) 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 amortisation 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 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.

Estimation of close down and restoration costs and the timing of expenditure

The Relevant Businesses holds provisions for close down and restoration costs in respect of areas disturbed but not yet restored, which include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of the disturbed areas. Close down and restoration costs are a normal consequence of the Relevant Businesses' operations, and the majority of close down and restoration expenditures is incurred at the end of the life of the Relevant Businesses' operating assets. Although the ultimate cost to be incurred is uncertain, the Relevant Businesses' businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The ultimate cost of environmental disturbance is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other operating sites. The expected timing of expenditure can also change, for example in response to changes in mineral reserves, production rates, economic conditions or regulatory requirements. Expenditures may occur before and after closure and can continue for an extended period of time depending on the specific site requirements. Some expenditures can continue into perpetuity. As a result of these factors, there could be significant adjustments to the provision for close down and restoration costs, which would affect future financial results.

5. SALES REVENUE

All of the Relevant Businesses' sales transactions are denominated in USD. The Relevant Businesses' three largest customers, representing each of the customers located in Japan, China and other, account for approximately 83 - 100% of the Relevant Businesses' total sales revenue in each of the periods presented in the Relevant Businesses' combined statement of profit or loss and other comprehensive income. The Relevant Businesses reports sales revenue based on country of destination, as shown below:

<i>(in thousands of Australian dollars)</i>	Years ended 31 December			Six months ended 30 June	
	2012	2011	2010	2013	2012 (unaudited)
Sales revenue, by country of destination:					
Japan	258,977	218,433	215,972	122,876	93,509
China	109,576	112,327	64,530	59,476	109,666
Other	69,666	58,179	57,193	—	1,629
	<u>438,219</u>	<u>388,939</u>	<u>337,695</u>	<u>182,352</u>	<u>204,804</u>

6. FINANCE ITEMS — NET

Finance items — net are comprised of the following items:

<i>(in thousands of Australian dollars)</i>	<i>Notes</i>	Years ended 31 December			Six months ended 30 June	
		2012	2011	2010	2013	2012
						(unaudited)
Finance income:						
Interest income earned on:						
Loans receivable						
— related parties	17	12,961	11,251	6,849	6,468	6,482
Cash and cash equivalents		175	281	124	84	95
Total finance income		13,136	11,532	6,973	6,552	6,577
Finance costs:						
Amortisation of discount	14	(1,304)	(953)	(816)	(688)	(455)
Total finance costs		(1,304)	(953)	(816)	(688)	(455)
Finance items — net		11,832	10,579	6,157	5,864	6,122

7. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

<i>(in thousands of Australian dollars)</i>	Years ended 31 December			Six months ended 30 June	
	2012	2011	2010	2013	2012 (unaudited)
Depreciation and amortisation of property, plant and equipment	42,989	29,929	35,515	22,156	18,807
Staff costs, which include management remuneration amounts as described in Note 17 - Related Party Transactions, are comprised of the following items:					
Wages, salaries and short term incentives	31,542	25,066	16,108	14,318	15,952
Post retirement benefit expense	3,203	2,671	1,546	1,390	1,699
Other employee related costs	4,978	3,727	3,512	1,185	3,074
	<u>39,723</u>	<u>31,464</u>	<u>21,166</u>	<u>16,893</u>	<u>20,725</u>
Auditor's remuneration	115	136	103	62	55
Cost of inventories recognised as expenses	170,895	152,169	124,316	77,298	77,629
Operating lease rentals	<u>98</u>	<u>90</u>	<u>57</u>	<u>40</u>	<u>50</u>

There were no directors appointed in the Relevant Businesses as the Relevant Businesses is operating under a joint venture arrangement, which is not an established legal entity.

8. FIVE HIGHEST PAID INDIVIDUAL

During the each of the periods, the five highest paid individuals included emoluments were as follows:

<i>(in thousands of Australian dollars)</i>	Years ended 31 December			Six months ended 30 June	
	2012	2011	2010	2013	2012
					(unaudited)
Wages, salaries and short term incentives	1,506	1,578	1,532	1,465	843
Post retirement benefit expense	196	110	107	68	111
Other employee related costs	349	259	251	133	203
	<u>2,051</u>	<u>1,947</u>	<u>1,890</u>	<u>1,666</u>	<u>1,157</u>

9. INCOME TAXES

Income tax expense

The current and deferred components of the Relevant Businesses' income tax expense are as follows:

<i>(in thousands of Australian dollars)</i>	Years ended 31 December			Six months ended 30 June	
	2012	2011	2010	2013	2012 (unaudited)
Current income tax expense	59,552	52,258	52,357	28,218	26,394
Deferred income tax expense (benefit) arising from:					
Accelerated capital cost allowances	519	3,146	3,435	109	1,640
Changes in accounting provisions	(1,272)	(397)	(433)	454	(403)
Net unrealised foreign exchange gains (losses)	(45)	(308)	(908)	(70)	67
Other - net	577	(810)	(604)	105	(147)
Total deferred income tax expense (benefit) - net	(221)	1,631	1,490	598	1,157
Income tax expense	59,331	53,889	53,847	28,816	27,551

The Relevant Businesses' effective income tax rates and the amount of income tax expense differ from those that would arise using the Relevant Businesses' statutory income tax rates, as follows:

<i>(in thousands of Australian dollars)</i>	Years ended 31 December			Six months ended 30 June	
	2012	2011	2010	2013	2012 (unaudited)
Profit before tax	206,749	183,360	180,263	95,141	93,885
Statutory income tax rates	30%	30%	30%	30%	30%
Income tax expense calculated at statutory tax rates	62,025	55,008	54,079	28,542	28,166
Income tax expense (benefit) arising from:					
Research, development and other investment allowances	(1,427)	(950)	(557)	-	(714)
Over (under) provision of income tax in prior years/ periods	(1,307)	(167)	395	244	(1,307)
Reduced rate, tax exempt income and non-deductible expenses	40	(2)	(70)	30	1,406
Income tax expense	<u>59,331</u>	<u>53,889</u>	<u>53,847</u>	<u>28,816</u>	<u>27,551</u>

Income taxes payable

Income taxes payable balances and activity are as follows:

<i>(in thousands of Australian dollars)</i>	At 31 December			At 30 June
	2012	2011	2010	2013
Income taxes payable at 1 January	31,266	34,359	5,662	26,948
Current income tax expense	59,552	52,258	52,357	28,218
Income tax paid	<u>(63,870)</u>	<u>(55,351)</u>	<u>(23,660)</u>	<u>(37,857)</u>
Income taxes payable at 31 December	<u>26,948</u>	<u>31,266</u>	<u>34,359</u>	<u>17,309</u>

No tax refunds were receivable in any of the periods presented.

Deferred tax assets and liabilities

Deferred tax assets and liabilities arise from the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are offset and presented on a net basis as Deferred tax liabilities in the Relevant Businesses' Financial Information since the deferred income tax asset and liability amounts are due from and to the same tax jurisdiction and fiscal authority. Deferred tax liabilities are comprised of the following:

<i>(in thousands of Australian dollars)</i>	<u>At 31 December</u>			<u>At 30 June</u>
	2012	2011	2010	2013
Deferred tax assets arising from:				
Accounting provisions	12,149	10,855	10,480	11,695
Other	<u>2,499</u>	<u>4,729</u>	<u>604</u>	<u>3,143</u>
Total deferred tax assets	<u>14,648</u>	<u>15,584</u>	<u>11,084</u>	<u>14,838</u>
Deferred tax liabilities arising from:				
Accelerated capital allowances	24,877	26,215	19,415	25,487
Other	<u>3,075</u>	<u>2,894</u>	<u>3,563</u>	<u>3,253</u>
Total deferred tax liabilities	<u>27,952</u>	<u>29,109</u>	<u>22,978</u>	<u>28,740</u>
Deferred tax liabilities as shown in the combined statement of financial position	<u><u>13,304</u></u>	<u><u>13,525</u></u>	<u><u>11,894</u></u>	<u><u>13,902</u></u>

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment balances and activity are as follows:

<i>(in thousands of Australian dollars)</i>	Land and Buildings	Plant and Equipment	Mine Development	Capitalised Close Down and Restoration Costs	Capital Works In Progress (CWIP)	Total
Net book value at 1 January 2010	9,124	56,000	88,040	21,595	161,788	336,547
Year ended 31 December						
2010 Activity						
Additions	—	—	—	—	60,209	60,209
Transfers in from (out of) CWIP	—	22,253	135,567	—	(157,820)	—
Changes in capitalised close down and restoration costs	—	—	—	6,736	—	6,736
Depreciation and amortisation	(472)	(5,185)	(28,191)	(1,667)	—	(35,515)
Net book value at 31 December 2010	8,652	73,068	195,416	26,664	64,177	367,977
Balances at 31 December 2010						
Cost	17,672	225,668	388,187	50,128	64,177	745,832
Accumulated depreciation and amortisation	(9,020)	(152,600)	(192,771)	(23,464)	—	(377,855)
Net book value at 31 December 2010	8,652	73,068	195,416	26,664	64,177	367,977

<i>(in thousands of Australian dollars)</i>		Land and Buildings	Plant and Equipment	Mine Development	Capitalised Close Down and Restoration Costs	Capital Works In Progress (CWIP)	Total
Year ended 31 December							
2011 Activity							
Additions		—	—	—	—	53,759	53,759
Transfers in from (out of) CWIP		8	30,054	45,409	—	(75,471)	—
Changes in capitalised close down and restoration costs		—	—	—	8,031	—	8,031
Depreciation and amortisation		(776)	(8,538)	(18,097)	(2,518)	—	(29,929)
Net book value at 31 December 2011		7,884	94,584	222,728	32,177	42,465	399,838
Balances at 31 December 2011							
Cost		17,680	255,722	433,596	58,159	42,465	807,622
Accumulated depreciation and amortisation		(9,796)	(161,138)	(210,868)	(25,982)	—	(407,784)
Net book value at 31 December 2011		7,884	94,584	222,728	32,177	42,465	399,838
Year ended 31 December							
2012 Activity							
Additions		—	—	—	—	59,299	59,299
Transfers in from (out of) CWIP		22,585	31,599	30,063	—	(84,247)	—
Changes in capitalised close down and restoration costs	14	—	—	—	2,557	—	2,557
Depreciation and amortisation		(816)	(13,161)	(25,346)	(3,666)	—	(42,989)
Net book value at 31 December 2012		29,653	113,022	227,445	31,068	17,517	418,705

<i>(in thousands of Australian dollars)</i>	<i>Notes</i>	Land and Buildings	Plant and Equipment	Mine Development	Capitalised Close Down and Restoration Costs	Capital Works In Progress (CWIP)	Total
Balances at 31 December 2012							
Cost		40,265	287,321	463,659	60,716	17,517	869,478
Accumulated depreciation and amortisation		(10,612)	(174,299)	(236,214)	(29,648)	—	(450,773)
Net book value at 31 December 2012		<u>29,653</u>	<u>113,022</u>	<u>227,445</u>	<u>31,068</u>	<u>17,517</u>	<u>418,705</u>
Six months ended 30 June 2013 Activity							
Additions		—	—	—	—	9,073	9,073
Transfers in from (out of) CWIP		7,817	2,416	(295)	—	(9,938)	—
Changes in capitalised close down and restoration costs	14	—	—	—	—	—	—
Depreciation and amortisation		(513)	(6,784)	(13,190)	(1,669)	—	(22,156)
Net book value at 30 June 2013		<u>36,957</u>	<u>108,654</u>	<u>213,960</u>	<u>29,399</u>	<u>16,652</u>	<u>405,622</u>
Balances at 30 June 2013							
Cost		48,082	289,737	463,364	60,716	16,652	878,551
Accumulated depreciation and amortisation		(11,125)	(181,083)	(249,404)	(31,317)	—	(472,929)
Net book value at 30 June 2013		<u>36,957</u>	<u>108,654</u>	<u>213,960</u>	<u>29,399</u>	<u>16,652</u>	<u>405,622</u>

* The land on which the buildings situated was all freehold lands located in Australia.

Impairments

The Relevant Businesses performs impairment reviews under the accounting policies and using the methodologies and assumptions consistent with those described in Note 3 - Significant Accounting Policies. During the years ended 31 December 2012, 2011 and 2010 and during the six months ended 30 June 2013 and 2012, the Relevant Businesses incurred no impairment charges or reversals of impairment charges related to property, plant and equipment.

11. INVENTORIES

Inventories are comprised of the following:

<i>(in thousands of Australian dollars)</i>	At 31 December			At 30 June
	2012	2011	2010	2013
Current:				
Consumable stores	9,654	7,526	8,029	10,401
Raw materials	2,291	3,917	13,607	1,057
Work in progress	491	890	713	490
Finished goods	7,077	9,289	2,883	8,191
	<u>19,513</u>	<u>21,622</u>	<u>25,232</u>	<u>20,139</u>
Non-current:				
Raw materials	<u>61,582</u>	<u>61,622</u>	<u>54,795</u>	<u>61,316</u>

Consumable stores inventories are net of an obsolescence reserve which totalled \$1,363; \$2,692; and \$1,200 at 31 December 2012, 2011 and 2010, respectively and \$1,537 at 30 June 2013. Adjustments to increase or (decrease) the reserve are included as charges or (credits) in cost of sales in the Relevant Businesses' combined statement of profit or loss and other comprehensive income.

Non-current raw materials are comprised of a stockpile of sulphide material from the most recent E22 pit mining campaign, which was completed during October 2012. 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.

12. TRADE AND OTHER RECEIVABLES

All of the Relevant Businesses' trade and other receivables are non-interest earning, unsecured, denominated in USD and included in current assets. The balances are comprised of the following:

<i>(in thousands of Australian dollars)</i>	<i>Note</i>	<u>At 31 December</u>			<u>At 30 June</u>
		2012	2011	2010	2013
Trade receivables		45,518	77,898	87,582	37,866
Other sundry debtors	17	3,967	4,672	2,442	3,647
Prepayments		195	199	172	2,525
		<u>49,680</u>	<u>82,769</u>	<u>90,196</u>	<u>44,038</u>

The aging of trade receivables by percentage of the total, presented based on the invoice date which was approximate to revenue recognition date at the end of the reporting period is as follows:

	<u>At 31 December</u>			<u>At 30 June</u>
	2012	2011	2010	2013
0 - 60 days	76%	81%	100%	100%
Greater than 60 days	24%	19%	—	—
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Typical payment terms require that 90% of the invoiced amount be paid within 3 days of customer receipt. Final payments are required to be paid within three to four months after customer's receipt of inventory. The average credit period for the initial payment ranges between 3 to 21 days and 90 to 160 days for the final payment.

Provision for impairment

The Relevant Businesses has not recorded any provision for impairment of its trade receivables. Additionally, none of the other amounts included in the Relevant Businesses' other receivables was deemed to be impaired. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. None of trade receivables presented above were considered past due.

13. CASH AND CASH EQUIVALENTS

Bank balances carry interest at market rates at the following rates:

	At 31 December			At 30 June
	2012	2011	2010	2013
	%	%	%	%
Market rate	2.82	4.20	4.54	2.52

14. PROVISIONS

Provision balances and activity are comprised as follows:

<i>(in thousands of Australian dollars)</i>	Close down and restoration obligations	Employee entitlements	Total
At 31 December 2011	64,929	6,670	71,599
Activity for the year ended 31 December 2012:			
Amortisation of discount	1,304	—	1,304
Additional provisions (recoveries) - net	—	6,782	6,782
Provisions utilised	—	(3,771)	(3,771)
Changes in discount rate	2,557	—	2,557
At 31 December 2012	68,790	9,681	78,471
Activity for the six months ended 30 June 2013:			
Amortisation of discount	688	—	688
Additional provisions (recoveries) - net	—	1,800	1,800
Provisions utilised	—	(4,252)	(4,252)
At 30 June 2013	69,478	7,229	76,707

Provisions are presented in the Relevant Businesses' combined statement of financial position as follows:

<i>(in thousands of Australian dollars)</i>	At 31 December			At 30 June
	2012	2011	2010	2013
Non-current	69,828	65,542	56,753	70,535
Current	8,643	6,057	5,659	6,172
	<u>78,471</u>	<u>71,599</u>	<u>62,412</u>	<u>76,707</u>

Close down and restoration obligations

The provision for close down and restoration obligations includes estimates of the effect of future inflation and have been adjusted to reflect risk. These estimates have been discounted to their present value at a long-term risk free pre-tax rate. Excluding the effects of discounting, the Relevant Businesses' total estimated liability for these items was equivalent to approximately \$80,346, \$73,909, \$68,379 for the years ended 31 December 2012, 2011 and 2010, respectively, and \$80,346 for the six months ended 30 June 2013.

15. TRADE AND OTHER PAYABLES

Trade and other payables, none of which is interest bearing, are comprised of the following:

<i>(in thousands of Australian dollars)</i>	Note	At 31 December			At 30 June
		2012	2011	2010	2013
Trade payables					
— third parties		21,136	31,618	11,672	22,553
— related parties	17	2,325	1,863	—	1,665
Total trade payables		23,461	33,481	11,672	24,218
Accrued expenses		9,540	11,114	17,570	7,999
Other payables		6,309	4,444	2,588	2,162
		<u>39,310</u>	<u>49,039</u>	<u>31,830</u>	<u>34,379</u>

The vendor credit period ranges between 14 to 60 days. No interest is charged on trade payables before they become due. The Relevant Businesses strives to settle all trade payables prior to their respective due dates.

The aging of trade payables by percentage of the total, presented based on the invoice date at the end of the reporting period, is as follows:

	At 31 December			At 30 June
	2012	2011	2010	2013
0 - 60 days	100%	100%	100%	100%
Greater than 60 days	—	—	—	—
	100%	100%	100%	100%

16. FINANCIAL INSTRUMENTS

Financial Instruments

The tables below show the classification of the Relevant Businesses' financial assets and liabilities (including all current and non-current and both third and related party amounts). Trade and other receivables excludes other prepayments.

Financial assets and liabilities <i>(in thousands of Australian dollars)</i>	<i>Notes</i>	Loans and receivables	Other liabilities	Total
At 31 December 2010				
Financial assets:				
Loans receivable	17	183,724		183,724
Trade and other receivables	12	90,024		90,024
Cash and cash equivalents	13	1,155		1,155
Total financial assets		274,903		274,903
Financial liabilities:				
Trade and other payables	15		31,830	31,830
Total financial liabilities			31,830	31,830

Financial assets and liabilities	<i>Notes</i>	Loans and receivables	Other liabilities	Total
<i>(in thousands of Australian dollars)</i>				
At 31 December 2011				
Financial assets:				
Loans receivable	17	305,215		305,215
Trade and other receivables	12	82,570		82,570
Cash and cash equivalents	13	6,418		6,418
		<u> </u>	<u> </u>	<u> </u>
Total financial assets		<u>394,203</u>	<u> </u>	<u>394,203</u>
Financial liabilities:				
Trade and other payables	15		49,039	49,039
		<u> </u>	<u> </u>	<u> </u>
Total financial liabilities		<u> </u>	<u>49,039</u>	<u>49,039</u>
At 31 December 2012				
Financial assets:				
Loans receivable	17	459,707		459,707
Trade and other receivables	12	49,485		49,485
Cash and cash equivalents	13	8,319		8,319
		<u> </u>	<u> </u>	<u> </u>
Total financial assets		<u>517,511</u>	<u> </u>	<u>517,511</u>
Financial liabilities:				
Trade and other payables	15		39,310	39,310
		<u> </u>	<u> </u>	<u> </u>
Total financial liabilities		<u> </u>	<u>39,310</u>	<u>39,310</u>

Financial assets and liabilities	<i>Notes</i>	Loans and receivables	Other liabilities	Total
<i>(in thousands of Australian dollars)</i>				
At 30 June 2013				
Financial assets:				
Loans receivable	17	530,202		530,202
Trade and other receivables	12	41,513		41,513
Cash and cash equivalents	13	6,778		6,778
		<u>578,493</u>	<u> </u>	<u>578,493</u>
Total financial assets				
Financial liabilities:				
Trade and other payables	15		34,379	34,379
			<u>34,379</u>	<u>34,379</u>
Total financial liabilities				

Fair values

The fair values of most of the Relevant Businesses' financial assets and liabilities approximate their carrying values as a result of their liquidity or short maturity, or their interest rates being commensurate with current market rates.

Financial Risk Management

The Relevant Businesses is jointly controlled by Rio Tinto and Sumitomo and therefore all significant matters impacting the conduct of the operations must be mutually agreed upon by the Joint Venturers. A Policy Committee comprised of Rio Tinto and Sumitomo representatives has been established to address matters that exceed or are outside of the joint arrangement manager's contractual scope, as well as oversee significant strategic, operational and financial matters.

Rio Tinto's representatives in the Policy Committee are mandated to follow the financial risk management policies as determined and governed by Rio Tinto. Rio Tinto's policies with regard to financial risk management are clearly defined and consistently applied. They are a fundamental part of Rio Tinto's long-term strategy covering areas such as: (i) foreign exchange risk; (ii) interest rate risk; (iii) credit risk; (iv) commodity price risk; and (v) liquidity and capital risk management.

Rio Tinto's treasury department operates as a service to the businesses of the Relevant Businesses. Strict limits on the size and type of transactions permitted are established by the Owner's Board of Directors and are subject to rigorous internal controls. The Owner's senior management is advised of significant capital transactions and period end balances through a monthly reporting framework.

The Relevant Businesses does not acquire or issue derivative financial instruments for operating, trading or speculative purposes. No material exposure to financial instruments held by the Relevant Businesses is considered to exist by virtue of the possible non-performance of the counterparties.

(i) *Foreign exchange risk*

The Relevant Businesses' functional and presentation currency is the AUD; however, the Relevant Businesses may elect a different presentation currency in the future, depending on its stand-alone operations.

Substantially all of the Relevant Businesses' sales are denominated in USD, while operating costs are substantially all incurred in AUD. Certain of the Relevant Businesses' trade receivables and trade payables are not held or settled in AUD, which results in an exposure to foreign exchange gains and losses as the financial assets and liabilities are remeasured into AUD. As a result, fluctuations in exchange rates may have a significant impact on the Relevant Businesses' financial results in any particular period. Net foreign exchange gains (losses) amounted to (\$760), (\$4,314) and (\$1,872) for the years ended 31 December 2012, 2011 and 2010 and \$1,222 and \$527 for the six months ended 30 June 2013 and 2012, respectively. Foreign exchange gains (losses) are recorded in Other - net in the Relevant Businesses' combined statement of profit or loss and other comprehensive income.

Foreign exchange sensitivity: Risks associated with exposure to financial instruments

The sensitivities described below give the estimated effect on net earnings and equity of a ten per cent weakening/strengthening in the year end closing exchange rate of the denominated currency of the Relevant Businesses' financial instruments denominated in currencies other than the AUD. The impact is expressed in terms of the effect on net earnings and equity, assuming that each exchange rate moves in isolation and using the Relevant Businesses' statutory income tax rates.

If the currencies had weakened/strengthened by 10% against the AUD, the effect on net earnings and equity would have been higher/lower by \$2,303; \$4,023; and \$4,922 for the years ended 31 December 2012, 2011 and 2010, respectively, and \$1,497 for the six months ended 30 June 2013.

(ii) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Relevant Businesses' interest rate risk arises from its related party loans receivable balance. Instruments issued at variable interest rates expose the Relevant Businesses to cash flow interest rate risk. The Relevant Businesses does not enter into any interest rate derivative contracts to hedge its interest rate risk.

Interest rate sensitivity: Risks associated with variable rate instruments

Based on the Relevant Businesses' variable rate related party loans receivable, the effect on net earnings of a half percentage point decrease in the Relevant Businesses' variable interest rate instruments would be a decrease of: \$1,617; \$1,080; and \$643 for the years ended 31 December 2012, 2011 and 2010, respectively, and \$1,863 at 30 June 2013. These balances will not remain constant throughout 2013, however, and therefore the sensitivities should be used with care.

(iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Relevant Businesses is exposed to credit risk from its operating activities, including bank deposits, foreign exchange transactions and trade receivables. Management believes the Relevant Businesses has minimal exposure to credit risk related to trade receivables or by virtue of the possible non-performance of the counterparties to the Relevant Businesses' other financial instruments.

(iv) Commodity price risk

Commodity prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply.

Sales of copper concentrate are “provisionally priced”, i.e. the selling price is determined normally 30 to 150 days after delivery to the customer, based on the market price at the relevant quotation point stipulated in the sales contract. Sales revenue recognised on provisionally priced sales is based on estimates of fair value of the consideration receivable which is based on forward market prices. At each reporting date, provisionally priced metal sales are marked to market based on the forward selling price for the period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper for which an active and freely traded commodity market exists on the London Metal Exchange (LME), and because the value of product sold by the Relevant Businesses is directly linked to the form in which it is traded on that market.

The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue. The following table presents the pounds and pricing of provisionally priced copper sales outstanding at each of the period ends presented.

	At 31 December			At 30 June
	2012	2011	2010	2013
Copper sales outstanding				
(in millions of pounds)	33.4	33.1	24.0	35.2
Provisional price per pound				
(in US cents)	359	342	381	338

Commodity price sensitivity: Risks associated with fluctuations in market prices

The final prices of the provisionally priced sales at 30 June 2013 will be determined during the second half of 2013. A ten per cent change in the price of copper to be realised on the provisionally priced sales would increase or reduce net earnings and owner's net investment by \$7,935; \$8,315; and \$3,472 for the years ended 31 December 2012, 2011 and 2010, respectively, and \$3,303 at 30 June 2013.

(v) *Liquidity and capital risk management*

The Relevant Businesses' liquidity and risk management strategies are principally driven by its Owner. Liquidity needs and surpluses of the Relevant Businesses are primarily managed through equity funding from and loans to the Owner.

The Owner's overriding objectives when managing capital include safeguarding the business as a going concern; maximising returns for the Owner and benefits for other stakeholders; and maintaining an optimal capital and tax structure in order to provide a high degree of financial flexibility at the lowest cost of capital. The Owner regularly reviews the capital structure of the Relevant Businesses taking into account strategic priorities and the economic conditions within which the Relevant Businesses operates.

In terms of evaluating and managing liquidity, the Relevant Businesses' financial liabilities are comprised entirely of trade and other payables which are unsecured and are typically paid within supplier payment terms ranging between 14 to 60 days of recognition.

17. RELATED PARTY TRANSACTIONS

The following tables and narrative describes the nature and amounts of related party transactions and balances included in the Relevant Businesses' Financial Information.

Combined statement of profit or loss and other comprehensive income

<i>(in thousands of Australian dollars)</i>	Years ended 31 December			Six months ended	
	2012	2011	2010	2013	2012
					(unaudited)
Finance items - net					
Interest income ^(A)	12,961	11,251	6,849	6,468	6,482
Other - net					
Joint venture management fee income ^(B)	1,530	1,472	1,122	773	774

(A) The Relevant Businesses earns interest on its loans receivable from related parties as described in the table below.

(B) NML earns fee income under the terms of the Northparkes Management Agreement for managing, supervising and conducting the joint venture operations.

The following table describes the nature and year-end related party balances included in the Relevant Businesses' combined statement of financial position, none of which is secured by pledged assets or collateral.

Combined statement of financial position

<i>(in thousands of Australian dollars)</i>	<u>At 31 December</u>			<u>At 30 June</u>
	2012	2011	2010	2013
Trade and other receivables ⁽¹⁾	2,248	3,305	—	2,196
Loans receivable ⁽²⁾	<u>459,707</u>	<u>305,215</u>	<u>183,724</u>	<u>530,202</u>
Trade and other payables ⁽³⁾	<u>2,325</u>	<u>1,863</u>	<u>—</u>	<u>1,665</u>

- (1) Other sundry debtors due to related parties are primarily for research and development that is performed by the Relevant Businesses for the benefit of the Owner. The associated costs are recharged back to the Owner as incurred.
- (2) The balance is comprised of amounts receivable under an unsecured variable rate cash pooling agreement denominated in AUD with an interest rate established by the Owner and based on the 1 Month Bank Bill rate less 30 basis points. Interest is collected periodically from the Owner; however accrued and uncollected interest also earns interest income for the Relevant Businesses. The interest rate on the outstanding loans and interest receivable balance at 31 December 2012, 2011 and 2010 was 2.82%; 4.20%; and 4.54%, respectively, and 2.52% at 30 June 2013.
- (3) Trade and other payables due to related parties arise from the receipt of various services, such as support for payroll, information technology, human resources and legal functions. These amounts are billed directly to the Relevant Businesses, are cash-settled under established payment terms and are included in Other - net in the Relevant Businesses' combined statement of profit or loss and other comprehensive income.

Combined statement of changes in equity

<i>(in thousands of Australian dollars)</i>	<u>Years ended 31 December</u>			<u>Six months ended 30 June</u>	
	2012	2011	2010	2013	2012
					(unaudited)
Transfers to the Owner	<u>—</u>	<u>—</u>	<u>30,000</u>	<u>—</u>	<u>—</u>

Key management remuneration

Aggregate compensation for the Relevant Businesses' key management (represented by executives and director level employees) is included in the amounts disclosed in Note 7 — Staff Costs and is comprised of the following:

<i>(in thousands of Australian dollars)</i>	<u>Years ended 31 December</u>			<u>Six months ended 30 June</u>	
	2012	2011	2010	2013	2012
					(unaudited)
Short-term employee benefits related to salaries and incentive programs	3,697	3,441	3,146	2,428	2,114
Post retirement benefits, share-based payment and other long-term incentive programs	<u>317</u>	<u>242</u>	<u>235</u>	<u>142</u>	<u>176</u>
	<u>4,014</u>	<u>3,683</u>	<u>3,381</u>	<u>2,570</u>	<u>2,290</u>

18. COMMITMENTS AND CONTINGENT LIABILITIES**Commitments**

At the end of each period, the Relevant Businesses has commitments for future capital expenditures, which are normally expected to be incurred within the following year. In addition, the Relevant Businesses has ongoing commitments under operating lease agreements for various mining equipment and facilities.

The Relevant Businesses' commitments for future capital expenditures and aggregate minimum operating lease payments under non-cancellable operating leases at the period ends reported are as follows:

<i>(in thousands of Australian dollars)</i>	At 31 December			At 30 June
	2012	2011	2010	2013
Capital expenditures	1,955	12,494	3,040	4,675
Operating lease payments				
Not later than 1 year	84	84	92	84
Later than 1 year but not later than 5 years	83	167	276	41
Total operating lease payments	167	251	368	125
Total commitments	2,122	12,745	3,408	4,800

Contingent liabilities*Guarantees*

The Joint Venturers provide indemnities to certain bankers in respect of guarantees given to various Australian government agencies in relation to the Relevant Businesses' operations. The Maximum amounts of the Relevant Businesses' share in respect of these contingent liabilities totalled \$14,690 at 30 June 2013. The Relevant Businesses' Owner has agreed to indemnify the Relevant Businesses for any liabilities arising from the enforcement of these guarantees. No significant losses are anticipated with respect to these guarantees.

Restoration and rehabilitation

The Relevant Businesses maintains a life-of-mine-based close 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. A contingent liability exists in respect of any immediate requirement for rehabilitation in the event that the mine not be permitted to achieve its full mine life. At 30 June 2013, the undiscounted liability totalled \$80,346. At 30 June 2013 the area disturbed by construction but not yet restored was estimated to be 662.62 hectares.

Deed of cross charge

The Joint Venturers have agreed to enter into a Deed of Cross Charge over their individual interests, including a charge over share of production, in order to protect the rights of individual Joint Venturers in the event of default by any other Joint Venturer.

General claims

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the Relevant Businesses from time to time 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 materially affected by the resolution of certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are pending or asserted will not have a material adverse effect on the results of operations, financial position or cash flows of the Relevant Businesses.

19. EVENTS AFTER THE REPORTING PERIOD

On 29 July 2013 Rio Tinto announced it had reached a binding agreement for the sale of the Relevant Businesses to China Molybdenum Co., Ltd. (CMOC) for USD820 million (equivalent to approximately HKD\$6,361 million at the announcement date). The sale is conditional upon Sumitomo waiving their pre-emptive rights to acquire Rio Tinto's 80% share, customary regulatory approvals and the approval of CMOC shareholders.

On 2 September 2013, Sumitomo formally waived their pre-emptive rights to acquire the Relevant Businesses permitting CMOC to proceed with the acquisition.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Relevant Businesses have been prepared in respect of any period subsequent to 30 June 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Chartered Accountants
Sydney, Australia

OPERATING REVIEW AND PROSPECTS**Overview**

As part of the Proposed Acquisition, the Company will acquire the Vendor's 80% interest in the Northparkes Joint Venture, its right to manage the Northparkes Joint Venture, its interest in certain freehold properties associated with Northparkes and various other rights and assets. See the section headed "Information on the Sale Interest and the Business" in the Letter from the Board in this Circular for further details.

Joint Venture Agreement

The Northparkes Joint Venture Agreement governs the relationship between NML as to its 80.0% interest, SMM as to its 13.3% interest and SCM as to its 6.7% interest. The Northparkes Joint Venture Agreement sets out the respective rights and obligations of the participants in relation to the development and operation of Northparkes project, the exploration for, and mining of, other mineral deposits in Northparkes, and the production of mineral concentrate from ore recovered within the area of Northparkes. Each participant has a share in production from Northparkes, equal to its interest in the Northparkes Joint Venture.

PRINCIPAL INCOME STATEMENT COMPONENTS**Turnover**

The Business's turnover represents the sales value of copper and gold concentrates to customers. The three largest customers of the Business each has a term with the Vendor until the end of 2016 and account for approximately 83% to 100% of the Vendor's total sales revenue in each period. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Business's turnover was AUD337.7 million, AUD388.9 million, AUD438.2 million and AUD182.4 million, respectively. The increase in turnover over these periods was due to a combination of an increase in sales volume of copper which was the result of an increase in metal production and also rising copper prices which increased from an average of USD7,625/tonne in 2010 to USD8,820/tonne in 2011 before falling back to USD7,440/tonne over the six months ended 30 June 2013. The table below sets out the Business's revenue by geographical location for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	% of total	% of total	% of total	% of total	% of total	% of total	(unaudited) % of total	(unaudited) % of total	% of total	% of total
<i>(AUD in '000, except for percentage)</i>										
Japan	215,972	64.0%	218,433	56.2%	258,977	59.1%	93,509	45.7%	122,876	67.4%
China	64,530	19.1%	112,327	28.9%	109,576	25.0%	109,666	53.5%	59,476	32.6%
Other	57,193	16.9%	58,179	14.9%	69,666	15.9%	1,629	0.8%	—	—
Total	<u>337,695</u>	<u>100.0%</u>	<u>388,939</u>	<u>100.0%</u>	<u>438,219</u>	<u>100.0%</u>	<u>204,804</u>	<u>100.0%</u>	<u>182,352</u>	<u>100.0%</u>

Cost of Sales

The Business's cost of sales consists principally of costs of mining, ore processing and production related activities. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Business's cost of sales were AUD124.3 million, AUD152.2 million, AUD170.9 million and AUD77.3 million, respectively. The increase in cost of sales over these periods was primarily due to an increase in the sales volume of copper concentrates and associated increases in mining production and employee costs.

Gross Profit

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Business's gross profit was AUD213.4 million, AUD236.7 million, AUD267.3 million and AUD105.1 million, respectively. The increase in gross profit over these periods was primarily due to a combination of an increase in the sales volume of copper concentrates as a result of an increase in the production of metal rising copper prices (as discussed above).

Exploration expenses

The Business's exploration expenses consist principally of exploration drilling related expenses at the mine site. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Business's exploration expenses were AUD9.1 million, AUD35.2 million, AUD47.0 million and AUD4.6 million, respectively. Fluctuations of exploration expenses over these periods were primarily due to the Step Change Project¹ which started in 2010 with associated drilling completed in early 2013. No such costs were capitalized in 2010 through 2012 as the expenditure was of a general exploratory nature.

¹ The Step Change Project is a study to evaluate the potential for a significant increase in copper and gold production and related development of additional infrastructure based on mineral resources within Northparkes' existing mining leases.

Administrative expenses

The Business's administrative expenses consist principally of administrative functions at the mine site such as finance, accounting, purchasing, information services, health safety & environmental and human resources. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Business's administrative expenses were AUD16.5 million, AUD14.7 million, AUD18.1 million and AUD7.5 million, respectively. Fluctuations of administrative expenses over these periods were primarily due to software licensing and information technology support from the implementation of an enterprise resources planning program.

Marketing and distribution expenses

The Business's marketing and distribution expenses consist principally of freight and handling charges for copper concentrates and related ocean freight charges. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Business's marketing and distribution expenses were AUD15.7 million, AUD12.3 million, AUD11.9 million and AUD6.2 million, respectively. The decrease in marketing and distribution expenses over these periods was primarily due to a decrease in freight and handling charges.

Net finance income

The Business's finance income consists principally of interest income earned on loans receivable from related parties, while the Business's finance costs consists principally of amortization of discount. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Business's net finance income was AUD6.2 million, AUD10.6 million, AUD11.8 million and AUD5.9 million, respectively. The increase in net finance income over these periods was primarily due to an increase in the amount of cash generated from higher sales volume over these periods. The table below sets out a breakdown of our finance income and finance costs for the periods indicated:

	Years ended 31 December			Six months ended 30 June 2012	
	2010	2011	2012 (unaudited)	2012	2013
	<i>(AUD in '000, except for percentage)</i>				
Finance income:					
Interest income earned on:					
Loans receivable – related parties	6,849	11,251	12,961	6,482	6,468
Cash and cash equivalents	124	281	175	95	84
Total finance income	6,973	11,532	13,136	6,577	6,552
Finance costs:					
Amortisation of discount	(816)	(953)	(1,304)	(455)	(688)
Net finance income	6,157	10,579	11,832	6,122	5,864

The loans receivable comprised of amounts receivable from Rio Tinto under an unsecured variable rate cash pooling agreement with an interest rate established by Rio Tinto. Such amount, among others stipulated in the Asset Sale and Purchase Agreement, would be excluded and not transferred to CMOC Mining as part of the Proposed Acquisition.

Other income and other expenses

The Business's other income consists principally of income from farming and rent received from land leased to local farmers, while the Business's other expenses consist principally of foreign exchange losses. For the years ended 31 December 2010 and 2012 and the six months ended 30 June 2013, the Business's other income was AUD0.3 million, AUD4.6 million and AUD2.5 million, respectively. For the year ended 31 December 2011, the Business's other expense was AUD1.8 million. Fluctuations in other income and expenses over these periods were primarily due to foreign exchange losses.

Income tax expense

The Business's income tax expense consists principally of Australia federal income tax. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Business's income tax expense was AUD53.8 million, AUD53.9 million, AUD59.3 million and AUD28.8 million, respectively. The increase in income tax expense over these periods were primarily due to a combination of higher taxable income as a result of higher sales volume and rising copper prices (as discussed above).

REVIEW OF HISTORICAL OPERATING RESULTS**Income Statement of the Business**

	Years ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	(unaudited)				
	<i>(AUD in '000)</i>				
Turnover	337,695	388,939	438,219	204,804	182,352
Cost of Sales	<u>(124,316)</u>	<u>(152,169)</u>	<u>(170,895)</u>	<u>(77,629)</u>	<u>(77,298)</u>
Gross Profit	213,379	236,770	267,324	127,175	105,054
Exploration expenses	(9,080)	(35,206)	(46,991)	(27,590)	(4,559)
Administrative expenses	(14,789)	(14,651)	(18,110)	(8,614)	(7,501)
Marketing and distribution expenses	(15,664)	(12,286)	(11,908)	(5,368)	(6,183)
Net finance income	6,157	10,579	11,832	6,122	5,864
Other income / (expenses)	<u>260</u>	<u>(1,846)</u>	<u>4,602</u>	<u>2,160</u>	<u>2,466</u>
Profit before taxation	180,263	183,360	206,749	93,885	95,141
Income tax expense	<u>(53,847)</u>	<u>(53,889)</u>	<u>(59,331)</u>	<u>(27,551)</u>	<u>(28,816)</u>
Total comprehensive income for the year / period	<u><u>126,416</u></u>	<u><u>129,471</u></u>	<u><u>147,418</u></u>	<u><u>66,334</u></u>	<u><u>66,325</u></u>

SIX MONTHS ENDED 30 JUNE 2013 COMPARED TO SIX MONTHS ENDED 30 JUNE 2012**Turnover**

The Business's turnover decreased by 11.0% from AUD204.8 million for the six months ended 30 June 2012 to AUD182.4 million for the six months ended 30 June 2013, primarily due to lower realized metal prices.

Turnover by geographical location

The Business' turnover from Japan increased by 31.4% from AUD93.5 million for the six months ended 30 June 2012 to AUD122.9 million for the six months ended 30 June 2013, primarily due to higher contract shipment volume and take-in-kind volume of copper concentrates.

The Business's turnover from China decreased by 45.8% from AUD109.7 million for the six months ended 30 June 2012 to AUD59.5 million for the six months ended 30 June 2013, primarily due to lower contract shipment volume of copper concentrates.

Cost of sales

The Business's cost of sales remained relatively stable, even though turnover increased, for the six months ended 30 June 2012 and the six months ended 30 June 2013, primarily due to several management initiatives to streamline the organization and eliminate wastage.

Gross profit and gross margin

As a result of the foregoing, the Business's overall gross profit decreased by 17.4% from AUD127.2 million for the six months ended 30 June 2012 to AUD105.1 million for the six months ended 30 June 2013.

The Business's overall gross profit margin decreased from 62.1% for the six months ended 30 June 2012 to 57.6% for the six months ended 30 June 2013, primarily due to lower realized metal prices and lower sales volume of copper concentrates.

Exploration expenses

The Business's exploration expenses decreased by 83.5% from AUD27.6 million for the six months ended 30 June 2012 to AUD4.6 million for the six months ended 30 June 2013, primarily due to the completion of the drilling program of the Step Change Project.

Administrative expenses

The Business's administrative expenses decreased by 12.9% from AUD8.6 million for the six months ended 30 June 2012 to AUD7.5 million for the six months ended 30 June 2013, primarily due to several management initiatives to streamline the organization and eliminate wastage.

Marketing and distribution expenses

The Business's marketing and distribution expenses increased by 15.2% from AUD5.4 million for the six months ended 30 June 2012 to AUD6.2 million for the six months ended 30 June 2013, primarily due to increase in handling charges for copper concentrates and minor increase in ocean freight rates.

Net finance income

The Business's net finance income remained relatively stable for the six months ended 30 June 2012 and the six months ended 30 June 2013, primarily due to a lower interest rate on the loan receivable with Rio Tinto for 2013 than for 2012.

Other income

The Business's other income increased by 14.2% from AUD2.2 million for the six months ended 30 June 2012 to AUD2.5 million for the six months ended 30 June 2013, primarily due to foreign exchange gains.

Income tax expense

The Business's income tax expense increased by 4.6% from AUD27.6 million for the six months ended 30 June 2012 to AUD28.8 million for the six months ended 30 June 2013, primarily due to higher profits as a result of high sales volume in copper concentrates. The effective tax rate increased from 29.3% for the six months ended 30 June 2012 to 30.3% for the six months ended 30 June 2013, due to changes in accounting provisions and changes in accelerated capital cost allowances.

Profit for the Period

As a result of the foregoing, the Business's profit for the period remained relatively stable for the six months ended 30 June 2012 and the six months ended 30 June 2013.

YEAR ENDED 31 DECEMBER 2011 COMPARED TO YEAR ENDED 31 DECEMBER 2012**Turnover**

The Business's turnover increased by 12.7% from AUD388.9 million for the year ended 31 December 2011 to AUD438.2 million for the year ended 31 December 2012, primarily due to higher sales volume as a result of higher copper concentrate production.

Turnover by geographical location

The Business' turnover from Japan increased by 18.6% from AUD218.4 million for the year ended 31 December 2011 to AUD259.0 million for the year ended 31 December 2012, primarily due to higher contract shipment volume of copper concentrates.

The Business's turnover from China decreased slightly by 2.4% from AUD112.3 million for the year ended 31 December 2011 to AUD109.6 million for the year ended 31 December 2012, primarily due to lower contract shipment volume of copper concentrates.

Cost of sales

The Business's cost of sales increased by 12.3% from AUD152.2 for the year ended 31 December 2011 to AUD170.9 million for the year ended 31 December 2012, primarily due to higher sales volume of copper concentrates and associated increases in mining production and employee costs.

Gross profit and gross margin

As a result of the foregoing, the Business's overall gross profit increased by 12.9% from AUD236.7 million for the year ended 31 December 2011 to AUD267.3 million for the year ended 31 December 2012.

The Business's overall gross profit margin increased slightly from 60.9% for the year ended 31 December 2011 to 61.0% for the year ended 31 December 2012, primarily due to higher sales volume and partially offset by higher cost of sales of copper concentrates.

Exploration expenses

The Business's exploration expenses increased by 33.5% from AUD35.2 million for the year ended 31 December 2011 to AUD47.0 million for the year ended 31 December 2012, primarily due to higher drilling costs incurred as part of the Step Change Project.

Administrative expenses

The Business's administrative expenses increased by 23.6% from AUD14.7 million for the year ended 31 December 2011 to AUD18.1 million for the year ended 31 December 2012, primarily due to the implementation of an enterprise resource planning program.

Marketing and distribution expenses

The Business's marketing and distribution expenses decreased by 3.1% from AUD12.3 million for the year ended 31 December 2011 to AUD11.9 million for the year ended 31 December 2012, primarily due to lower freight and handling charges for copper concentrates.

Net finance income

The Business's net finance income increased by 11.8% from AUD10.6 million for the year ended 31 December 2011 to AUD11.8 million for the year ended 31 December 2012, primarily due to an increase in the amount of cash generated from higher sales volume of copper concentrates.

Other income / expenses

The Business's net other income increased by 349.3% from other expenses of AUD1.8 million for the year ended 31 December 2011 to other income of AUD4.6 million for the year ended 31 December 2012, primarily due to a decrease in foreign exchange losses.

Income tax expense

The Business's income tax expense increased by 10.1% from AUD53.9 million for the year ended 31 December 2011 to AUD59.3 million for the year ended 31 December 2012, primarily due to higher profits as a result of high sales volume in copper concentrates and slightly higher received metal prices. The effective tax rate decreased from 29.4% for the year ended 31 December 2011 to 28.7% for the year ended 31 December 2012, due to changes in accounting provisions.

Profit for the Period

As a result of the foregoing, the Business's profit for the period increased by 13.9% from AUD129.5 million for the year ended 31 December 2011 to AUD147.4 million for the year ended 31 December 2012.

YEAR ENDED 31 DECEMBER 2010 COMPARED TO YEAR ENDED 31 DECEMBER 2011**Turnover**

The Business's turnover increased by 15.2% from AUD337.7 million for the year ended 31 December 2010 to AUD388.9 million for the year ended 31 December 2011, primarily due to a combination of higher sales volume as a result of higher copper concentrates production and higher copper prices, and partially offset by the strong Australian dollar.

Turnover by geographical location

The Business' turnover from Japan increased by 1.1% from AUD215.9 million for the year ended 31 December 2010 to AUD218.4 million for the year ended 31 December 2011, primarily due to higher metal selling prices.

The Business's turnover from China increased by 74.1% from AUD64.5 million for the year ended 31 December 2010 to AUD112.3 million for the year ended 31 December 2011, primarily due to higher sales volume of copper concentrates and higher metal selling prices.

Cost of sales

The Business's cost of sales increased by 22.4% from AUD124.3 for the year ended 31 December 2010 to AUD152.2 million for the year ended 31 December 2011, primarily due to higher sales volume and related cost of sales of copper concentrates and associated increases in mining production and employee costs.

Gross profit and gross margin

As a result of the foregoing, the Business's overall gross profit increased by 10.1% from AUD213.4 million for the year ended 31 December 2010 to AUD236.7 million for the year ended 31 December 2011.

The Business's overall gross profit margin decreased from 63.7% for the year ended 31 December 2010 to 60.9% for the year ended 31 December 2011, primarily due to higher production cost as a result of higher underground mining costs and shutdown of E22 open pit mine due to depleted open pit ore reserves.

Exploration expenses

The Business's exploration expenses increased by 287.7% from AUD9.1 million for the year ended 31 December 2010 to AUD35.2 million for the year ended 31 December 2011, primarily due to exploration drilling associated with the Step Change Project.

Administrative expenses

The Business's administrative expenses remained relatively stable for the year ended 31 December 2010 and the year ended 31 December 2011.

Marketing and distribution expenses

The Business's marketing and distribution expenses decreased by 21.6% from AUD15.7 million for the year ended 31 December 2010 to AUD12.3 million for the year ended 31 December 2011, primarily due to the stronger Australian dollar versus U.S. dollar that was used in handling charges and ocean freight for sales of copper concentrates.

Net finance income

The Business's net finance income increased by 71.8% from AUD6.2 million for the year ended 31 December 2010 to AUD10.6 million for the year ended 31 December 2011, primarily due to cash generated as a result of higher sales volume of copper concentrates and higher received metal prices.

Other income / expenses

The Business's net other income decreased by 810.0% from other income of AUD0.3 million for the year ended 31 December 2010 to other expenses of AUD1.8 million for the year ended 31 December 2011, primarily due to an increase in foreign exchange losses.

Income tax expense

The Business's income tax expense remained relatively stable for the year ended 31 December 2010 to the year ended 31 December 2011. The effective tax rate decreased from 29.9% for the year ended 31 December 2010 to 29.4% for the year ended 31 December 2011, due to a decrease in accelerated capital cost allowance and unrealized foreign exchange losses.

Profit for the Period

As a result of the foregoing, the Business's profit for the period increased by 2.4% from AU126.4 million for the year ended 31 December 2010 to AUD129.5 million for the year ended 31 December 2011.

LIQUIDITY AND CAPITAL RESOURCES

The Business has historically met its liquidity requirements from cash generated from operations.

Cash flow data

The following table sets out selected cash flow data from the Business's combined cash flow statements for the periods indicated:

	Year ended 31 December			Six months ended 30	
	2010	2011	2012	June	2013
				(unaudited)	
	<i>(AUD in '000)</i>				
Net cash generated from					
operating activities	124,376	193,352	218,956	95,567	78,508
Net cash used in investing activities	(93,412)	(188,089)	(217,055)	(96,616)	(80,049)
Net cash used in financing activities	(30,000)	—	—	—	—
Cash and cash equivalents					
at the beginning of year/period	191	1,155	6,418	6,418	8,319
Cash and cash equivalents					
at the end of year/period	1,155	6,418	8,319	5,369	6,778

The Business's cash requirements are mainly for working capital and capital expenditures for the operations of Northparkes.

Cash flow from operating activities

The Business derives its cash inflow from operating activities primarily from sales of copper concentrates. The Business's cash outflow for operating activities is primarily used for payments to suppliers and employees at the operations of Northparkes. Cash flows from operating activities can be significantly affected by factors such as higher sales volume as a result of higher metal production and higher metal selling prices.

For the six months ended 30 June 2013, the Business had a net operating cash inflow of AUD78.5 million primarily attributable to receipts from customers of AUD188.0 million for sales of copper concentrates, and offset by payments to suppliers and employee's of AUD71.6 million for the supply and services used in the copper concentrates production processes and income tax payment of AUD37.9 million.

For the year ended 31 December 2012, the Business had a net operating cash inflow of AUD219.0 million primarily attributable to receipts from customers of AUD471.3 million for sales on copper concentrates, and offset by payments to suppliers and employee's of AUD188.5 million for the supply and services used in the copper concentrates production processes and income tax payment of AUD63.8 million.

For the year ended 31 December 2011, the Business had a net cash inflow of AUD193.3 million primarily attributable to receipts from customers of AUD396.4 million for sales on copper concentrates, and offset by payments to suppliers and employee's of AUD147.7 million for the supply of and services used in the copper concentrates production processes and income tax payment of AUD55.4 million.

For the year ended 31 December 2010, the Business had a net cash inflow of AUD124.4 million primarily attributable to receipts from customers of AUD288.0 million for copper concentrates sales, and offset by payments to suppliers and employee's of AUD139.9 million for the supply and services used in the mining and ore processing and production related activities and income tax payment of AUD23.7 million.

Cash flow from investing activities

The Business's cash outflow from investing activities primarily consists of purchases of property, plant and equipment and construction and development works associated with the mine and infrastructure and advances on loans.

For the six months ended 30 June 2013, the Business's net cash used in investing activities was AUD80.0 million. Cash used in investing activities in this period was primarily attributable to (i) purchases of property, plant and equipment of AUD9.6 million in relation to underground development and improvement in ore processing facilities, and (ii) advances on loans of AUD70.5 million to Rio Tinto.

For the six months ended 31 December 2012, the Business's net cash used in investing activities was AUD217.1 million. Cash used in investing activities in this period was primarily attributable to (i) purchases of property, plant and equipment of AUD62.6 million in relation to underground mine development and tailings dam construction, and (ii) advances on loans of AUD154.5 million to Rio Tinto.

For the six months ended 31 December 2011, the Business's net cash used in investing activities was AUD188.1 million. Cash used in investing activities in this period was primarily attributable to (i) purchases of property, plant and equipment of AUD66.6 million in relation to underground mine development, and (ii) advances on loans of AUD121.5 million to Rio Tinto.

For the six months ended 31 December 2010, the Business's net cash used in investing activities was AUD93.4 million. Cash used in investing activities in this period was primarily attributable to (i) purchases of property, plant and equipment of AUD60.0 million in relation to the development of E48 underground mine, and (ii) advances on loans of AUD33.4 million to Rio Tinto.

Cash flow from financing activities

The Business's cash flow from financing activities for the year ended 31 December 2010 consisted of transfers to Rio Tinto's net investments in relation to loan receivable. As the Business did not operate as a stand-alone entity and functioned as part of the larger group of companies controlled by Rio Tinto, all of the Business's net cash inflow (outflow) from operating activities, investment activities and financing activities over the periods were entirely retained/financed by Rio Tinto, the effects of which are presented as transfers to Rio Tinto's net investments. The Business has no other financing activities.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

The Business's capital expenditures are principally comprised of purchases of property, plant and equipment. The Business's capital expenditures were AUD60.0 million, AUD66.6 million, AUD62.6 million and AUD9.6 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively.

The Business finances its capital expenditure requirements primarily from cash flow generated from operating activities.

Material acquisition and disposal

The Business did not make any material acquisitions or disposals of subsidiary or associate companies in the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013.

Significant investments

The Business did not hold any significant investments as at 31 December 2010, 2011 and 2012 and 30 June 2013.

Contractual Commitments

The Business's contractual commitments are principally comprised of commitments under operating leases. The table below sets out the future minimum operating lease payments under non-cancellable operating leases for the periods indicated:

	At 31 December		At 30 June	
	2012	2011	2010	2013
	<i>(AUD in '000)</i>			
Operating lease payments				
Not later than 1 year	84	84	92	84
Later than 1 year but not later than 5 years	83	167	276	41
	<u>83</u>	<u>167</u>	<u>276</u>	<u>41</u>
Total operating lease payments	<u>167</u>	<u>251</u>	<u>368</u>	<u>125</u>

WORKING CAPITAL**Net current assets**

As at 31 December 2010, 2011, 2012 and 30 June 2013, the Business had net current assets of AUD228.5 million, AUD329.7 million, AUD462.3 million and AUD543.3 million, respectively.

The table below sets forth the Business's current assets, current liabilities and net current assets as at the date indicated:

	Year ended 31 December			As at 30 June
	2010	2011	2012	2013
	<i>(AUD in '000)</i>			
Current assets				
Loans receivable	183,724	305,215	459,707	530,202
Inventories	25,232	21,622	19,513	20,139
Trade and other receivables	90,196	82,769	49,680	44,038
Cash and cash equivalents	<u>1,155</u>	<u>6,418</u>	<u>8,319</u>	<u>6,778</u>
Total current assets	<u>300,307</u>	<u>416,024</u>	<u>537,219</u>	<u>601,157</u>
Current liabilities				
Trade and other payables	31,830	49,039	39,310	34,379
Income tax payable	34,359	31,266	26,948	17,309
Provisions	<u>5,659</u>	<u>6,057</u>	<u>8,643</u>	<u>6,172</u>
Total current liabilities	<u>71,848</u>	<u>86,362</u>	<u>74,901</u>	<u>57,860</u>
Net current assets	<u><u>228,459</u></u>	<u><u>329,662</u></u>	<u><u>462,318</u></u>	<u><u>543,297</u></u>

The increase in net current assets from 31 December 2012 to 30 June 2013 was primarily due to an increase in loan receivable from Rio Tinto and decrease in trade payable and income tax payable. The increase in net current assets from 31 December 2011 to 31 December 2012 was primarily due to an increase in loan receivable from Rio Tinto and decrease in both trade payable and income tax payable. The increase in net current assets from 31 December 2010 to 31 December 2011 was primarily due to an increase in loan receivable from Rio Tinto and partially offset by increase in trade payables.

Inventories

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Business's inventories amounted to AUD25.2 million, AUD21.6 million, AUD19.5 million and AUD20.1 million, respectively. The Business's inventories decreased by 14.3% from AUD25.2 million as at 31 December 2010 to AUD21.6 million as at 31 December 2011 primarily due to a decrease in open pit mining supplies as E22 open pit was closed due to depleted ore reserves. The Business's inventories decreased by 9.8% from AUD21.6 million as at 31 December 2011 to AUD19.5 million as at 31 December 2012 primarily due to the winding down of open pit mining supplies for the use in E22 open pit mine. The Business's inventories increased by 3.2% from AUD19.5 million as at 31 December 2012 to AUD20.1 million as at 30 June 2013, primarily due to the addition of the tunnel boring system (TBS) supplies as a result of testing of a new TBS by Rio Tinto.

The following table sets forth the components of the Business's inventories as of the dates indicated:

	Year ended 31 December			As at 30 June
	2010	2011	2012	2013
	<i>(AUD in '000)</i>			
Consumable stores	8,029	7,526	9,654	10,401
Raw materials	13,607	3,917	2,291	1,057
Work in progress	713	890	491	490
Finished goods	2,883	9,289	7,077	8,191
Total	25,232	21,622	19,513	20,139

The Business's consumable stores inventories are primarily comprised of production supplies and critical spare parts for use in the operations of Northparkes. Fluctuations of consumable stores inventories between the 31 December 2010 and 30 June 2013 are primarily due to changes in operating parameters due to closure of E22 open pit mining operations. The Business's raw materials are primarily comprised of ore stockpiles near concentrators which allow Northparkes to maintain steady production of concentrate in times of disruption to mining operations. Decreases in raw materials between 31 December 2010 and 30 June 2013 are primarily due to closure of E22 open pit mine and E26 underground mine, and the commencement of operations at the E48 underground mine. The Business's work in progress comprises ore remained in concentrating processing circuits (i.e. SAG mills, ball mills and flotation cells), and the Business's finished goods comprise copper concentrates stored in the storage shed on site, as well as copper concentrates on the trains and at warehouses at the port. Fluctuations of work in progress balances between the periods as at 31 December 2010 and 30 June 2013 are primarily due to improvements made in ore processing. Fluctuations of finished goods balances between the periods as at 31 December 2010 and 30 June 2013 are primarily due to improvements made in shipping logistics for copper concentrates.

Trade and Other Receivables

The Business's trade and other receivables mainly represent sales revenue of copper concentrates. Typical payment terms require that 90% of the invoiced amount be paid within three days of customer receipt of the concentrate product. The final 10% is required to be paid within three to four months after customer's receipt of inventory. The average credit period for the initial payment ranges between three to 21 days and for the final payment the average credit period is 90 to 160 days. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Business's trade and other receivables were AUD90.2 million, AUD82.8 million, AUD49.7 million and AUD44.0 million, respectively. The following table sets out the Business's trade and other receivables balance as at the dates indicated:

	Year ended 31 December			As at 30 June
	2010	2011	2012	2013
	<i>(AUD in '000)</i>			
Trade receivables	87,582	77,898	45,518	37,866
Other sundry debtors	2,442	4,672	3,967	3,647
Prepayments	172	199	195	2,525
Total	<u>90,196</u>	<u>82,769</u>	<u>49,680</u>	<u>44,038</u>

The Business's total trade and other receivables decreased by 8.2% as at 31 December 2010 to 31 December 2011, and further by 40.0% as at 31 December 2011 to 31 December 2012 primarily due to new sales terms for copper concentrates with smelters. The Business's total trade and other receivables further decreased by 11.4% as at 31 December 2012 to 30 June 2013 primarily due to new sales terms for copper concentrates with smelters in Japan and China.

The Business's trade receivables were primarily related to sales of copper concentrates.

The Business's other sundry debtors were primarily related to amounts due to related parties for research and development that is performed by the Business for the benefit of Rio Tinto. The associated costs were recharged back to Rio Tinto as incurred.

The Business's prepayments were primarily related to property insurance and other business related insurances.

Trade and Other Payables

The Business's trade and other payables mainly comprise purchases of operating supplies and services used in the production processes. The Business's trade and other payables are normally settled between 14 to 60 days. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Business's trade and other payables were AUD31.8 million, AUD49.0 million, AUD39.3 million and AUD34.4 million, respectively.

The following table sets out the Business's trade and other payables balance as at the dates indicated:

	Year ended 31 December			As at 30
	2010	2011	2012	June 2013
	<i>(AUD in '000)</i>			
Trade payables				
— third parties	11,672	31,618	21,136	22,553
— related parties	—	1,863	2,325	1,665
Accrued expenses	17,570	11,114	9,540	7,999
Other payables	2,588	4,444	6,309	2,162
Total	<u>31,830</u>	<u>49,039</u>	<u>39,310</u>	<u>34,379</u>

The Business's total trade and other payables increased by 54.1% as at 31 December 2010 to 31 December 2011 primarily due to the acceleration of payments in the year ended 31 December 2010 in preparation for conversion to SAP in 2011 and an increase in activities on the Step Change Project. The Business's total trade and other payables decreased by 19.8% as at 31 December 2011 to 31 December 2012, and further by 12.5% as at 31 December 2012 to 30 June 2013 primarily due to a decrease in activities on the Step Change Project.

The Business's trade payables were primarily related to purchase of supplies and services for mining, ore processing and production related activities, as well as payments to labourers and contractors on site.

The Business's accrued expenses were primarily related to general accruals and royalties payable.

The Business's other payables were primarily related to goods received clearing account.

INDEBTEDNESS**Borrowings**

As at 31 December 2010, 2011 and 2013 and 30 June 2013, the Business had no bank loans or other borrowings. Therefore, there was no gearing ratio for the Business.

Contingent Liabilities

As at 31 December 2010, 2011 and 2013 and 30 June 2013, the Business had no contingent liabilities.

As at the Latest Practicable Date, the Business had no contingent liabilities.

Commitments*Operating Leases*

The Business leases certain of its mining equipment and facilities under non-cancelable operating leases. These leases typically have an initial term of one to five years, with an option to renew the lease when the terms are renegotiated. The following table sets out the total minimum leases payments under these operating leases for the periods indicated:

	Year ended 31 December			As at 30 June
	2010	2011	2012	2013
	<i>(AUD in '000)</i>			
Within one year	92	84	84	84
After one year but within five years	<u>276</u>	<u>167</u>	<u>83</u>	<u>41</u>
Total	<u><u>368</u></u>	<u><u>251</u></u>	<u><u>167</u></u>	<u><u>125</u></u>

Capital Commitments

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Business had no capital commitments.

There has been no material change to the Business's indebtedness and commitments since 30 June 2013.

Charges on the Business's assets

As at 30 June 2013, there is no charge on the assets of the Business.

Off-Balance Sheet Transactions

As at 30 June 2013, the Business had not entered into any off-balance sheet transactions.

MARKET RISKS

The Business is exposed to various types of market risks, including foreign exchange risk, interest rate risks, credit risk, commodity price risk and liquidity and capital risk. During the year ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Business did not have a formal hedging policy and no financial instrument was used for hedging purpose.

Foreign Exchange Risk

The Business's functional and presentation currency is the AUD; however, the Business may elect a different presentation currency in the future, depending on its stand-alone operations.

Substantially all of the Business's sales are denominated in USD, while operating costs are substantially all incurred in AUD. This creates a risk that revenues will be lower than anticipated in the event of unfavourable movement in the AUD, USD exchange. Further certain of the Business's trade receivables and trade payables are not held or settled in AUD, which results in an exposure to foreign exchange gains and losses as the financial assets and liabilities are remeasured into AUD. As a result, fluctuations in exchange rates may have a significant impact on the Business's financial results in any particular period. Net foreign exchange gains (losses) amounted to (AUD0.7 million), (AUD4.3 million) and (AUD1.9 million) for the years ended 31 December 2012, 2011 and 2010 and AUD\$1.2 million and AUD\$0.5 million for the six months ended 30 June 2013 and 2012, respectively. Foreign exchange gains (losses) are recorded in net other income / expenses in the Business's combined statement of profit or loss and other comprehensive income.

Foreign exchange sensitivity: Risks associated with exposure to financial instruments

The sensitivities described below give the estimated effect on net earnings and equity of a ten per cent weakening/strengthening in the year end closing exchange rate of the denominated currency of the Business's financial instruments denominated in currencies other than the AUD. The impact is expressed in terms of the effect on net earnings and equity, assuming that each exchange rate moves in isolation and using the Business's statutory income tax rates.

If the currencies had weakened/strengthened by 10% against the AUD, the effect on net earnings and equity would have been higher/lower by AUD2,303; AUD4,023; and AUD4,922 for the years ended 31 December 2012, 2011 and 2010, respectively, and AUD1,497 for the six months ended 30 June 2013.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Business's interest rate risk arises from its related party loans receivable balance. Instruments issued at variable interest rates expose the Business to cash flow interest rate risk. The Business does not enter into any interest rate derivative contracts to hedge its interest rate risk.

Interest rate sensitivity: Risks associated with variable rate instruments

Based on the Business's variable rate related party loans receivable, the effect on net earnings of a half percentage point decrease in the Business's variable interest rate instruments would be a decrease of: AUD1,617; AUD1,080; and AUD643 for the years ended 31 December 2012, 2011 and 2010, respectively, and \$1,863 at 30 June 2013. These balances will not remain constant throughout 2013, however, and therefore the sensitivities should be used with care.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Business is exposed to credit risk from its operating activities, including bank deposits, foreign exchange transactions and trade receivables. The management of the Business believes the Business has minimal exposure to credit risk related to trade receivables or by virtue of the possible non-performance of the counterparties to the Business's other financial instruments. The Business has a limited number of counterparties who purchase concentrate from the Business, all of which are well known, reputable counterparties with sound financial positions. In the unlikely event of a default of a counterparty, the Business is likely to be able to sell its concentrate product to another counterparty at short notice, reducing the scope for potential loss.

Commodity Price Risk

Commodity prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply.

Sales of copper concentrates are “provisionally priced”, i.e. the selling price is determined normally 30 to 150 days after delivery to the customer, based on the market price at the relevant quotation point stipulated in the sales contract. Sales revenue recognised on provisionally priced sales is based on estimates of fair value of the consideration receivable which is based on forward market prices. At each reporting date, provisionally priced metal sales are marked to market based on the forward selling price for the period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper for which an active and freely traded commodity market exists on the London Metal Exchange (LME), and because the value of product sold by the Business is directly linked to the form in which it is traded on that market.

The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue. The table below sets out the quantities and pricing of provisionally priced copper sales outstanding at each of the period ends presented

	At 31 December		At 30 June	
	2010	2011	2012	2013
Copper sales outstanding (in millions of pounds)	24.0	33.1	33.4	35.2
Provisional price per pound (in US cents)	381	342	359	338

Commodity price sensitivity: Risks associated with fluctuations in market prices

The final prices of the provisionally priced sales at 30 June 2013 will be determined during the second half of 2013. A ten per cent change in the price of copper to be realised on the provisionally priced sales would increase or reduce net earnings and net investment by AUD7,935; AUD8,315; and AUD3,472 for the years ended 31 December 2012, 2011 and 2010, respectively, and AUD3,303 at 30 June 2013.

Liquidity and Capital Risk

The Business’s liquidity and risk management strategies are principally driven by Rio Tinto. Liquidity needs and surpluses of the Business are primarily managed through equity funding from and loans to Rio Tinto.

Rio Tinto's overriding objectives when managing capital include safeguarding the business as a going concern; maximising returns for Rio Tinto; and maintaining an optimal capital and tax structure in order to provide a high degree of financial flexibility at the lowest cost of capital. Rio Tinto regularly reviews the capital structure of the Business taking into account strategic priorities and the economic conditions within which the Business operates.

In terms of evaluating and managing liquidity, the Business's financial liabilities are comprised entirely of trade and other payables which are unsecured and are typically paid within supplier payment terms ranging between 14 to 60 days of recognition.

EMPLOYEES

As of 30 June 2013, the Business had approximately 290 employees and approximately 320 contractors working at the mine site. Remuneration packages and benefits were determined in accordance with market terms, industry practice as well as the nature of duties, performance, qualifications and experience of the employees.

OCCUPATIONAL HEALTH AND SAFETY

Northparkes has an established a policy in relation to environment, safety and health (the "HSE Policy"). In accordance with this policy, Northparkes has a number of well-established and stringent safety standards and policies which are reflective of Rio Tinto's safety commitment, and a "zero harm approach". This approach ensures Northparkes remains committed to:

- Reducing hazards that could cause illness or injury to people, damage to property or unacceptable impacts on the environment
- Ensuring that all employees and contractors meet the Northparkes environmental, health and safety obligations
- Mitigating short and long term safety, economic, environmental and community impacts arising from NPM's operations.

Northparkes' HSE Policy is reviewed annually to ensure effectiveness of strategies implemented, and to keep abreast of changing requirements of the mine, regulations and technologies.

Northparkes is currently implementing approaches which include:

- “The Journey to Zero Harm”, which relates to a commitment on the part of Northparkes and its employees to eliminate the occurrence of safety incidents at Northparkes
- Enhancing risk management assessment and strategies
- Improvements in injury management
- Implementation of additional underground safety performance standards
- Enhanced health and wellness program

Northparkes is committed to continually improving its performance in environment, safety and health aspects by striving for best practice to achieve its goal of zero harm and protection of the environment.

COMMUNITY RELATIONS

Northparkes recognises that it has a responsibility to the community in which it operates. Northparkes seeks to build enduring relationships by:

- Actively communicating business plans and philosophies
- Seeking and respecting community views and acknowledging its communities and neighbours as important stakeholders in the long term prosperity of Northparkes
- Actively consulting with its communities and key stakeholders to maintain sustainable partnerships and build capacity regarding the short term impacts on them
- Respecting the cultural heritage of the lands on which Northparkes operates
- Working in partnership with the community to identify and appropriately manage areas of cultural significance by meeting all legal and statutory requirements for heritage sites

Northparkes is committed to continuing to build relationships with, and to further developing its understanding of the issues affecting, the community to ensure an optimal outcome for all.

Northparkes adopts the Rio Tinto communities policy and meets and exceeds the requirements set out in the Rio Tinto communities standard.

RISK MANAGEMENT

Northparkes has successfully operated since 1993. Its success is a result of implementation of many risk management strategies to ensure smooth operation. Northparkes conducts an annual critical risk assessment program (the “Critical Risk Assessment”). The program is operated by external consultants on behalf of Rio Tinto. The main objectives of the Critical Risk Assessment and Critical Risk Assessment Report are to:

- Identify and evaluate the physical risks to facilities, property and external interferences that have the most significant consequences in terms of ‘total financial loss’ to the operation and Rio Tinto. These risks are known as terms the “Critical Risk Scenarios” at the operation.
- Evaluate the performance of the operation in regards to management of asset and business interruption risks, through an assessment of the management systems and a systematic approach employed at the operations, with an aim to reduce risks.
- Make recommendations as to the potential improvements in reducing or eliminating the identified risks at the operation (with special focus on the Critical Risk Scenarios) or on the strengthening of management systems influencing the management of risk.
- Assess the status of any previous recommendations, made under this program or by other loss control consultants.

The management team of Northparkes conducts quarterly reviews of the Critical Risk Assessment report’s action plan to minimise risks at Northparkes.



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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

TO THE DIRECTORS OF CHINA MOLYBDENUM CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Molybdenum Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated balance sheet as at 30 June 2013, the pro forma consolidated income statement for the six months ended 30 June 2013, the pro forma consolidated statement of cash flows for the six months ended 30 June 2013 and related notes as set out on pages 248 to 258 of the circular issued by the Company dated 8 November 2013 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on page 247 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the Relevant Business, representing 80% interest in the Northparkes Joint Venture and certain associated assets of the mine management business in respect of the Northparkes Mines, which are proposed to be sold by Rio Tinto Plc's wholly-owned subsidiary North Mining Limited (the “NML”) as vendor to CMOC Mining Pty Limited, a wholly-owned subsidiary of the Company, as purchaser pursuant to a binding agreement entered into on 26 July 2013 (the “Proposed Acquisition”), on the Group's financial position as at 30 June 2013 as if the Acquisition had taken place at 30 June 2013, and on the Group's financial performance and cash flows for the six months ended 30 June 2013 as if the Proposed Acquisition had taken place at 1 January 2013. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2013, on which a review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. These standards require that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the events had occurred or these transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2013 or 1 January 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China

8 November 2013

A. BASIS OF PREPARATION OF THE PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The pro forma financial information presented below is prepared to illustrate (a) the financial position of the Enlarged Group as if the Proposed Acquisition of the Relevant Business had been completed on 30 June 2013; and (b) the results and cash flows of the Enlarged Group as if the Proposed Acquisition had been completed on 1 January 2013.

This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2013 or at any future date had the Proposed Acquisition been completed on 30 June 2013 or the results and cash flows of the Enlarged Group for the six months ended 30 June 2013 or for any future period had the Proposed Acquisition been completed on 1 January 2013.

The pro forma financial information is prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2013, the unaudited consolidated income statement and unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2013 extracted from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 after giving effect to the pro forma adjustments described in the accompanying notes and was prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

B. PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Pro Forma Consolidated Balance Sheet of the Enlarged Group as at 30 June 2013

	The Group RMB'000 (Note 1)	Pro forma adjustment in respect of the Proposed Acquisition of the Relevant Business				Sub-total RMB'000	Pro forma adjustment on resulting stamp duty in relation to the Proposed Acquisition RMB'000 (Note 5)	Total pro forma adjustments RMB'000	The Enlarged Group RMB'000
		RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000 (Note 4)				
CURRENT ASSETS									
Bank balances and cash	2,873,029	38,676			(1,253,463)	(1,214,787)	—	(1,214,787)	1,658,242
Held-for-trading financial assets	9,383					—	—	—	9,383
Notes receivable	1,064,165					—	—	—	1,064,165
Accounts receivable	698,863	216,067	(139,853)			76,214	—	76,214	775,077
Prepayments	236,776	14,408	(14,408)			—	—	—	236,776
Interest receivable	18,916					—	—	—	18,916
Other receivables	78,842	20,810	(14,757)			6,053	—	6,053	84,895
Loans receivable	—	3,025,386	(3,025,386)			—	—	—	—
Inventories	961,460	114,915		4,796		119,711	—	119,711	1,081,171
Other current assets	2,408,330					—	—	—	2,408,330
	8,349,764					(1,012,809)	—	(1,012,809)	7,336,955
NON-CURRENT ASSETS									
Long-term equity investments	1,612,044					—	—	—	1,612,044
Fixed assets	3,538,207	2,314,519		480,814		2,795,333	—	2,795,333	6,333,540
Construction in progress	462,886					—	—	—	462,886
Intangible assets	2,050,409			2,910,111		2,910,111	—	2,910,111	4,960,520
Inventories	—	349,875				349,875	—	349,875	349,875
Long-term deferred expenses	139,633					—	—	—	139,633
Deferred tax assets	136,742					—	—	—	136,742
Other non-current assets	60,017					—	—	—	60,017
	7,999,938					6,055,319	—	6,055,319	14,055,257
TOTAL ASSETS	16,349,702					5,042,510	—	5,042,510	21,392,212

	The Group RMB'000 (Note 1)	Pro forma adjustment in respect of the Proposed Acquisition of the Relevant Business				Sub-total RMB'000	Pro forma adjustment on resulting stamp duty in relation to the Proposed Acquisition RMB'000 (Note 5)	Total pro forma adjustments RMB'000	The Enlarged Group RMB'000
		RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000 (Note 4)				
CURRENT LIABILITIES									
Short-term borrowings	411,200					—	—	—	411,200
Bank overdraft	—			3,662,086	3,662,086	259,505	3,921,591	3,921,591	
Held-for-trading financial liabilities	352,728				—	—	—	352,728	
Notes payable	14,328				—	—	—	14,328	
Accounts payable	187,763	138,190	(5,491)		132,699	—	132,699	320,462	
Receipts in advance	83,526				—	—	—	83,526	
Employee benefits payable	96,948				—	—	—	96,948	
Taxes payable	(94,387)	98,766	(98,766)		—	—	—	(94,387)	
Interest payable	90,567				—	—	—	90,567	
Dividend payable	214,424				—	—	—	214,424	
Other payables	320,421	57,980	(14,175)		43,805	—	43,805	364,226	
Non-current liabilities due within one year	242,385				—	—	—	242,385	
Provision	—	35,218	(6,689)		28,529	—	28,529	28,529	
Other current liabilities	21,393				—	—	—	21,393	
	1,941,296				3,867,119	259,505	4,126,624	6,067,920	
NET CURRENT ASSETS	6,408,468				(4,879,928)	(259,505)	(5,139,433)	1,269,035	
TOTAL ASSETS LESS CURRENT LIABILITIES									
	14,408,406				1,175,391	(259,505)	915,886	15,324,292	

	The Group RMB'000 (Note 1)	Pro forma adjustment in respect of the Proposed Acquisition of the Relevant Business				Sub-total RMB'000	Pro forma adjustment on resulting stamp duty in relation to the Proposed Acquisition RMB'000 (Note 5)	Total pro forma adjustments RMB'000	The Enlarged Group RMB'000
		RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000 (Note 4)				
NON-CURRENT LIABILITIES									
Bonds payable	2,000,000					—	—	—	2,000,000
Deferred tax liabilities	—	79,326	(79,326)	231,876		231,876	—	231,876	231,876
Provisions	47,570	402,480				402,480	—	402,480	450,050
Other non-current liabilities	25,304					—	—	—	25,304
	2,072,874					634,356	—	634,356	2,707,230
TOTAL LIABILITIES	4,014,170					4,501,475	259,505	4,760,980	8,775,150
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)									
Paid-in capital (or share capital)	1,015,234					—	—	—	1,015,234
Capital reserve	8,102,977					—	—	—	8,102,977
Special reserve	124,423					—	—	—	124,423
Surplus reserve	704,898					—	—	—	704,898
Undistributed profits	1,637,296			541,035		541,035	(259,505)	281,530	1,918,826
Exchange differences arising on transaction of financial statements denominated in foreign currencies	(2,599)					—	—	—	(2,599)
Total equity attributable to the owners									
Owners of the parent company	11,582,229					541,035	(259,505)	281,530	11,863,759
Minority interests	753,303					—	—	—	753,303
	12,335,532					541,035	(259,505)	281,530	12,617,062
TOTAL LIABILITIES AND OWNER'S EQUITY (OR SHAREHOLDERS' EQUITY)	16,349,702					5,042,510	—	5,042,510	21,392,212

(ii) Pro Forma Consolidated Income Statement of the Enlarged Group for the six months ended 30 June 2013

	The Group RMB'000 (Note 1)	Pro forma adjustment in respect of the Proposed Acquisition of the Relevant Business					Sub-total RMB'000	Pro forma adjustment on resulting stamp duty in relation to the Proposed Acquisition RMB'000 (Note 5)	Total pro forma adjustments RMB'000	The Enlarged Group RMB'000
		RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 6)	RMB'000 (Note 4)					
I. Total operating income	2,689,733	1,040,519				1,040,519	—	1,040,519	3,730,252	
Including: Operating income	2,689,733	1,040,519				1,040,519	—	1,040,519	3,730,252	
II. Total operating cost	2,165,227	497,636	36,908	102,692		637,236	—	637,236	2,802,463	
Including: Operating costs	1,813,824	441,071		102,692		543,763	—	543,763	2,357,587	
Business taxes and levies	124,994					—	—	—	124,994	
Selling expenses	9,243	35,281				35,281	—	35,281	44,524	
Administrative expenses	139,234	42,802				42,802	—	42,802	182,036	
Financial expenses (income) - net	9,584	(33,461)	36,908			3,447	—	3,447	13,031	
Exploration expenses	—	26,015				26,015	—	26,015	26,015	
Other - net	—	(14,072)				(14,072)	—	(14,072)	(14,072)	
Impairment losses of assets	68,348					—	—	—	68,348	
Add: Gains (loss) from change in fair value (Losses)	(1,508)					—	—	—	(1,508)	
Investment income (loss)	137,687					—	—	—	137,687	
Including: Income from investments in associates and joint ventures	74,642					—	—	—	74,642	

	The Group RMB'000 (Note 1)	Pro forma adjustment in respect of the Proposed Acquisition of the Relevant Business					Sub-total RMB'000	Pro forma adjustment on resulting stamp duty in relation to the Proposed Acquisition RMB'000 (Note 5)	Total pro forma adjustments RMB'000	The Enlarged Group RMB'000
		RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 6)	RMB'000 (Note 4)	RMB'000				
III. Operating profit (loss)	660,685	542,883	(36,908)	(102,692)		403,283	—	403,283	1,063,968	
Add: Non-operating income	7,019				558,816	558,816	—	558,816	565,835	
Less: Non-operating expenses	1,817					—	259,505	259,505	261,322	
Including: Loss from disposal of non-current assets	40					—	—	—	40	
IV. Total profit (loss)	665,887	542,883	(36,908)	(102,692)	558,816	962,099	(259,505)	702,594	1,368,481	
Less: Income tax expenses	111,313	164,427	(11,072)	(30,808)		122,547	—	122,547	233,860	
V. Net profit (loss)	554,574	378,456	(25,836)	(71,884)	558,816	839,552	(259,505)	580,047	1,134,621	
Net profit attributable to owners of the parent company	604,890	378,456	(25,836)	(71,884)	558,816	839,552	(259,505)	580,047	1,184,937	
Profit or loss attributable to minority interests	(50,316)					—	—	—	(50,316)	
VI. Earnings per share										
Basic earnings per share	0.12					0.16	(0.05)	0.11	0.23	
VII. Other comprehensive income (loss)	(541)					—	—	—	(541)	
VIII. Total comprehensive income	554,033	378,456	(25,836)	(71,884)	558,816	839,552	(259,505)	580,047	1,134,080	
Total comprehensive income attributable to owners of the parent company	604,349	378,456	(25,836)	(71,884)	558,816	839,552	(259,505)	580,047	1,184,396	
Total comprehensive income attributable to minority interests (loss)	(50,316)					—	—	—	(50,316)	

(iii) Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group for the six months ended 30 June 2013

	The Group RMB'000 (Note 1)	Pro forma adjustment in respect of the Proposed Acquisition of the Relevant Business			Sub-total RMB'000	Pro forma adjustment on resulting stamp duty in relation to the Proposed Acquisition RMB'000 (Note 5)	Total pro forma adjustments RMB'000	The Enlarged Group RMB'000
		RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 4)				
I. Cash flows from operating activities								
Cash receipts from the sale of goods and the rendering of services	2,931,525	1,072,713	(214,082)	858,631	—	858,631	3,790,156	
Receipts of tax refunds	1,339			—	—	—	1,339	
Other cash receipts relating to operating activities	76,304			—	—	—	76,304	
Sub-total of cash inflows from operating activities	3,009,168	1,072,713	(214,082)	858,631	—	858,631	3,867,799	
Cash payments for goods purchased and services received	1,070,444	408,728	(21,422)	387,306	—	387,306	1,457,750	
Cash payments to and on behalf of employees	331,059			—	—	—	331,059	
Payments of various types of taxes	499,105	216,016	(153,767)	62,249	—	62,249	561,354	
Other cash payments relating to operating activities	44,739			—	—	—	44,739	
Sub-total of cash inflows from operating activities	1,945,347	624,744	(175,189)	449,555	—	449,555	2,394,902	
Net cash flow from operating activities	1,063,821	447,969	(38,893)	409,076	—	409,076	1,472,897	

	The Group RMB'000 (Note 1)	Pro forma adjustment in respect of the Proposed Acquisition of the Relevant Business			Sub-total RMB'000	Pro forma adjustment on resulting stamp duty in relation to the Proposed Acquisition RMB'000 (Note 5)	Total pro forma adjustments RMB'000	The Enlarged Group RMB'000
		RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 4)				
II. Cash flows from investing activities								
Cash receipts from disposals and recovery of investments	1,400,017				—	—	—	1,400,017
Cash receipts from investment income	141,000				—	—	—	141,000
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	13				—	—	—	13
Sub-total of cash inflows from investing activities	1,541,030				—	—	—	1,541,030
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	191,261	54,511			54,511	—	54,511	245,772
Net cash payments for acquisitions of subsidiaries and other business units	—			4,868,080	4,868,080	—	4,868,080	4,868,080
Advances on loans receivable	—	402,252	(402,252)		—	—	—	—
Cash payments to acquire investments	2,750,000				—	259,505	259,505	2,750,000
Other cash payments relating to investing activities	—				—	—	—	259,505
Sub-total of cash outflows from investing activities	2,941,261	456,763	(402,252)	4,868,080	4,922,591	259,505	5,182,096	8,123,357
Net cash flow from investing activities	(1,400,231)	(456,763)	402,252	(4,868,080)	(4,922,591)	(259,505)	(5,182,096)	(6,582,327)
III. Cash flows from financing activities								
Cash receipts from borrowings	395,895				—	—	—	395,895
Other cash receipts relating to financing activities	352,728				—	—	—	352,728
Sub-total of cash inflows from financing activities	748,623				—	—	—	748,623
Cash repayments of borrowings	40,300				—	—	—	40,300
Cash payments for distribution of dividends or profits or settlement of interest expenses	571,504				—	—	—	571,504
Other cash payments relating to financing activities	10,514				—	—	—	10,514
Sub-total of cash outflows from financing activities	622,318				—	—	—	622,318
Net cash flow from financing activities	126,305				—	—	—	126,305
IV. Effect of foreign exchange change on cash and cash equivalent								
	(69)				—	—	—	(69)
V. Net increase in cash and cash equivalents								
Add: Opening balance of cash and cash equivalents	1,463,637	(8,794)	363,359	(4,868,080)	(4,513,515)	(259,505)	(4,773,020)	(4,983,194)
VI. Closing balance of cash and cash equivalents								
	1,253,463	38,675	363,359	(4,915,549)	(4,513,515)	(259,505)	(4,773,020)	(3,519,557)

C. NOTES TO THE PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The financial information of the Group is extracted from the interim report of the Company for the six months period ended 30 June 2013. The financial information of the Relevant Business is extracted from the accountants' report as set out in Appendix II to this Circular and translated to RMB at relevant rates as explained below, after making certain reclassification adjustments to conform with the presentation of the Group's financial information.

The financial information of the Relevant Business in Appendix II are presented in Australian Dollar ("AUD"), being its functional currency, which is different from the presentation currency of the Group, i.e. RMB. The assets and liabilities of the Relevant Business are translated into RMB at the exchange rate at 30 June 2013 of AUD1 to RMB5.71 and the income statement, and statement of cash flows are translated into RMB at AUD1 to RMB5.71. No representation is made that any amounts in AUD can be or could have been converted to RMB at the relevant date and period at the above rates or any other rates or at all.

2. The Relevant Business to be acquired by the Company would include an 80% interest in the Northparkes Joint Venture and certain associated assets of the mine management business in respect of the Northparkes Mines. According to the Asset Sale and Purchase Agreement dated 26 July 2013 ("AS&P Agreement"), certain assets and liabilities in relation to the mine management business of the Northparkes Mines, which were referred to as "Excluded Assets and Liabilities" in the AS&P Agreement, would be excluded and not transferred to the Group in this Proposed Acquisition. Accordingly, for the purpose of the pro forma consolidated balance sheet, the respective balances of the Excluded Assets and Liabilities, which are sourced from the accounting records of the Relevant Business as at 30 June 2013, are excluded.

In addition, upon completion of this Proposed Acquisition, certain assets and liabilities of the Relevant Business would be assigned to NML, which were specified in the AS&P Agreement and defined therein as "Inter-Company Balances". These Inter-Company Balances would be settled through payment from Northparkes Joint Venture to NML or vice versa. Therefore, for the purpose of the pro forma consolidated balance sheet, the net amount payable of the Inter-Company Balances outstanding, which are summed up and sourced from the accounting records of the Relevant Business as at 30 June 2013, is included in other payables accordingly.

For the purpose of the pro forma consolidated statement of cash flows, the cash flows resulting from the respective balances of the Excluded Assets and Liabilities and Inter-Company Balances, which are sourced from the accounting records of the Relevant Business during the six months ended 30 June 2013, are excluded.

The income and expenses in relation to the Excluded Assets and Liabilities and Inter-Company Balances, which are sourced from the accounting records of the Relevant Business during the six months ended 30 June 2013, is excluded.

The amounts of Excluded Assets and Liabilities and Inter-Company Balances are subject to change and would be recalculated upon the actual completion of the proposed acquisition.

3. This represents the adjustment of the assets, including mining right, inventories and property, plant and equipment, held by the Relevant Business to their fair values as at 30 June 2013 with reference to a valuation report prepared by Golden Standard & Headman Appraisal and Advisory Co., Ltd. (北京大正海地人資產評估有限公司) (formerly known as China Faith Appraisers Co., Ltd. (北京國友大正資產評估有限公司)), an independent professional valuer and its corresponding deferred tax impact on 30 June 2013.

Deferred taxation is calculated on the temporary differences arising from the difference in fair values and tax bases of the acquired assets on 30 June 2013. The tax bases are determined based on the consideration (see note 4) allocated to these acquired assets, and deferred taxation is calculated using the Australian corporate tax rate of 30%.

The amounts of the fair value adjustments and deferred tax impact are subject to change when the purchase price allocation is finalised on the date of actual completion of this Proposed Acquisition and the taxable amounts of the relevant acquired assets are reviewed and confirmed by the local tax authority in Australia upon the actual completion of the Proposed Acquisition.

4. According to the AS&P Agreement, the Company would acquire the Relevant Business for a cash consideration of US\$820 million (equivalent to approximately RMB5,066.54 million), subject to a working capital adjustment (“Purchase Price Adjustment Amount”). The Purchase Price Adjustment Amount estimated by the management of the Company amounted to US\$24.44 million (equivalent to RMB150.99 million) and was based on the financial position of the Relevant Business, adjusted for the Excluded Assets and Liabilities, as of 30 June 2013. The adjusted purchase consideration is therefore US\$795.56 million (equivalent to RMB4,915.55 million).

This represents cash consideration of RMB4,915.55 million for the proposed acquisitions expected to be paid out by the Group. The Company plans to settle the consideration through new bank borrowings. In addition, The Company proposed to apply the proceeds to be raised from A Share Issue (approximately RMB570.46 million) and to raise further funding for the proposed acquisition by launching the A Shares Convertible Bonds in the principal amount of RMB4.9 billion (equivalent to HK\$5.88 billion), which is subject to the shareholders' approval and approval by China Securities Regulatory Committee.

For the purpose of the pro forma consolidated balance sheet, the bargain purchase gain of RMB541.04 million arising from the acquisition, which represents the amount by which the fair value of the identifiable net assets of the Relevant Business to be acquired exceeds the adjusted purchase consideration, is computed as if the Proposed Acquisition has been completed on 30 June 2013.

For simplicity and the purpose of the pro forma consolidated income statement and pro forma consolidated statement of cash flows, the bargain purchase gain arising from the acquisition is computed as if the Proposed Acquisition has been completed on 1 January 2013 assuming the Purchase Price Adjustment and the fair value of the assets held by the Relevant Business as at 1 January 2013 approximate the relevant amounts as at 30 June 2013 as detailed above, as the management of the Company believes there were no material change between the two dates.

The Purchase Price Adjustment Amount and the bargain purchase gain are subject to change when the amounts of the consideration and the fair value of the identifiable net assets of the Relevant Business to be acquired are finalised upon the actual completion of the Proposed Acquisition.

5. This represents the recognition of the other expenses in respect of the stamp duty which will be imposed on the Group upon the transfer of certain dutiable assets associated with the Relevant Business to be acquired.

In New South Wales, stamp duty is payable on the transfer of dutiable property (assets) and is calculated at the rate of up to 5.5% on the greater of market value or consideration paid for the dutiable property. Dutiable property includes but is not limited to land, goodwill, intellectual property, goods, statutory licenses and mining tenements. The management of the Company estimates that the stamp duty for this Proposed Acquisition approximately US\$42 million (equivalent to RMB259.51 million). The amounts of stamp duty are subject to change when amounts are reviewed and finalised by the relevant tax authority upon the actual completion of the Proposed Acquisition.

6. This represents the additional depreciation and amortisation in respect of the fair value adjustments recognised on the date of completion of the Proposed Acquisition on the property, plant and equipment and mining right respectively held by the Relevant Business and the corresponding reversal of resulting deferred tax liabilities for the period from 1 January 2013 to 30 June 2013. The fair values of the property, plant and equipment and the mining right was based on a valuation report prepared by Golden Standard & Headman Appraisal and Advisory Co., Ltd. (北京大正海地人資產評估有限公司) (formerly known as China Faith Appraisers Co., Ltd. (北京國友大正資產評估有限公司)), an independent professional valuer.

The additional depreciation of property, plant and equipment and the amortisation of the mining right is calculated on a straight-line basis over the remaining useful lives or a unit-of-production basis, as appropriate.

Except for the pro forma adjustments 6 relating to the additional depreciation and amortisation and reversal of related deferred tax liabilities which are expected to have a continuing impact on the financial performance of the Company, other pro forma adjustments to profit and loss and other comprehensive income and statement of cash flow are not expected to have continuing impact to the Company.

Runge Pincock Minarco

Competent Person's Report

Northparkes Copper and Gold Mine, Central West NSW, Australia

China Molybdenum Company Limited

Final Report

Project No: ADV-HK-03749

Date: 8 November 2013

EXECUTIVE SUMMARY

China Molybdenum Company Limited
North of Yihe, Huamei Shan Road,
Chengdong New District,
Luanchuan County, Luoyang City,
Henan Province, China
RE: Competent Persons Report.

Runge Asia Limited trading as
RungePincockMinarco
13/F, 68 Yee Wo Street
Causeway Bay
Hong Kong
rungeasia@runge.com.au

Dear Sirs,

Runge Asia Limited (“RPM”), trading as RungePincockMinarco (“RPM”), has been engaged by China Molybdenum Company Limited (the “Client”) a Hong Kong Stock Exchange (“HKEx”) listed company to carry out an Independent Technical Review (“ITR”) and compile a Competent Persons Report (“CPR”) of the Northparkes Copper (“Cu”) and Gold (“Au”) Project (the “Project”) which is located near Parkes in central New South Wales, Australia. The Project is currently owned by Northparkes Mines (the “Company”), which is a Joint Venture (“JV”) between North Mining Limited (80%), Sumitomo Metal Mining Oceania Pty Ltd (13.3%) and SC Mineral Resource Pty Ltd (6.7%). The Client is listed company on the Hong Kong Stock Exchange (“HKEx”) and is planning to acquire the Project through the Very Substantial Acquisition of the North Mining Limited 80% shareholding. The process and conclusions of the ITR are presented in the CPR (as defined in **Annexure B**), which will be included in the HKEx Circular prepared as part of the transaction.

The statements of Mineral Resources and Ore Reserves (as defined in **Annexure B**) for the Project have been prepared in accordance with the recommended guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves JORC Code (2004 Edition).

RPM’s technical team (“the Team”) consisted of Competent Persons, Principal and Senior Geological, Mining, Processing and Environmental consultants. The Team undertook several site visits to the Project to familiarise themselves with site conditions. RPM’s Competent Persons were responsible for compiling or supervising the compilation of the CPR and the JORC Statements of Mineral Resources and Ore Reserves, stated within.

During the site visits, the Team had open discussions with the Company’s personnel on technical aspects relating to the relevant issues. The Company’s personnel were cooperative and open in facilitating RPM’s work.

The findings of the ITR and the independent JORC Mineral Resources and Ore Reserves estimates in this report relies largely on information provided by the Client and the Company, either directly from the sites and other offices, or from reports by other organisations whose work is the property of the Client or its subsidiaries. The data relied upon for the JORC Mineral Resources and Ore Reserves estimates independently completed by RPM have been compiled primarily by the Client and subsequently reviewed and verified where possible by RPM. The report is based on information made available to RPM as at 1 November, 2013 however several datasets were provided after this date upon request by RPM.

Neither the Client nor the Company have advised RPM of any material change, or event likely to cause material change, to the underlying data, designs or forecasts since the date of asset inspections.

Project Summary and Conclusions

- The Project is described as world class Cu-Au mine situated 27 km northwest of the Central West New South Wales regional town of Parkes, Australia. Parkes is located approximately 350 km north west of Sydney and is easily accessible via a network of sealed highways and daily rail and flight services from Sydney.
- The Project is a porphyry style Cu-Au operation which has been in continuous production for over 19 years. Consisting of a large scale underground mine and associated processing facility, the operation has a current capacity of 5.81Mtpa which is planned to expand to 6.4Mtpa in 2014. In 2012 the Company processed 5.7Mt of ore at a grade of 1.07% Cu and 0.53g/t Au producing a single Cu-Au concentrate of 156 kilotonnes (“kt”) at a grade of 34.2 % Cu, 9.0 g/t Au and 100 g/t Ag for the year. The Project has sold in excess of 800 kt of Cu metal and 1.1 million troy ounces of Au in concentrate form since commissioning in 1994.
- The Project is contained within three (3) Mining and three (3) Exploration licences and consists of a series of discrete porphyry style Cu-Au deposits. These deposits occur as clustered pipe-like bodies which range in thickness between 20m and 100m. The bodies are vertically continuous with current drilling delineating mineralisation continuous from surface to over 1,500m in depth. Typical of porphyry style deposits, mineralisation and grades are extremely zonal with the highest grades generally occurring within the most intense stockwork veining in the central portion of the porphyry. Sulphide species in the systems are zoned from bornite-dominant cores, centred on the quartz monzonite porphyries, outwards through a chalcopyrite-dominant zone to a distal pyrite zone. As the Cu grade increases (approximately >1.2% Cu), the content of covellite, digenite and chalcocite associated with the bornite mineralisation also increases which is inversely proportional to the Au grade which decreases outwards.

- Historical and current mining activities have focused on the 4 deposits; E-26, E-22, E-27 and E-48 however numerous other (over 10) deposits and prospects have been delineated through extensive exploration within the Project area over the past 15 years. These present opportunities to increase the currently defined Resource and Reserve base (*Table A* and *Table B* respectively) in addition to the currently defined mine life, including the GRP314 deposit which is located near the existing underground mining infrastructure for E-26. The two mining methods that have been employed within the Project are open cut mining and underground 'Block Caving'.
- Open cut mining occurred on a small to medium scale between late 1993 and 2007 and resulted in the formation of 2 small pits E-22 and E-27, while E-26 was mined in 2010. The 3 pits combined to extract over 31 Mt of ore including the formation several stockpiles which are located adjacent to the processing plant. Post 2010 mining has continued through underground means using the Block Caving method. Block Caving has been the sole underground mining method employed within the Project commencing with the undercutting of the E-26 deposit in 1995. The Project was the first mine in Australia to use this mining method which has been proven worldwide to be one of the preferable means of extracting large low grade deposits from underground at low operating costs.
- A review by RPM of the regional and local supporting infrastructure indicates that the Central West NSW area has extensive power, water and transport logistics which are suitable to support the Project's current and planned production capacity. In addition RPM notes that the regional infrastructure will likely support any requirements if production capacity expands beyond the current capacity. The Project is located close to well established highways and rail infrastructure (15km), water sources and regional towns which provide accommodation and support services for the mining operation and its personnel.
- Site visits were conducted by RPM's technical team ("the Team") to the Project's underground operations as well as the site surface operations. The site visits to the Project were undertaken on May 30th, 2013 by Mr Robert Dennis, Mr Andrew Newell, Mr Peter Smith and Mr Daniel White, a site visit was undertaken between August 7th and 8th, 2013 by Mr Andrew Jones to review the geological data, while a further site visit was undertaken between August 20th to the 21st by Mr Daniel White and Nat Burgio to review recent mining activities and modifying factors which were applied to the Ore Reserve estimates prepared by RPM. During the site visits, the Team inspected the surface and the underground operations, access roads, and conducted general inspections of the surrounding area of the Project. The visits were also used to gain a better understanding of the Project. Open discussions were held with Company experts on aspects relating to the technical issues of the Project.

JORC Statements of Mineral Resources and Ore Reserves

- The review undertaken by RPM of the drilling and sampling procedures indicates that international standard practices were generally utilised with no issues being noted by RPM in the checks completed. The QAQC samples all showed suitable levels of precision and accuracy to enable confidence in the primary laboratory. RPM also notes that the vast majority of samples used for the resource estimation are derived from drilling from post 2000. As a result RPM considers that the data which underpins the resource estimation has no material sample bias and is representative of the samples taken.
- The independent Statement of Mineral Resources is reported within the current mining and exploration licences and is reported as at June 30th 2013 using a cut-off of 0.4% Cu. The Statement of Mineral Resources shown in **Table A** and graphically in **Figure A is reported exclusive of and is additional to the Ore Reserves reported in Table B**. A cut-off grade of 0.4% Cu was utilised based on the results of the Ore Reserves estimate and mining study as outlined in **Section 8** and **Section 9**.

Table A. Statement of JORC Mineral Resources as at 30th June, 2013 with the Project area Reported at a Cut Off of 0.4% Cu.

Reporting Area	JORC Classification	Quantity Mt	Cu %	Au g/t	Ag g/t	CuEq* %	Cu kt	Au kOz	Ag Moz	CuEq* Kt
E26	Measured	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	<u>215.1</u>	<u>0.6</u>	<u>0.15</u>	<u>1.7</u>	<u>0.71</u>	<u>1296.9</u>	<u>1038.6</u>	<u>11.8</u>	<u>1,536.9</u>
E22	Measured	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	<u>1.2</u>	<u>0.48</u>	<u>0.32</u>	<u>2.2</u>	<u>0.71</u>	<u>5.7</u>	<u>12.3</u>	<u>0.1</u>	<u>8.5</u>
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	<u>123.3</u>	<u>0.53</u>	<u>0.23</u>	<u>1.9</u>	<u>0.70</u>	<u>659.6</u>	<u>917.3</u>	<u>7.4</u>	<u>861.1</u>
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	232.3	3.2	370.3
	Inferred	—	—	—	—	—	—	—	0.0	—
	Sub Total	<u>132.1</u>	<u>0.53</u>	<u>0.14</u>	<u>1.7</u>	<u>0.64</u>	<u>705.4</u>	<u>585.2</u>	<u>7.1</u>	<u>842.8</u>
Grand Total	Measured	289.7	0.59	0.19	1.8	0.73	1,720.5	1753.4	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
	Total	<u><u>471.7</u></u>	<u><u>0.57</u></u>	<u><u>0.17</u></u>	<u><u>1.8</u></u>	<u><u>0.70</u></u>	<u><u>2,667.6</u></u>	<u><u>2,553.5</u></u>	<u><u>26.4</u></u>	<u><u>3,294.7</u></u>

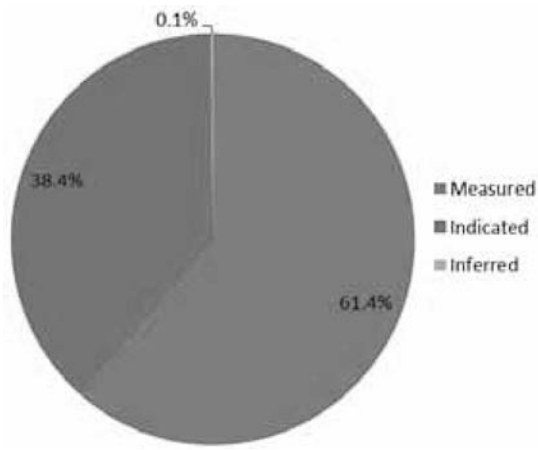
Note: Mineral Resources are exclusive of Ore Reserves. Sum of respective components may not equal totals due to rounding.

Mineral Resources have been estimated under the 2004 Edition of the JORC Code.

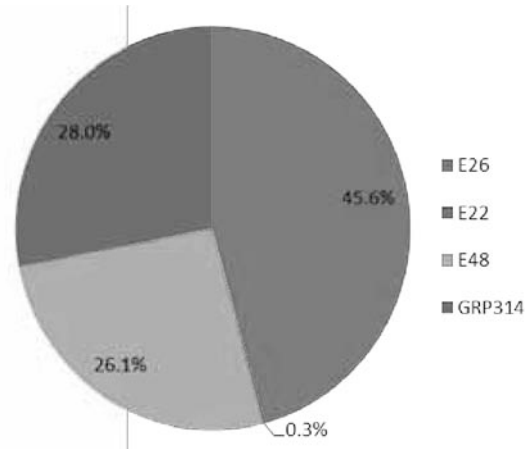
*CuEq Calculation is based on information outlined in Section 12.1.1, however includes a price of A\$20 for Ag.

Figure A Graphical Representation of JORC Mineral Resources quantities as at 30th June, 2013.

JORC Mineral Resources Quantity by Classification



JORC Mineral Resources Quantity by Area



- Based on the Mineral Resource estimate model, RPM utilised the specialised Block Caving simulation package PCBC to estimate production profiles and schedules for each Cave area. PCBC was utilised to determine various production schedule and potential variation resulting from a number of factors including cave footprints, cave production fronts, vertical mixing and fines variations.
- The JORC Ore Reserves for the Project have been independently estimated as at the 30th June, 2013 by RPM in accordance with the JORC Code. RPM has determined suitable technical parameters to apply in the Ore Reserve estimation process following review of site data, review of studies to at a pre-feasibility level and the proposed life of mine plans, mining method, and historical and forecast processing plant recoveries to the areas of the Project where Measured and Indicated Resources have been estimated. The Proved and Probable JORC Ore Reserves estimates for the Project are summarised in **Table B** and shown graphically in **Figure B**. The Measured and Indicated JORC Mineral Resources quantities reported in **Table A** are additional to the JORC Ore Reserves estimates reported in **Table B**. RPM has estimated total JORC Ore Reserves quantities of **8.2 Mt** of Proved and **99.3 Mt** of Probable Ore Reserves.

Table B. Statement of JORC Ore Reserves Estimate as at June 30th within the Project Area.

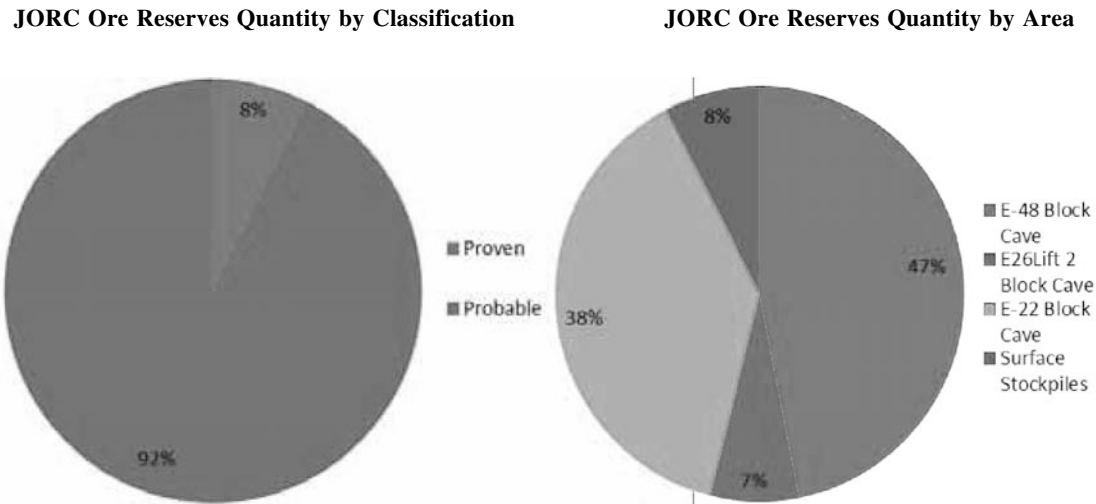
Area	JORC Classification	Tonnes <i>Mt</i>	Cu %	Au <i>g/t</i>	Ag <i>g/t</i>	CuEq* %	Cu <i>Kt</i>	Au <i>KOz</i>	Ag <i>Koz</i>	CuEq* <i>Kt</i>
E-48	Proven	—	—	—	—	—	—	—	—	—
Block Cave	Probable	50.4	0.76	0.27	2.6	0.94	383	437.5	4,213.0	471.2
	Sub Total	<u>50.4</u>	<u>0.76</u>	<u>0.27</u>	<u>2.6</u>	<u>0.94</u>	<u>383</u>	<u>437.5</u>	<u>4,213.0</u>	<u>471.2</u>
E26Lift 2	Proven	—	—	—	—	—	—	—	—	—
Block Cave	Probable	7.6	0.67	0.14	2	0.76	50.9	34.2	488.7	57.8
	Sub Total	<u>7.6</u>	<u>0.67</u>	<u>0.14</u>	<u>2</u>	<u>0.76</u>	<u>50.9</u>	<u>34.2</u>	<u>488.7</u>	<u>57.8</u>
E-22 Block	Proven	—	—	—	—	—	—	—	—	—
Cave	Probable	41.3	0.49	0.36	2.3	0.72	202.4	478	3,054.0	298.7
	Sub Total	<u>41.3</u>	<u>0.49</u>	<u>0.36</u>	<u>2.3</u>	<u>0.72</u>	<u>202.4</u>	<u>478</u>	<u>3,054.0</u>	<u>298.7</u>
Surface	Proven	8.2	0.39	0.24	1.8	0.55	32	63.3	487.8	44.7
Stockpiles	Probable	—	—	—	—	—	—	—	—	—
	Sub Total	<u>8.2</u>	<u>0.39</u>	<u>0.24</u>	<u>1.8</u>	<u>0.55</u>	<u>32</u>	<u>63.3</u>	<u>487.8</u>	<u>44.7</u>
Total	Proven	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
	Grand Total	<u><u>107.5</u></u>	<u><u>0.62</u></u>	<u><u>0.29</u></u>	<u><u>2.4</u></u>	<u><u>0.81</u></u>	<u><u>666.5</u></u>	<u><u>1,002.30</u></u>	<u><u>8,574.6</u></u>	<u><u>868.6</u></u>

Note: Figures reported are rounded which may result in small tabulation errors.

Ore Reserves have been estimated under the 2004 Edition of the JORC Code.

*CuEq Calculation is based on information outlined in Section 12.1.1.

Figure B. Graphical Representation JORC Ore Reserves quantities as at 30th June, 2013.



Exploration Potential

Despite the long history of exploration and the modern sophisticated exploration techniques applied by the Company in recent years, RPM considers there to be good potential to define further mineralised bodies within the Project area both near current mining infrastructure and within the broader exploration licences. RPM notes the recent understanding that mineralisation is not truncated by the monzonite stock at depth (as noted in *Figure 7-4* for E-48 and GRP-314) and the identification of the thrust Altona Fault. This fault limits the outcrop of several mineralised system i.e. GRP-314 system as shown in *Figure 7-3*. Both these developments have opened up significant areas not previously targeted.

Following a review of the data RPM considers there to be three high priority targets which present opportunities to increase the resource base and add feed sources to the plant, these include:

- Down dip of the currently defined resource:* With the exception of the E-22 deposit, all currently defined resources are open at depth. Drilling which target below the currently defined resources has intersected extensions of the host porphyry bodies as shown in *Figure 7-2* to *Figure 7-4*. In addition to intersecting the host porphyry extensions potentially economic mineralisation was also intersected. These intersections had grades in excess of 0.5% Cu in E-48 and E-26, while anomalous grades were intersected below GRP-314. RPM considers these areas (*Figures 7-3 to Figure 7-5*) to be high priority targets and presents excellent opportunities to increase the resource base and potentially the mine life with additional drilling in the short term (1 to 2 years).

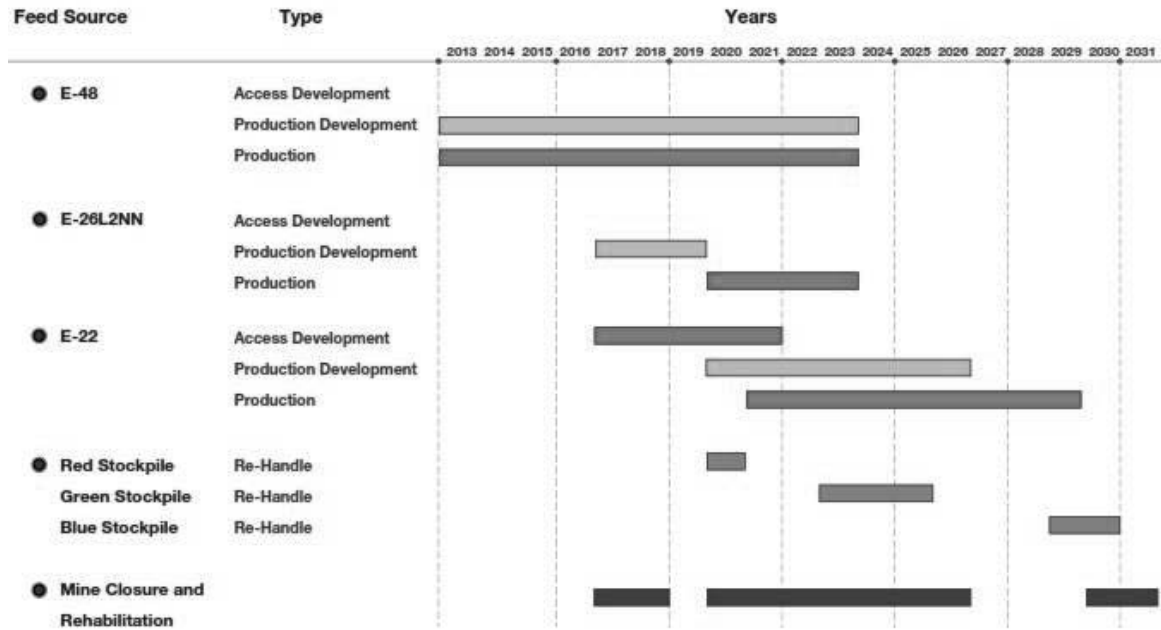
- *Identified Regional Targets:* As discussed in **Section 4**, following the identification of the Altona fault, the Company undertook a comprehensive review and refined the geological model based on all the exploration and extensive mining data available. Following this review the Company undertook a regional exploration program targeting areas below the Altona Fault zone. This work identified a number of “Project’s of Merit” including, Hopetoun, Nanna, and E-48 NW extension as well as additional Prospects warranting drill testing. Furthermore numerous exploration targets in the Exploration Licence areas have been identified which are earlier stage and will require geochemical and geophysical tests prior to scout drilling. All of these targets have insufficient drilling and exploration work to enable the estimation of Mineral Resource and present an opportunity to potentially add to the resource base with successful drilling programs in the medium term (2 to 5 years).
- *Unidentified Prospects:* Based on recently identified mineralisation systems and exploration results RPM considers there to be potential for the identification of further bodies of economic interest within the licences. However significant exploration is likely to be required and there are no guarantees that further discoveries will be made.

Mine Production and Operation

- A decline from surface allows vehicle access to a series of access and internal declines which connect the different areas of the underground mine, however all ore haulage to surface is undertaken via the production shaft which is located to the north of the E-26 Caves. Ore extraction is designed around electric loaders which tram ore from the cave Drawpoints to a dedicated underground crusher facility located in close proximity. The ore is transferred from the crusher facility to the production shaft via dedicated underground conveyors. This production shaft remains the only efficient way of bringing ROM ore to the surface for processing. On surface the material is transferred to the processing plant via an overland conveyor. The review of the current configuration of equipment indicates that the forecast 6.4Mtpa production rate can be achieved with 75% availability, which RPM considers reasonable and suitable for the operation, however notes that hoisting capacity of the production shaft is 7.2Mtpa allowing potential increases in production capacity with minimal infrastructure capital expenditure
- The electric loaders are the backbone of the production system and are largely remotely operated from the surface. Being a state of the art remote control system allows all production workings within the mine to be vacated during operation, which greatly increases safety and minimise the impact of human error on production. This system is world class and was implemented in 2010 for the operation of the E-48 cave and will be the basis for all future operations. RPM considers this system; in addition to the sophisticated cave profile monitoring system in place to allow the operators to optimise extraction from the cave based on real time data.

- The Project's single processing plant has a current throughput capacity of 5.81Mtpa expanding to 6.4Mtpa by 2014. Subsequent to delivery from the overland conveyor ore is crushed by a secondary gyratory crusher to produce a product 80% passing 30mm. The crusher unit has a capacity of 1,000 tph and feeds two stockpiles which subsequently feed two separate SAG mill modules. This primary milling is followed by two further stages of ball milling. The finer material from each milling stage is separated and directed to the flotation circuit, while the coarser material is recycled through scavengers and roughers back into the ball mill circuit. The flotation circuit consists of two stages, a Flash Flotation unit is employed on the SAG mill hydrocyclone underflow to recover coarse Cu minerals (30% Cu recovery) while a Unit Cell is used to recover another 30% of the Cu before treatment in a conventional roughing-scavenging bank. Unit Cell and rougher-scavenger concentrates are upgraded in the cleaner circuit which consists of primary and secondary Jameson Cleaners and a conventional scavenger cleaner bank. The concentrate is subsequently thickened and stored for transport.
- The concentrate is loaded into purpose built 29t containers on site and delivered to a nearby railway siding at Goonumbla (15km away). The containers are railed to the deep water seaport of Port Kembla located north of Wollongong (8 km). Each train load consists of approximately 1,110 tonnes of concentrates and there are typically 3 trains per week (~3,500 tonnes per week). Concentrate is stored at Port Kembla until a vessel arrives. The containers are emptied onto covered stockpiles in the storage shed and a front end loader recovers the concentrate for loading onto the shipping vessel. The Port Kembla facility includes a rail siding, container tippler, storage shed, automated ship loader and jetty.
- RPM's review of the Project's Tailing Storage Facilities ("TSF") indicates that the current and planned facilities are reasonable for the forecast production schedule. Four TSF's are currently located within the Project site: TSF 1, TSF 2, Estcourt and E-27 with all but TSF 1 active, while future plans include the storing of tailings in the spaces between TSF 1 and TSF 2 and between TSF 2 and TSF 3 in addition to the construction of a fifth TSF which is planned and designated TSF 3, located in the Rosedale area.
- Based on the Ore Reserve estimates, the Cave Development Sequence and the Cave Designs, the forecast total production schedule and costs RPM has estimated the currently defined Mine Life to be is approximately 17 years as at 30th June, 2013, however RPM notes several opportunities exist to extend this mine life to over 30 years as outlined in the **Key Opportunities** Section below. Only the E-48 Lift 1 Cave is currently in production, however the current proposed cave development sequence includes the development of 2 additional cave sources in the future. These caves include the new development in E-26 Lift 2 and ultimately the E-22 deposit which lies approximately 2,000m north of E-48 and current mine infrastructure. Surface stockpiles will be used to supplement production during periods of transition from the mining of one deposit to the next as outlined in *Figure C*.

Figure C. Life of Mine Project Development Sequence (6.4Mtpa).



- RPM considers the proposed Life of Mine Development Sequence and Production Forecast to be reasonable and achievable based on the current mining equipment and designs, however recommends that further optimisation and rescheduling of the development sequence be undertaken to maximise the profitability of the Project. RPM highlights that the Mine utilised a highly sophisticated automated trucking and computerised cave profile monitoring system which has a major impact of mine production and control efficiencies. This system was initially implemented in 2010 and as the operation has development in its methods and approach this system has developed further in its efficiency and impact and controls approximately 40% of all production. A continuous development and improvement of as system such as this is expected and as further understanding of the application of this technology continues RPM expects this system to further improve and develop. Once fully operation RPM considers that this system will have key benefits to the operation in mine production performance and safety, decreasing mine production bottlenecks and ensuring the highest quality control of the cave profiles. RPM notes that these increase efficiencies have not been forecast into the LOM plan and present upsides in the mine capacity thereby potentially decreasing operating cost profiles and ore recovery potentially increasing the mine life.

- Forecast Total Project Operating Costs (excluding taxes, royalties and A&D) range from 22.27 A\$/ROM t to 31.79 A\$/ROM t (1.15 A\$ / lb CuEq to 2.24 / lb CuEq) with a Life of Mine average of 26.01 A\$/ROM t (1.55 A\$ / lb CuEq). These costs include a LOM mining operating cost of 4.67 A\$/ROM t (0.28 A\$ / lb CuEq), a processing cost of 6.21 A\$/ROM t (0.37 A\$ / lb CuEq) and a combined transport, marketing and smelting costs of 4.83 A\$/ROM t (0.29 A\$ / lb CuEq). The remainder of the operating cost is made up of G & A, Asset Management (Maintenance) and Drilling costs. A detailed breakdown is supplied in Section 12 which highlights that the cost profile of the Project sits in the lower quartile of the competitive cost curve which is shown in the business section of the circular.
- A total Capital Expenditure related to the mining and processing operations of A\$ 1,019.8 Million is planned over the LOM which varies dependent upon the mine development requirements of the additional caves. Due to the mature nature of the Project, the majority of the Capital costs are associated with the mine development (A\$ 482.93 Million) of the caving areas (E-48, E-26 and E-22). Of this mine development A\$ 359.8 Million is associated with the development of the new E-22 cave. The remainder of the capital costs are associated with sustaining the underground workings (A\$ 60.4 Million), development of and sustaining the processing plant (A\$ 169.3 Million), the construction of the new tails storage facilities (A\$ 130.2 Million) and the rehabilitation and mine closures costs (A\$ 166.2 Million). RPM considers this to be reasonable and in-line with the proposed production schedule for the operation. RPM notes that all forecast Capital Expenditure is associated with mine and plant infrastructure and no expenditure is forecast to ensure the transport or supply of key consumables for the LOM planned production.
- A high level review of the environmental, health and safety indicates that the Project has a typical risk profile which is associated with mines of similar styles to International Standards. All required Environmental Impact Studies have been completed resulting in the approved permits and licences being gained for future planned production. During the site visit RPM noted that appropriate procedures are in place to manage and mitigate the associated risks and that the Company is following the required regulations of the state.

The key risks identified to the Project during the ITR are outlined below:

- **Geotechnical Cave Stability and Air Blasts:** The rock mechanics program is in line with industry best practice, with geotechnical personnel taking advantage of modern instrumentation and predictive tools to manage cave draw. Despite these efforts there remain geotechnical issues such as unplanned ground movement which impact production and can affect worker safety through air blast. This is highlighted by the ground weight encountered in E-48 causing collapse of 3 production drives, which may limit full recovery of the reserves. Likewise, early dilution in E26L2 has limited full recovery of this cave. RPM recommends ongoing review of the draw control data together with information from rock instrumentation to enable constant appraisal of block performance during production. Further details are provided in Section 9 Geotechnical cave issues.
- **LOM Scheduling:** The forecast LOM production plant feed is planned to be 6.4Mtpa. If cave production is interrupted feed tonnages to the plant will drop to below planned levels which will impact operating costs as well as project revenue. RPM notes that this risk can be mitigated by the development of multiple sources to ensure constant feed. This is unlikely to occur with the present reserve base, however given the large defined resources further mining studies are recommended in addition to LOM optimisation and sequencing studies to mitigate this risk.
- **E-22 Cave Design and Capital:** The Company has relied on similar designs between E-48, E-26L1 and E-26L2, and as such has become comfortable designing future mines (E-22) in similar fashion. The high ore columns coupled with mine infrastructure being within the abutment zone of the cave make it a less than optimal geotechnical design. This can result in critical infrastructure being affected by mining induced rock stresses. RPM recommend detailed design of the E-22 cave and mine workings be completed to confirm the capital costs as well as allow for more detailed PCBC simulation and cave modelling to be undertaken.

The key opportunities identified to the Project during the ITR are outlined below:

RPM considers that there are several opportunities within the Project. These include:

- The currently defined Measured and Indicated resource base lies directly beneath the current or planned development levels (Ore Reserves). RPM considers this to present significant upside to the Project with the potential to support expanded capacity, multiple source production or an expanded mine life. RPM is aware that the currently reported very large resource base has been utilised as part of mining studies by the Company. A review by RPM of these studies which although not finalised, highlights the potential economic viability of these reported resources. RPM considers that based on the current mining capacity these resources could support an extended mine life to up to and in excess of 30 years.
- RPM is aware the mining studies in addition to reviewing the current resource base have focused on a variety of expansion options of the underground and processing capacities. These studies included the drilling over 130,000 m of drilling and trade off studies of expanding Cu metal production from 80kt to 110ktpa. RPM considers that these studies highlight a number of opportunities within the current production, not only to increase revenue but also decrease the risk profile of the current operations., these include:
 - o A larger footprint means caving will occur more spontaneously with lower potential of air blast or “crowning out”. While increase production and reserve base, a larger foot print and increase in spontaneous caving will decrease the risk of production interruption and shortfalls in caving output as have occurred in the previous occurred.
 - o The larger lower grade deposit currently defined within the resource base will enable centralisation of ore crushing and handling systems into maybe one or two areas. This would bring critical infrastructure out of cave abutments and enable some cost savings by avoiding duplication and capital expenditure.
 - o The larger mining areas could justify more than one lift so that ore columns are kept less than 200m high. This will reap benefits in ore recovery and cave control which would decrease the risk of caving and production problems resulting from larger caves.

- o Higher throughput from multiple mining areas would mean that the mine is no longer putting “all their eggs in one basket” as there should be sufficient Drawpoints to achieve design tonnage. Without the spectre of relying on a relatively small area to produce a great deal of tonnage, draw control can be better achieved. This equates to higher recovery and less ground weight. As noted in Section 14 these present a high risk to the project and with an increased production footprint, smaller cave height and multiple production sources this presents a significant opportunity to decrease risk profile.
- o RPM notes that although any potential expansion of production capacity of the mine and processing plant above that currently planned forecasts will result in additional CAPEX, this will be limited to the mining and mine site infrastructure only. Significant regional infrastructure is in place which has more than adequate supply of key consumables such as power and water while large rail capacity is also available for transport of concentrate to port.
- In addition to the currently reported resource RPM notes that several zones of mineralisation are known to extend down dip beneath the currently report resources. RPM recommends that the Company undertake conceptual style mining studies of the deeper mineralisation to determine the potential economics of other higher priority near mine targets which can be 'fast tracked' to support either increased production levels or create other feed sources to the plant.
- RPM considers that there is potential to increase metal recovery through the optimisation of the milling circuit, equipment selection associated with any increased throughput capacity and split reagent conditioning. In particular RPM notes that potential bottlenecks potentially may occur in the floatation circuits with increase throughput planned to occur without increased capacity within these circuits. Increase floatation may also increase recoveries by increasing residence time RPM also notes that a review of the production vs forecast reconciliation over the previous two years indicates that the caves grade are performing above historical forecast. Based on these assumption and potential improvements RPM considers that short to medium term better than forecasts grade and recoveries may occur.

RPM Qualification and Experience

RPM operates as an independent technical consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industries. This report was prepared on behalf of RPM by technical specialists, details of whose qualifications and experience are set out in **Annexure A**.

RPM has been paid, and has agreed to be paid, professional fees for its preparation of this report. Its remuneration is not dependent on the findings of this Report or the outcome of the proposed transaction.

Neither RPM, nor any of its directors, staff or sub-consultants who contributed to the preparation of this report have any economic or beneficial interest (present or contingent) in:

- the Company, securities of the Company or companies associated with the Company; or
- the Client, securities of the Client or companies associated with the Client; or
- The rights or options in the relevant Project.

The work undertaken is an ITR of the information provided by or on behalf of the Company, as well as information collected during site inspections completed by RPM as part of the ITR process. It specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements/contracts that Company may have entered into.

RPM does not warrant the completeness or accuracy of information provided by the Company which has been used in the preparation of this report.

Drafts of this report were provided to the Client, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the report.

In RPM's view, the data available was generally sufficient for RPM to complete the scope of work. The quality and quantity of data available and the cooperative assistance provided to RPM clearly demonstrated the Company's assistance in the ITR process.

All opinions, findings and conclusions expressed in the report are those of RPM and its specialist advisors.

Yours faithfully,

Jeremy Clark
Manager - Hong Kong (Hong Kong Competent Person)
Runge Asia Limited, (trading as RungePincockMinarco)

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1 INTRODUCTION

Runge Asia Limited, trading as RungePincockMinarco (“RPM”), has been engaged by China Molybdenum Company Limited (the “Client”) to carry out an Independent Technical Review (“ITR”) and compile a Competent Persons Report (“CPR”) of the Northparkes Copper (“Cu”) and Gold (“Au”) Project (the “Project”) which is located near Parkes in central New South Wales, Australia. The Project is currently owned by Northparkes Mines (the “Company”), which is a Joint Venture (“JV”) company between North Mining Limited (80%), Sumitomo Metal Mining Oceania Pty Ltd (13.3%) and SC Mineral Resource Pty Ltd (6.7%). The Client is listed company on the Hong Kong Stock Exchange (“HKEx”) and is planning to acquire the Project through the Very Substantial Acquisition of the North Mining Limited 80% shareholding. The process and conclusions of the ITR are presented in the CPR (as defined in **Annexure B**), which will be included in the HKEx Circular prepared as part of the transaction.

The Project is considered to be a world class porphyry style Cu-Au operation (the “Operation”) which has been in continuous production for over 19 years. Consisting of a large scale underground mine (the “Mine”) and associated processing facility produces a Cu-Au concentrate which has produced over 800 kilotonnes (“kt”) of Cu metal and 1.1 million troy ounces of Au since commissioning in 1994. Historically the operation has utilised open pit mining, however all current mining excavation is via the bulk underground mining method ‘Block Caving’ with approximately 5.7Mt of ore being processed in 2012 at a grade of 1.07% Cu and 0.53g/t Au resulting in a single Cu-Au concentrate of 156 kilotonnes (“kt”) at a grade of 34.2 % Cu and 9.0 g/t Au for the year.

1.1 Scope of Work

RPM’s scope of work included:

- Gathering of relevant information on the Project including resources and reserves estimates, life of mine production schedules, and operating and capital cost information;
- Reviewing of resources and reserves, including quantity and quality of drilling, reliability of historic data, and adequacy of resource and reserve estimation methods;

- Independent Mineral Resources and Ore Reserves (as defined in **Appendix B**) estimations in compliance with the recommendations guidelines of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee (“JORC”) (the “JORC Code”);
- Reviewing and commenting on forecast operating and capital expenditure in the relevant technical studies;
- Reviewing the Company’s short and long term development plans;
- Reviewing potential production profiles;
- High Level review the environmental, health and safety risks and management plans of the Project, and
- Compilation of a CPR as defined by the HKEx Chapter 18 Listing Rules.

1.2 Relevant Assets

The Project is a world class Cu-Au mine situated 27 km northwest of the Central West New South Wales regional town of Parkes, Australia (*Figure 2-1*). The geographic coordinates for the Relevant Assets are approximately Longitude 148°03’56”E and Latitude 32°54’63”S to 38°32’44” and are contained within three (3) mining and three (3) exploration licences as detailed in **Section 3**.

The Relevant Assets consists of an operating underground mine, processing facility, associated mining and administration infrastructure and mining and exploration licences.

1.3 Review Methodology

RPM’s ITR methodology was as follows:

- Preparation for the study by reviewing existing reports. RPM conducted a site visit in May, 2013, which consisted of Executive Consultants and a Mining Engineer, followed by 2 separate JORC Competent Person site visits in August, 2013.

- Project information and operational performance was reviewed.
- RPM estimated Mineral Resources and Ore Reserves where applicable in accordance with the recommended guidelines of the JORC Code , and
- RPM prepared a Competent Persons Report (the “Report”) and provided drafts to the Company and its specialist advisers to ensure factual accuracy and the reasonableness of assumptions.

The comments and forecasts in this Report are based on information compiled by enquiry and verbal comment from the Client and the Company. Where possible, this information has been cross checked with hard copy data or by comment from more than one source. Where there was conflicting information on issues, RPM used its professional judgment to assess the issues.

1.4 Site Visits and Inspections

Site visits were conducted by RPM’s technical team (“the Team”) to the Project’s underground operations as well as the site surface operations. The site visits to the Project were undertaken on May 30th, 2013 by Mr Robert Dennis, Mr Andrew Newell, Mr Peter Smith and Mr Daniel White, a site visit was undertaken between August 7th and 8th, 2013 by Mr Andrew Jones to review the geological data, while a further site visit was undertaken between August 20th to the 21st by Mr Daniel White and Nat Burgio to review recent mining activities and modifying factors which were applied to the Ore Reserve estimates.

During the site visits, the Team inspected the surface and the underground operations, access roads, and conducted general inspections of the surrounding area of the Project. The visits were also used to gain a better understanding of the Project. Open discussions were held with Company experts on aspects relating to the technical issues of the Project. Technical personnel were co-operative and open in facilitating RPM’s work.

1.5 Information Sources

Several geology studies, feasibility study and design reports have been provided for each mine. A full list of the relevant reports can be found in **Annexure D**.

1.6 Competent Person and Responsibilities

The statements of Mineral Resources and Ore Reserves (as defined in **Annexure B**) have been prepared in accordance with the recommended guidelines of the JORC Code.

1.6.1 Mineral Resources

The information in this report that relates to Mineral Resources is based on information compiled by or under the supervision of Mr Robert Dennis who is a full time employee of RPM and a Member of the Australian Institute of Mining and Metallurgy. Mr Dennis has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.

The Mineral Resource estimate complies with the recommended guidelines of the JORC Code and is therefore suitable for public reporting.

1.6.2 Ore Reserves

The information in this report that relates to Ore Reserves is based on information compiled by the Company and reviewed by Mr Daniel White, who is an associate Mining employed by RPM at the time of reporting of the Statement of Ore Reserves and a Member of the Society of Mining, Metallurgy and Exploration (SME). Mr White has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code.

1.6.3 HKEx Competent Person

Mr Jeremy Clark meets the requirements of a Competent Person, as defined by Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These requirements include:

- Greater than five years' experience relevant to the type of deposit;

- Member of the Australian Institute of Mines and Metallurgy (“AUSIMM”);
- Does not have economic or beneficial interest (present or contingent) in any of the reported Relevant Assets;
- Has not received a fee dependent on the findings outlined in the Competent Person's Report;
- Is not an officer, employee of proposed officer for the issuer or any group, holding or associated company of the issuer, and
- Assumes overall responsibility for the Competent Person's Report.

Jeremy has over 12 years of experience in the mining industry working in various roles from exploration, production through to consulting where Jeremy has taken a lead role in a number of mining studies and independent reviews including CPR for HKEx transactions. During his time in operations Jeremy has been responsible for the planning, implementation and supervision of various exploration programs as well as open pit and underground production functions. For the past 6 years Jeremy has worked as an International consultant with RungePincockMinarco in Australia, America, Africa and Asia where he held the role of Principal Geologist and Project Manager. Jeremy's practical experience includes more than 5 years working in hydrothermal Cu-Au type deposits, with similar styles of mineralisation to the Northparkes Project. His experience includes working and estimating resources both in underground and open pit operations in Western Australia, including the Saint Barbara gold operations at Southern Cross from 2001-2006, the gold Leonora operations in 2006 and the Jaguar mine (Pb-Zn-Ag) during his work with Jabiru mines in 2007. During this time Jeremy completed several internal resource estimations (not public release) in addition to his various production supervising roles within the Marvel Loch, Golden Pig, Blue Haze, Jaccoleti, Nevoria and Jaguar deposits.

During his time with RPM from 2007 to the present, Mr Jeremy Clark has worked on and reviewed numerous hydrothermal copper, gold, base and precious metals deposit throughout the world including Australia, China, Central Asia, Europe, Africa, and North and South America. Recently Jeremy has been the project manager, principal project reviewer and/or acted as Competent Person for a number IPO's, exchange transaction or major mining studies completed under the JORC Code (or international standards). This work has included project managing scoping studies and pre-feasibility studies in China, Mongolia and Canada, which have similar styles of mineralisation to the deposit, including the large scale underground and open pit Jiama Cu-Au Pre-Feasibility Study released on the TSX in 2012. Other deposits which Jeremy has completed estimations on or was a leading member of the team includes but are not limited to the Zuun Mod Porphyry Mo-Cu Project, Mongolia (Erdene), the Shizishan Polymetallic Project (China Polymetallic Mining) in China, the Central Ashanti Gold Project (Perseus Mining) in Ghana, the Gurupi Au-Ag deposit in Brazil (Jaguar Mines), the Sierra Mojada (Pb-Zn-Ag) deposit in Mexico (Metalline Mining), the Silver Coin Gold deposit (Au-Ag-Zn-Pb) (Jayden Resources Canada) in Canada. All of these deposits were reported in accordance with the JORC Code (Australia, Africa, Europe and Asia) or the NI-43.3-101 disclosure standards (Canada, and South America) and resulted in public releases or Technical Reports, of which Jeremy was a Component or Qualified person or a member of the team compiling the studies which are available on the Australian Stock Exchange (ASX) or the Toronto Stock Exchange (TSX).

1.7 Limitations and Exclusions

RPM's review was based on various reports, plans and tabulations provided by the Client or the Company either directly from the mine site and other offices, or from reports by other organisations whose work is the property of the Client or the Company. The Client has not advised RPM of any material change, or event likely to cause material change, to the operations or forecasts since the date of asset inspections.

The work undertaken for this Report is that required for a technical review of the information, coupled with such inspections as the Team considered appropriate to prepare this Report.

It specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, except such aspects as may directly influence technical, operational or cost issues and where applicable to the JORC Code guidelines.

RPM has specifically excluded making any comments on the competitive position of the Relevant Asset compared with other similar and competing producers around the world. RPM strongly advises that any potential investors make their own comprehensive assessment of both the competitive position of the Relevant Asset in the market, and the fundamentals of the copper and gold markets at large.

1.7.1 Limited Liability

This Report has been prepared by RPM for the purposes of the Client in respect of the proposed transaction on the Hong Kong Stock Exchange and is not to be used or relied upon for any other purpose, RPM will not be liable for any loss or damage suffered by a third party relying on this report or any references or extracts therefrom contrary to the purpose (regardless of the cause of action, whether breach of contract, tort (including negligence) or otherwise) unless and to the extent that RPM has consented to such reliance or use.

1.7.2 Responsibility and Context of this Report

The contents of this report have been based upon and created using data and information provided by or on behalf of the Client. RPM accepts no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from, the Client or any third parties (including the Company), even if that data and information has been incorporated into or relied upon in creating this report. The report has been produced by RPM in good faith using information that was available to RPM as at the date stated on the cover page and is to be read in conjunction with the circular which has been prepared and forms part of the referenced transaction.

This report contains forecasts, estimates and findings that may materially change in the event that any of the information supplied to RPM is inaccurate or is materially changed. RPM is under no obligation to update the information contained in the report.

1.7.3 Indemnification

The Client has indemnified and held harmless RPM and its subcontractors, consultants, agents, officers, directors, and employees from and against any and all claims, liabilities, damages, losses, and expenses (including lawyers' fees and other costs of litigation, arbitration or mediation) arising out of or in any way related to:

- RPM's reliance on any information provided by the Client; or
- RPM's services or materials; or
- Any use of or reliance on these services.

In all cases, save and except in cases of wilful misconduct (including fraud) or gross negligence on the part of RPM and regardless of any breach of contract or strict liability by RPM.

1.7.4 Mining Unknown Factors

The findings and opinions presented herein are not warranted in any manner, expressed or implied. The ability of the operator, or any other related business unit, to achieve forward-looking production and economic targets is dependent upon numerous factors that are beyond RPM's control and which cannot be fully anticipated by RPM. These factors include site-specific mining and geological conditions, the capabilities of management and employees, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, etc. Unforeseen changes in legislation and new industry developments could substantially alter the performance of any mining operation.

1.7.5 Capability and Independence

RPM provides advisory services to the mining and finance sectors. Within its core expertise it provides independent technical reviews, resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

RPM has independently assessed the Relevant Assets of the Client by reviewing pertinent data, including resources, reserves, manpower requirements and the life of mine plans relating to productivity, production, operating costs and capital expenditures. All opinions, findings and conclusions expressed in this Report are those of RPM and its specialist advisors.

Drafts of this report were provided to the Client, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in this Report.

RPM has been paid, and has agreed to be paid, professional fees based on a fixed fee estimate for its preparation of this Report. Its remuneration is not dependent upon the findings of this Report nor the outcome of the proposed transaction.

None of RPM or its directors, staff or specialists who contributed to this report have any economic or beneficial interest (present or contingent), in:

- the Company, securities of the Company or companies associated with the Client; or
- the right or options in the Relevant Assets; or
- The outcome of the proposed transaction.

This CPR was compiled on behalf of RPM by the signatories to this letter, details of whose qualifications and experience are set out in **Annexure A** to this CPR. The specialists who contributed to the findings within this CPR have each consented to the matters based on their information in the form and context in which it appears.

2 PROJECT OVERVIEW

2.1 Project Location and Access

The Project is a world class Cu-Au Mine situated 27 km northwest of the Central West New South Wales regional town of Parkes, Australia (Figure 2-1). Parkes is located approximately 350 km north west of Sydney and is easily accessible via a network of sealed highways and daily rail and flight services from Sydney

2.2 Current Project Operations

The Project is contained within three (3) Mining and three (3) Exploration licences (*Figure 3-1*) and consists of a series of discrete Cu-Au deposits. These deposits occur as clustered pipe-like bodies which range in thickness between 20m and 100m. The bodies are vertically continuous with current drilling delineating mineralisation continuous from surface to over 1,500m in depth in places. Historical and current mining activities have focused on the 4 deposits; E-26, E-22, E-27 and E-48 however numerous other (over 10) deposits and prospects have been delineated through extensive exploration within the Project area over the past 15 years. These present significant upside for the currently defined Resource and Reserve base including the GRP314 deposit which is located near the existing underground mining infrastructure for E-26.

The Project has a long history of mining, with construction of the processing plant and associated facilities commencing in 1993. First mine production occurred in late 1993 via the open cut mining method on the E-22 and E-27 bodies. The Project has been in continuous operations since commissioning, producing more than 800kt of Cu metal and 1.1 million Au troy ounces. Underground mining utilising the bulk mining method 'Block Caving' commenced in 1997 within the E-26 body. Underground mining progressed through 2 vertical lifts within the deposit until 2010 when extraction from the E-48 deposit commenced. Open cut mining ceased in 2007 with all current plant feed currently being sourced from the E-48 deposit.

The processing operation has been incrementally upgraded to achieve the current treatment design capacity of 5.81 million tonnes per annum ("Mtpa"), however the Company is planning to expand capacity to 6.4 Mtpa (completed in 2014). The Project produces a single Cu-Au concentrate of approximately 32% to 34% Cu and 14 to 20g/t Au which is transported to the nearby railway station for transport to the seaport of Port Kembla located to the north of Wollongong (*Figure 3-1*). The product is subsequently sold to Japanese (20%) and Chinese (80%) buyers with off take contracts uncontracted beyond 2016.

Based on RPM's Ore Reserve estimates, the Life of Mine ("LOM") is forecast to be approximately 16 years through to year 2030, processing approximately 107.5 million tonnes ("Mt"). Production is planned to be sourced primarily from the underground Cave E-48 over the next few years prior to the extensions to the E-26 Cave and the development of the E-22 Cave.

2.3 Regional Environment

2.3.1 Geography

The geography in the region consists of low, undulating hills which range in elevation from 300 m to 500m above sea level. Slopes are generally gently inclined around the Project area, which due to the climate results in a well-established soil cover over the majority of the Project area.

2.3.2 Climate

The region is classified as having a warm humid subtropical climate, with significant temperature variations between summer and winter. The summer months (December through February) temperatures have an average of 32 °C, however frequently reach 35 °C and as high as 40 °C . The winter months (June through September) are cool and sunny with temperatures generally ranging between 4oC and 16oC. Occasional cold fronts during winter bring prolonged periods of light, misty rain with low maximum temperatures. Rainfall predominately occurs in spring and summer during thunderstorms, with an annual average rainfall of 587.5 mm.

2.3.3 Industry

In addition to the mining and exploration industries, the region's main industries and employers include agricultural activities and local business and industry support services. The main crops in the region include wheat and cotton while livestock farming includes beef and wool.

2.4 Regional and Local Infrastructure

In addition to the underground mining and the surface processing plant and offices infrastructure, significant regional and local infrastructure provide support to the operation. A review by RPM of the regional and local supporting infrastructure indicates that the Central West NSW area has extensive power, water and transport logistics which are suitable to support the Project current and planned production capacity. The Project is located close to well established excellent quality highways and rail infrastructure (*Figure 3-1*), water sources and regional towns which provide accommodation and support services for the mining operation and its personnel.

As a major supplier of employment and industry generation to the regional community, the Company and its operations have a long running excellent relationship with the local community and the local and state government authorities. RPM notes that a number of long running contractual agreements are in place for the supply of power, rail transport of concentrate and ship loading facilities. RPM is aware that no disruptions have occurred for major consumables and services which have materially impacted production. In addition RPM is aware that the Company is currently either in the process of re-negotiating or is planning to re-negotiate and extend all the agreements in the near future. The Company also has a number of contingency plans for the supply of major consumable such as power and water if unforeseen circumstance arises, as further outlined in infrastructure review in **Section 11**.

2.5 Future Studies and Expansion Option Studies

RPM is aware the mining studies in addition to reviewing the current resource base have focused on a variety of expansion options of the underground and processing capacities. These studies included the drilling over 130,000 m of drilling and trade off studies of expanding Cu metal production from 80kt to 110ktpa to enhance the Project's development and economics. These studies are yet to be finalised and include:

- Potentially expanding production capacity within both the underground and processing operations. As noted in the **Section 8**, the processing plant is planned to be expanded to 6.4 Mtpa by 2014 to coincide with the currently planned LOM capacity (6.4Mtpa). Project's RPM is aware that trade off studies and designs have been completed for further expansions of the underground and processing capacities however these studies are yet to be finalised and work is ongoing confirm potentially suitable options.
- Mining studies to evaluate the current resource areas within E-26, E-48 (below the current reserve lifts) and GRP314. RPM regards these areas (highlighted in Figures **7-2 to Figure 7-5**) as high priority potential mining opportunities given the current Measured and Indicated Resource quantities defined. These areas have yet to be evaluated with any detailed mining studies and present a significant opportunity to expand the mine life beyond the currently defined 17 years. RPM considers that if these resources can be converted to Ore Reserves and included in the LOM plan the mine life will be equal to or in excess of 30 years.

- Optimise the capital expenditure and forecast mine development plans to minimise costs and long term project economics. This will focus on the development time of each of the planned mining areas and the sequence in which Reserves are included in the schedule, in addition to the incorporation of additional production sources identified in the above studies.



3 LICENCE AND PERMITS

3.1 Mining and Exploration Licences

The Project is contained within the three (3) mining and three (3) exploration licences which are currently held by North Mining Limited (or in conjunction with its Joint Venture partners) which is a wholly owned subsidiary of the Company. The 6 licences have a combined total area of 64,102.22 Ha as detailed in *Table 3-1* to *Table 3-6* below and are shown graphically in *Figure 3-1*.

RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Table 3-1 Mining Licence 1247 Details.

Area	Details
Mine/Project	Northparkes
Name of certificate	Mining Licence
Certificate No.	1247
Mine right holder	North Mining Ltd, SC Mineral Resources Pty Ltd, Sumitomo Metal Mining Oceania Pty Ltd
Location	Orange, New South Wales
Name of minefield	Northparkes
Company category	Limited Liability
Mine Method	NA
Production Scale	NA
Minefield acreage	1,629.6 ha
Excavation depth	NA
Security Bond	A\$17,840,000
Validity Period	27th November 1991 to 26th November 2033
Issue Date	27th November 1991
Issuer	Minister for Mineral Resources, State of New South Wales

Source: Supplied by the Client

Note: RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Table 3-2 Mining Licence 1367 Details.

Area	Details
Mine/Project	Northparkes
Name of certificate	Mining Licence
Certificate No.	1367
Mine right holder	North Mining Ltd, SC Mineral Resources Pty Ltd, Sumitomo Metal Mining Oceania Pty Ltd
Location	Orange, New South Wales
Name of minefield	Northparkes
Company category	Limited Liability
Mine Method	NA
Production Scale	NA
Minefield acreage	826.2 ha
Excavation depth	NA
Security Bond	A\$ \$17,840,000
Validity Period	21st March 1995 to 26th November 2029
Issue Date	21st March 1995
Issuer	Minister for Mineral Resources, State of New South Wales

Source: Supplied by the Client

Note: RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Table 3-3 Mining Licence 1641 Details.

Area	Details
Mine/Project	Northparkes
Name of certificate	Mining Licence
Certificate No.	1641
Mine right holder	North Mining Ltd
Location	Orange, New South Wales
Name of minefield	Northparkes
Company category	Limited Liability
Mine Method	NA
Production Scale	NA
Minefield acreage	26.42 ha
Excavation depth	NA
Security Bond	A\$5,900,000
Validity Period	25th March 2010 to 25th March 2031
Issue Date	25th March 2010
Issuer	Minister for Mineral Resources, State of New South Wales

Source: Supplied by the Client

Note: RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Table 3-4 Exploration Licence 5323 Details.

Area	Details
Mine/Project	Northparkes
Name of certificate	Exploration Licence
Certificate No.	5323
Mine right holder	North Mining Ltd
Location	Orange, New South Wales
Name of minefield	Northparkes
Company category	Limited Liability
Mine Method	NA
Production Scale	NA
Minefield acreage	21,840 ha (76 Units)
Excavation depth	NA
Security Bond	A\$20,000
Validity Period	18th July 1997 to 17th July 2013*
Issue Date	18th July 1997
Issuer	Minister for Mineral Resources, State of New South Wales

Source: Supplied by the Client

*RPM is aware the Company has submitted a renewal application for the licence. RPM refers to legal opinion as to no impediments to the extension of this renewal.

Note: RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Table 3-5 Exploration Licence 5800 Details.

Area	Details
Mine/Project	Northparkes
Name of certificate	Exploration Licence
Certificate No.	5800
Mine right holder	North Mining Ltd
Location	Orange, New South Wales
Name of minefield	Northparkes
Company category	Limited Liability
Mine Method	NA
Production Scale	NA
Minefield acreage	12,070 ha (42 Units)
Excavation depth	NA
Security Bond	A\$ \$10,000
Validity Period	8th January 2001 to 8th January 2015
Renewal Date	23rd July 2013
Issuer	Minister for Mineral Resources, State of New South Wales

Source: Supplied by the Client

Note: RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Table 3-6 Exploration Licence 5801 Details.

Area	Details
Mine/Project	Northparkes
Name of certificate	Exploration Licence
Certificate No.	5801
Mine right holder	North Mining Ltd
Location	Orange, New South Wales
Name of minefield	Northparkes
Company category	Limited Liability
Mine Method	NA
Production Scale	NA
Minefield acreage	49,550 ha (170 Units)
Excavation depth	NA
Security Bond	A\$ \$20,000
Validity Period	8th January 2001 to 7th January 2014
Issue Date	8th January 2001
Issuer	Minister for Mineral Resources, State of New South Wales

Source: Supplied by the Client

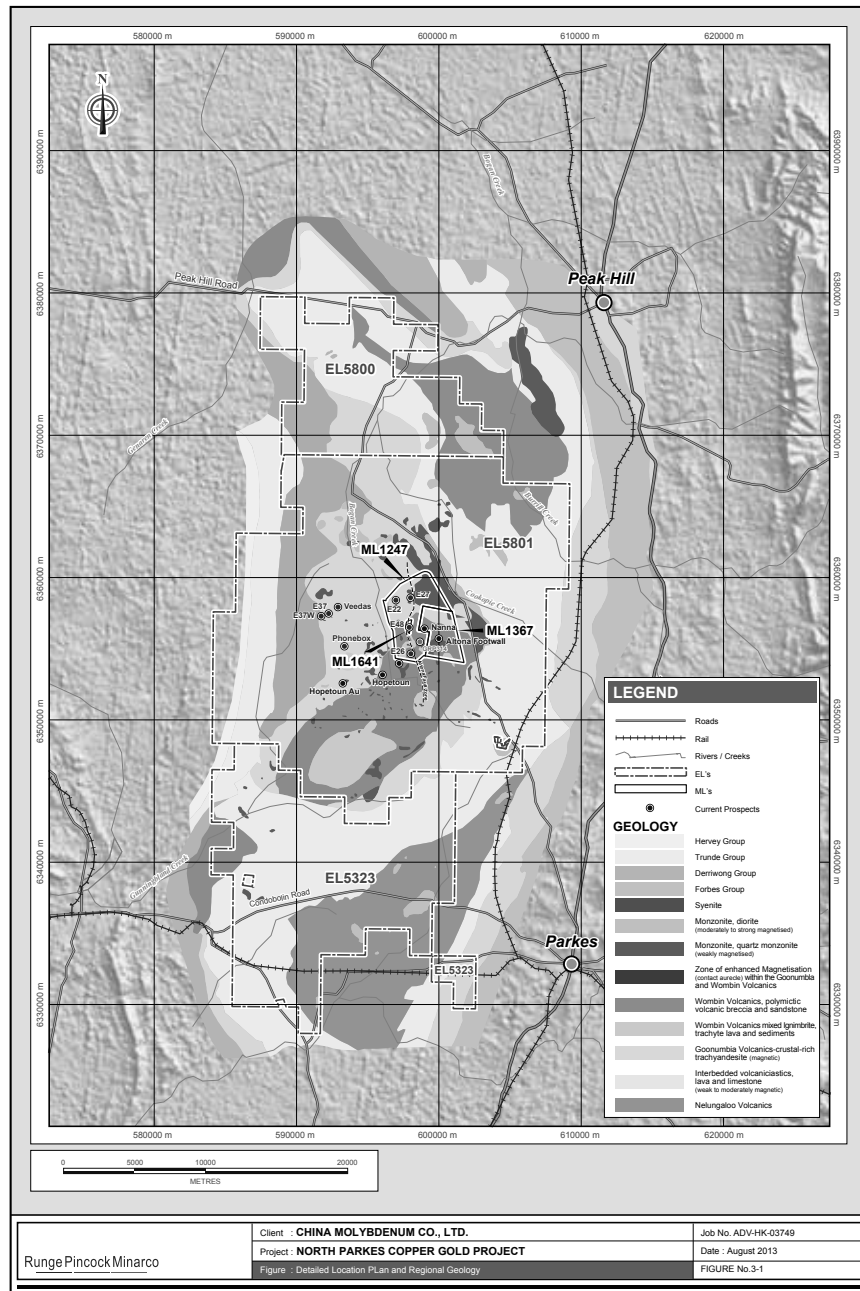
Note: RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

RPM is aware that one exploration licence (5323) are currently being renewed. RPM understands the Company has submitted its renewal application to the required NSW governing authorities. RPM has been supplied with documents from the relevant government authorities identifying the Company's continued rights over these licences, and refers to the legal opinions provided by the Client regarding these matters. RPM notes that this renewal process is standard in Australia and RPM considers it reasonable for the continued operation of the Project as planned.

3.2 Environmental and Operating Permits

The Company currently hold numerous environmental, bore and water permits, in addition to the safety permits required for production. *Annexure E* outlined the current licences and permits held by the Company.

RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.



4 PROJECT HISTORY

The Project has a long history of both exploration and mining, these are detailed below.

4.1 History of Exploration

A review of the documents and data supplied to RPM indicates that the Company has been following a systematic exploration program in the vicinity of the defined resources and active mining areas, E-22, E-26, E-48 and GRP314. This program has utilised selective drilling and targeted near infrastructure mineralisation which can form part of the medium to long term mining schedule (2 to 5 years). However, in addition to this program, the Company have been pursuing a wider exploration program throughout the licence areas.

The regional exploration techniques applied by Company are at the forefront of exploration techniques and includes the application of widespread RAB geochemical sampling. The use of RAB drilling generally results in an excellent understanding of the geologic structures within the region including such issues as extension of porphyry systems into the underlying monzonite stock and distal molybdenum geochemical haloes. Additional techniques which enhance the geological understanding include the use of gravity inversion modelling, airborne magnetics inversion modelling and radiometric surveying.

Below is a brief description of the exploration in the region, as well as recent development in exploration which has identified several targets which do not form part of the current resource base.

4.1.1 Project Exploration

Exploration within the region has a long history with Cu mineralisation first identified in the late 19th century. Although these occurrences were generally small oxide Cu deposits hosted in the Goonumbla Volcanics they highlighted the potential of the region. Following further exploration work, the significant milestone in the region occurred in 1976, when primary Cu-Au mineralisation was first discovered during Geopeko Limited (“Geopeko”) 1 km spaced roadside traverse drilling program. This programme was designed to clarify regional geology below extensive unconsolidated sedimentary cover however intersected primary mineralisation under approximately 30m of cover. Follow up drilling resulted in the definition of the E-22 prospect from which material has been mined and forms part of the Project’s forecast mining operations.

Geopeko commenced exploration in the Northparkes district in 1972 targeting the potential for VHMS hosted Pb-Zn deposits in the submarine volcanics of the Goonumbla Volcanic Complex. Regional mapping, rock geochemical sampling and an aeromagnetic survey was flown in 1974 to extend data into areas of cover in the north of the region. This program had limited success discovering outcropping Pb-Zn skarn mineralisation in 1973 and several other prospects, however no economic mineralisation was identified.

The identification of skarn mineralisation demonstrated the importance of intrusive and their association to mineralisation. As a result, in 1975 a programme of regional scale auger-core drilling was commenced along public roads perpendicular to the regional strike on the strata. In the summer of 1976 a traverse of auger-core holes, on 1 km spacing was conducted along Adavale Lane. Drill hole ACH697-21, located in the eastern side of what is now the E-22 open pit, intersected pink K-feldspar alteration and minor chalcopyrite-bornite mineralisation within a 2 m intersection for 0.25 % Cu. Follow-up Reverse Air Blast (“RAB”) drilling defined a large Cu-Au anomaly and in 1977 a diamond hole was drilled beneath the peak of the anomaly, returning 229 m at 0.61 % Cu and 0.67 g/t Au from 65 m. Follow-up drilling of weak copper anomalism (0.15 % Cu) in the auger-core hole 1 km to the east of E-22 was undertaken and resulted in the discovery of E-27 in 1978.

Regional mapping and rock chip sampling continued in 1978. Quartz-malachite veined monzonite was mapped at the E-28 prospect, 2 km south east of E-22 (*Figure 3-1*). Quartz-sericite altered outcrops were sampled in the vicinity of what is now E-26 (*Figure 3-1*), however returned low geochemical values. Southerly extensions of the E-28 RAB drilling grid identified a bedrock Cu anomaly over the E-26 deposit (originally the E-26N prospect) in 1980. The first diamond drill hole to test the anomaly, DDH26, returned 441 m at 0.67 % Cu from 63 m depth.

In 1992, based on 120 m line spaced aeromagnetic data, a magnetic targeting program was completed using the signatures of the previously identified deposits. Magnetic target MT9, located midway between E-26 and E-27, in part had a coincident Cu geochemistry anomaly and was selected for drill testing (Hooper et al, 1996). The first reverse circulation drill hole, MT9RP1, returned an intersection of 83 m at 0.95 % Cu and 0.15 g/t Au from 49 m to end of hole.

Exploration between 1978 and 1998 led to the discovery of additional porphyry systems at E-20, E-22 North, E-28 North, E-31 North, E-37, and E-37 West (**Figure 3-1**). All these systems were discovered by RAB drilling with the exception of E-37 West which was a discrete magnetic high target located immediately west of E-37. Since 1999, when the Company's JV was formed, a further five discoveries have been made in addition to significant extensions to existing deposits/Resources.

4.1.2 Recent Exploration Developments

The relatively recent discovery of a large low-angle fault (the Altona Fault) that transposes a large block of rock over the top of the prospective mine area has opened up a large area in close proximity to existing infrastructure for exploration after it had been previously discounted on the basis of surface geology.

Following the discovery of this regional thrust fault, RPM is aware the Company reassessed numerous old prospects. The reassessment included the interpretation of the improved regional datasets, historical exploration results, improved understanding of the regional geological setting and the significant amount of underground development and drilling which has been completed within the mining operations. Based on this interpretation, additional exploration led to the discovery of significant extensions/additions to the defined deposits, the discovery of the 5 new porphyry systems within 6 km of the processing plant and the recognition of further prospective areas to explore. These systems include the Veedas system, the Hopetoun Gold system, the Hopetoun 2 system, the Brazen system and the GRP314 deposit (**Figure 3-1**). Below is a brief description of each systems exploration history.

- The Veedas system was located by a discrete magnetic high target, 1 km north-east of the E-37 prospect and 6 km west of E-22 (**Figure 3-1**). The system was identified following the acquisition of 25 m line spaced aeromagnetic data in 2000 which covered an area with previous air core/RAB drilling which did not detect mineralisation. Following review of this new data drill testing of the prospect led to the discovery of the Veedas porphyry system. Whilst economic grade intersections were not made, the discovery of a new porphyry system close to others is considered encouraging and RPM considers that follow up exploration is warranted.

- Hopetoun Gold was discovered in 2002 by drill testing of a multi-element bedrock geochemical target which was identified from a review of historical bedrock geochemical data. Hopetoun Gold is located 5 km Southwest of E-26 and is a relatively small discrete porphyry system containing Cu-Au mineralisation. The best result to date was 40m @0.61% Cu and 0.2g/t Au in the Oxide/ transition zone however only low Cu and Au grades were intersected in deeper intersections.
- Drilling in 2012 identified a zone of mineralisation at Hopetoun 2, which is 1 km to the south-west of E-26 (**Figure 3-1**). Mineralisation at Hopetoun is centred on a porphyritic intrusive in close proximity to the monzonite stock but is masked by a phyllic lithocap. Drilling has defined the extent of mineralisation in all but the northwest and to some extent, a limited window on the eastern boundary. RPM is aware that additional exploration works are under consideration to define the open zones and exploration potential within the system. As well as representing a new discovery, Hopetoun identified a potentially significant exploration breakthrough as it highlights the region is also prospective for mineralisation within the stock and beneath phyllic alteration zones opening up the Mining Lease area for re-assessment of these styles of deposits.
- Construction of the Lift 2 within the E-26 mining area and the associated mining infrastructure in the early 2000's provided the opportunity to explore beneath the Altona Fault north of E-26 towards E-48 (**Figure 3-1**). The Brazen system, located blind beneath the Altona Fault, was discovered following lateral underground drilling in 2002. Brazen is a large low grade zone of mineralisation which requires further definition and exploration works.
- With the identification of the Brazen system beneath the Altona Fault a program of reverse circulation drilling was conducted to test the 'bedrock geochemistry' adjacent to the mine corridor. This program led to the discovery of the GRP314 system, located only 1 km from E-26, in 2004. The GRP314 deposit is a blind porphyry Cu-Au deposit hosted entirely within monzonite intrusions and truncated by the east dipping, low-angle Altona Fault. A total of 103 holes were drilled in GRP314 area bringing the total number of holes available for resources estimation below the Altona fault to 287 (totalling 152,535m).

4.2 History of Mining

Significant mining has been undertaken within the Project to date with a total of 800kt of Cu metal and 1.1 million troy ounces of Au having been produced. Mining has been undertaken via two methods, Open Pit and underground Block Caving. Mining operation commenced in the 1993 utilising the typical Open Cut truck and shovel method, however all production is currently being sourced via the underground bulk mining operations following completion of open pit mining in 2010. In the past three years production has been sourced from predominately from the E-48 Cave, however in 2012 some production was sourced from the E-22 open pit surface stockpiles. A summary of the recent annual production from the Project is provided in *Table 4-1*.

Table 4-1 Historical ROM Production

	Unit	Year Ending December 31st		
		2010	2011	2012
Mill feed				
UG E-26L2N	kt	423	0	
UG E-48	kt	3,199	5,201	5,093
OC E-22	kt	1,626		
Stockpiles	kt		316	18.4
Grey 1	kt			539
Total mill feed	kt	5,248	5,517	5,651
Cu grade	%	0.80	1.01	1.07
Au grade	g/t	0.50	0.56	0.53
Mill recovery				
Cu	%	90.5	90.6	88.6
Au	%	75.5	76.7	75.1
Cu conc. grade	%	33.6	34.4	34.2
Moisture	%	9	9	9
Concentrate produced	kt	116.1	146.7	155.8
Metal in concentrate				
Cu	kt	39	50.4	54
Au	koz	65	76.0	72
Ag	koz	366	496	563

Source: Supplied by the Company.

5 GEOLOGY

5.1 Geologic Environment

The Project occurs within the Ordovician Goonumbla Volcanics of the Goonumbla Volcanic Complex (Simpson et al, 2000 and Lye, Crook & van Oosterwijk, 2004). The Goonumbla Volcanics form part of the Junee-Narromine Volcanic Belt of the Lachlan Orogeny (Glen et al. 1998). Within the region, the Goonumbla Volcanics are a folded sequence of trachyandesitic to trachytic volcanics and volcanoclastic sediments (**Figure 3-1**) that are interpreted to have been deposited in a submarine environment.

The Goonumbla Volcanics have been subsequently intruded by equi-granular monzonite stocks. Quartz monzonite porphyry pipes and dykes, some of which are associated with mineralisation, have intruded both the Goonumbla Volcanics and the monzonite stocks, see **Figure 3-1**.

The Goonumbla Volcanics have undergone little deformation, with gentle to moderate bedding dips as a result of regional folding. The dominant structure observed to date in the Project area is the Altona Fault, an east dipping thrust fault, which truncates the top of E-48, and is known to extend from east of E-26 and E-27 (Figure 4-1).

5.2 Mineralisation Style

The deposits within the Project are typical porphyry Cu systems in that the mineralisation and alteration are zoned around quartz monzonite porphyry intrusives. The porphyry intrusives form narrow (typically less than 50 m in diameter) however are vertically extensive (greater than 900 m) pipes. Mineralisation is associated within these porphyry pipes however also extends into the host lithology.

Mineralisation within the Project occurs in the form of the Cu sulphide minerals Chalcopyrite, Bornite and Covellite while gold occurs as a dissolution state predominately with the bornite sulphide crystals. Sulphide mineralisation is closely associated with quartz stockwork veins, as disseminations and fracture coatings within the porphyry pipe. These stockworks and hydrothermal solutions are sourced from other granitic intrusive bodies.

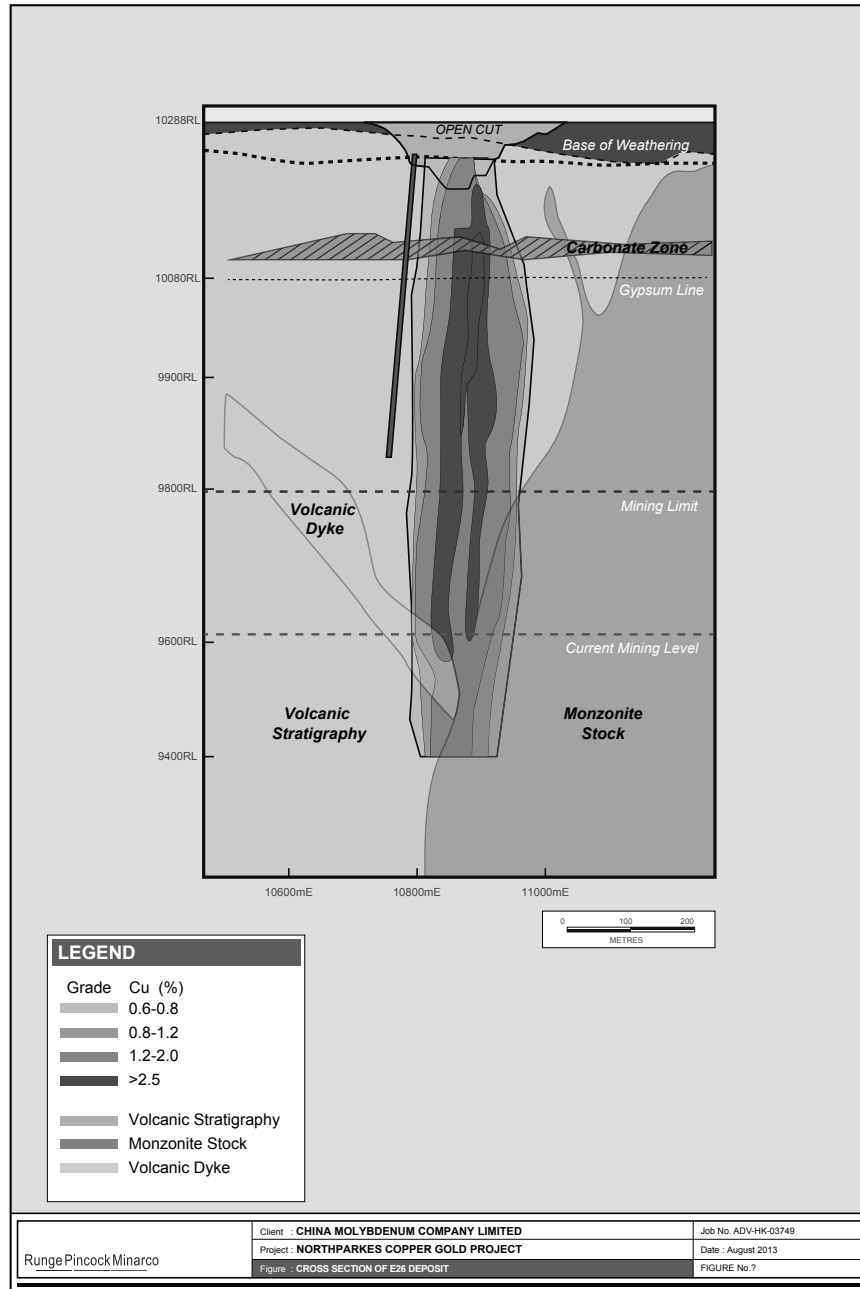
Typical of porphyry style deposits, mineralisation is extremely zonal with the highest grades generally associated with the most intense stockwork veining in the central portion of the porphyry. Sulphide species in the systems are zoned from bornite-dominant cores, centred on the quartz monzonite porphyries, outwards through a chalcopyrite-dominant zone to distal pyrite. As the Cu grade increases (approximately >1.2% Cu), the content of covellite, digenite and chalcocite associated with the bornite mineralisation also increases.

The zonation grade distribution and significant vertical extensional feature of the Project's deposit is clearly evident on the cross section of E-26 shown in **Figure 5-1**.

5.3 Alteration

Similar to the mineralisation zonation, alteration zonation is commonly observed within the porphyry style of mineralisation. Alteration is the result of hydrothermal fluid flow (from the source granitic intrusives) which changes the mineralogy of the rocks. As with all deposit styles which result from hydrothermal fluid flow, it is important to note that the hydrothermal fluid forming the alteration is the same source as the Cu and Au. As a result there is a direct relationship between the alteration and mineralisation. The type and variation in alteration is controlled by the varying structural complexities within each deposit, the resultant dilatational features of the rock i.e. path which the hydrothermal fluid flow take, and the chemistry of the host rocks and porphyry bodies.

Typical of deposits with hydrothermal styles of mineralisation, the alteration zones developed within the Project is complex. Although similar styles of alternations are observed, due to variations in host rock chemistry, structural features and underlying geological factors, variations occur in both the zonation composition and sizes. All deposits within the Project tend to have the quartz monzonite porphyries core associated with a central K-feldspar alteration zone which is surrounded by a biotite magnetite alteration zone, however several significant variation occur from this model.



The K-feldspar alteration core within the E-26 deposit is well developed and extends up to 100 m outwards in the host rock. However this is in contrast to E-22, E-27 and E-48 where K-feldspar alteration is generally less than 10 m outwards from the porphyries, with the biotite magnetite zone strongly developed. This alteration generally occurs up to 200 m from the porphyry and forms the distinctive annular magnetic features at E-22 and E-27.

A central white sericite-quartz +/- alunite alteration zone occurs at E-26, and to a lesser extent at E-48, and is generally associated with the high grade zones within the deposits. Within E-48, an alteration assemblage of hematite sericite +/- carbonate occurs both within and proximal to the mineralisation.

All of the deposits within the Project are cross cut by late stage faults which have been filled with quartz-carbonate +/- gypsum, anhydrite, pyrite, chalcopyrite, sphalerite and galena. The associated sericite alteration extends up to 10 m from the fault.

5.4 Geometry and Porphyry Distribution

The Northparkes porphyry mineral field is similar to most porphyry environments in that a number of separate mineralised bodies occur as a cluster within the field. Northparkes varies from the majority of others porphyry by the number and relatively small horizontal dimensions of the bodies combined with the very elongate vertical extent of the individual bodies which occur as vertically dipping pipe like bodies (**Figure 5-2**).

Although portions of the deposits are irregular the majority of the bodies are tabular due to the gradational and zonation grade distributions surrounding the quartz monzonite porphyry bodies. **Table 5-1** summaries the general geological characteristics of the main mineralised bodies.

Table 5-1. General Descriptions of the Main Mineralised Bodies.

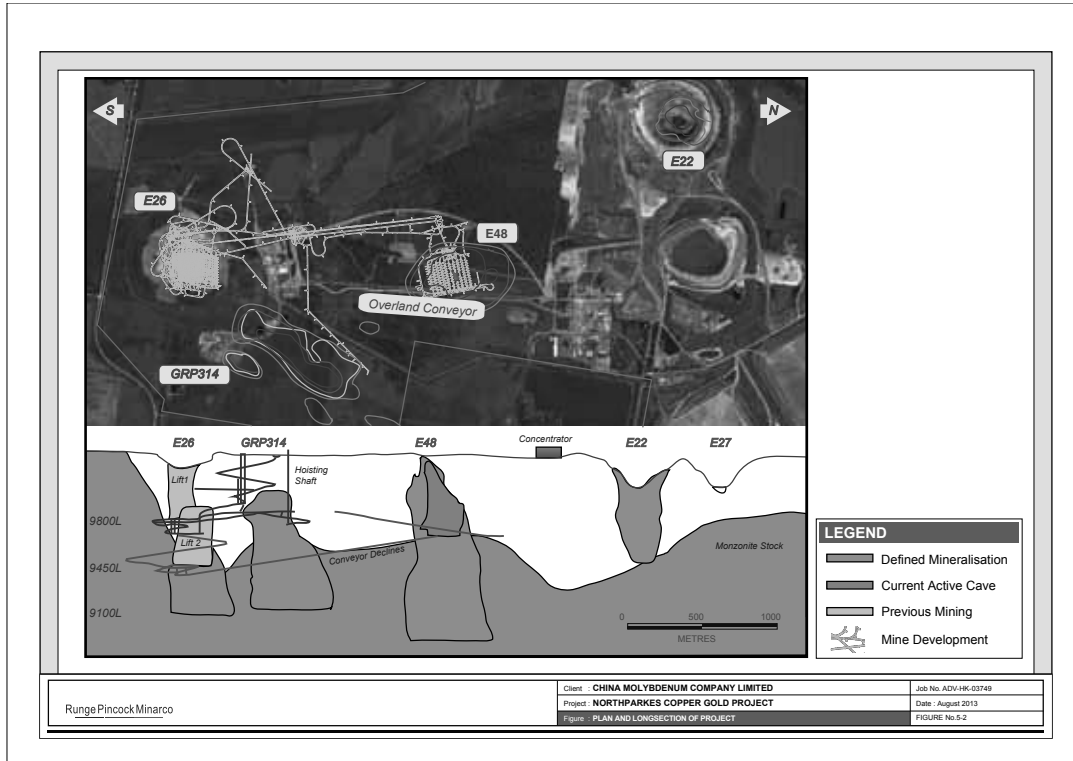
	E-22	E-26	E-27	E-48	GRP314
Width	100-300m	200-400m	100-300m	60-400m	Approx. 1,200m long, 100-300m wide.
Plan Shape	approx. circular	approx. circular	approx. circular	slight ellipsoid N-S	ellipsoid NE-SW
Vertical Extent	700m	>1,100m	900m	>1,100m	>1,000m
Host	Goonumbla Volcanics	Goonumbla Volcanics	Goonumbla Volcanics	Goonumbla Volcanics	Goonumbla Volcanics, Monzonite at depth
Intrusives	QMP pipes, vertical	Sub-vertical Porphyry	QMP pipes	QMFP pipes, steep North plunge	Hosted entirely in Monzonite intrusion

	E-22	E-26	E-27	E-48	GRP314
Mineralisation	High bornite core, covellite and chalcocite associated with high grade	bornite core chalcopyrite pyrite halo	Well-developed Oxide copper carbonates (malachite and azurite) and phosphates (pseudo-malachite and libethenite)	bornite core chalcopyrite pyrite halo	High Grade core is narrow, weak development of quartz stockwork
Alteration	K-feldspar core > 10m from Porphyry biotite magnetite	K-feldspar core > 100m from Porphyry biotite magnetite (central sericite-quartz)	K-feldspar core > 10m from Porphyry biotite magnetite	K-feldspar core > 10m from Porphyry biotite magnetite (central sericite-quartz)	Similar to others but with strong phyllic late stage alteration
Magnetic	Strongly Developed	Strongly Developed	Strongly Developed		
Oxidation	Strongly Developed	Weakly Developed	Strongly Developed	None (Under Altona Fault)	None (Under Altona Fault)

5.5 Weathering and Oxide

Oxidation profiles are variably developed over the Project however are generally less than 60m in thickness from surface. Similar to many other deposits in Australia, the deep weathering profile results in oxide mineralisation blankets being developed at surface over the deposits. This is particularly the case for the E-22 and E-27 deposits. The upper oxide blanket was gold rich and copper poor which is the result of chemical dissolution of the minerals enriching different mineral types. The lower supergene blanket was enriched in copper with the dominant copper oxide minerals being copper carbonates (malachite and azurite) and phosphates (pseudomalachite and libethenite) with lesser chalcocite, native copper, cuprite and chrysocolla developed in the supergene. A gold poor, less well developed, supergene copper blanket was also developed over the E-26 deposit. At E-26 the oxide copper minerals included atacamite, clinoatacamite and sampleite, in addition to those copper minerals observed in E-22 and E-27.

The impact of the shallow dipping Altona fault on the eastern side of the field has had a significant impact on the development of mineralised blankets above the Brazen and GRP314 bodies. This fault has truncated the bodies with both occurring below the shallow dipping fault plane the mineralisation. The E-48 high grade mineralisation is similarly truncate near surface by the fault but part of the halo mineralisation is affected.



6 DATA VERIFICATION

RPM conducted a review of the geological digital data supplied by the Client to ensure that no material issues could be identified and that there was no cause to consider that the data was inaccurate and not representative of the underlying samples.

During this review RPM identified no material inconsistencies in the provided data however noted small inconsistencies in the coordinate system between datasets, the down hole survey data and the geological logging. Discussions with the Company's personnel indicated that these inconsistencies were the result of miscommunication or further corrections and were immaterial to any Mineral Resource estimate completed. The corrected coordinate system and resultant drill hole database formed the underlying data for the independent JORC Statement of Mineral Resource estimated by RPM (**Section 7**).

RPMs review included both site visits and desktop studies. During the site visits and desktop analysis RPM completed the following:

- The site visit included a review of the surface outcrop and underground workings, the general geological setting and controls of mineralisation and a review of remaining core and reverse circulation chips. In addition RPM undertook selective reviews of the original hard copy and documentation of the underlying geological data to ensure that no data entry or system errors could be identified. This review included:
 - o Five surface drill holes were surveyed with handheld GPS by RPM and compared to the digital sets. All five collars showed good correlation within the error of the GPS as shown in **Annexure C**.
 - o Underground collars were campaigned surveyed and delivered in PDF format to the responsible geologist for uploading into the drill hole database. RPM completed a review of 30 electronic surveys and 6 hard copy records (**Annexure C**) against the drill hole database, no errors were noted. RPM notes an inconsistency with E-48D187, however during discussion with site personnel the inconsistency was clarified with supporting information.
 - o Underground drill holes are surveyed by the Reflex Multishot Tool which are verified prior to importing into the acquire database. RPM notes this method is industry standard and considers it appropriate for the Project. Due to the magnetite minerals occurring within the host rocks, approximately 5% of the determination to return incorrect readings. These reading are subsequently rejected from the database and the survey smoothed to ensure consistency. RPM notes this commonly occurs in the majority of mining operation in Australia due to rocks which host mineralisation. To ensure consistency with the digital dataset RPM compared 30 original survey records and 5 hard copy records to the digital data, as noted in **Annexure C**. No errors were noted.
 - o A systematic geological logging procedure is undertaken on site utilizing handheld computers. This results in direct entry into the site database to minimise data entry errors. RPM compared the hard copy print outs from the handheld computers, against the digital database. This comparison indicated that although no fundamental differences were noted, several holes showed more detail in either the original handheld log or the site acquire database contained additional information (more logging intervals). RPM notes that whilst this will not result in any material variations in the information utilised for the resource estimates, the additional information could be helpful in interpretation for exploration target generation. The hole checks are shown in **Annexure C**.

- o Sampling procedures and documentation were discussed with the core shed supervisor and database management. A number of hard copy sampling sheets were checked against the database with no errors observed. RPM's review of the sampling handling and preparation as well as the QA/QC controls appear to be robust and are in line with industry standard.
- o A review of the Bulk densities procedures indicate suitable methods are utilised with a large number of determinations undertaken (every 20m). A systematic check review is completed prior to uploading the database. RPM considers the bulk density method to exceed industry standards. A review of the hand written hard copy records for the 20 holes (**Annexure C**) were validated against the database with less than 1% showing typographic errors resulting in non-material errors.
- o All assays from the primary ALS independent laboratory are provided in digital format (CSV). This format is directly imported into acQuire, as such limited possibility exist for data entry errors. To verify no fundamental data entry errors RPM compared the original assay certificate for 8 holes, as shown in **Annexure C**. No errors were noted.
- o During the underground and surface inspections RPM compared the current mining depletion, historical mining underground and open areas to ensure consistency. IN addition RPM utilised the draw tonnages to update the depletion from the E-48 recent production.
- During the desktop review of the reports and digital database supplied, RPM noted the following:
 - o Several generations of exploration have been completed by various companies however several well documented reviews of the underlying datasets have been undertaken by qualified professionals to ensure data veracity. RPM notes that a number of these reviews have been undertaken by Independent personnel in recent years.
 - o Several Mineral Resource and Ore Reserve estimates for the Project have been undertaken for the Project and have utilised the datasets. These estimates have been subsequently signed off by Competent Persons under the JORC Code and publically released on the Australian Stock Exchange.

6.1 QAQC

A review of the quality assurance and quality control (QA/QC) procedures indicated that suitable and industry standard procedures are utilised. In addition to the insertion of field duplicates and blanks, standard reference material samples for Cu and Au are inserted every 20 samples with a local crushed basalt used as a blank. Core duplicates are used every 100 samples.

A review of QA/QC results by RPM indicates that no material issues can be identified or any evidence of systematic bias in the sample preparation and assaying. A good correlation is observed for the duplicates and suitable low levels were assayed in the blanks. The standards returned assays within acceptable limits which RPM interpreted to indicate that the primary laboratory shows good precision and accuracy.

6.2 Data Quality Review

The review of the drilling and sampling procedures indicates that international standard practices were generally utilised with no issues being noted by RPM. The QAQC samples all showed suitable levels of precision and accuracy to enable confidence in the primary laboratory. RPM also notes that the vast majority of samples used for the resource estimation are derived from drilling from post 2000 and therefore RPM considers that the data which underpins the resource estimation has no material sample bias and is representative of the samples taken.

The selective original data review and site visit observations carried out by RPM did not identify any material issues with the data entry or digital data. In addition RPM considers that the onsite data management system is above industry standard which will minimise any potential 'human' data entry errors and no systematic fundamental data entry errors or data transfer errors and therefore RPM considers the integrity of the digital database to be sound.

In addition RPM considers that there is sufficient geological logging and bulk density determinations to enable an estimation of the geological and grade continuity of the deposit.

6.3 Sample Security

All drilling activities have been undertaken by contractors independent of the Company (or any of its predecessors). Due to the varying styles of drilling undertaken within the Project the Company's personnel have various inputs in the sample handling. Below is a summary for each drilling type

- **Diamond Core** - The vast majority of the samples for the Mineral Resource estimate have been derived from surface or underground diamond drilling post 2000. Subsequent to the independent drilling crews delivering the core to the core shed, the Companies personnel are responsible for cutting the core and sampling to core into bags for delivery to the laboratory. RPM notes that although the Company's personnel are responsible for handling the core during the sampling process, all personnel are supervised by senior site geologists and geotechnicians. In addition photos are taken of all core trays prior to sampling, core is clearly labelled for sampling, a suitable paper trail of sampling can be produced and duplicate samples are taken to ensure no sample handling issues arise. RPM considers these procedures to be industry standard and considers that the sample security during this period to be adequate.
- **Reverse Circulation** - All drilling is undertaken by independent drilling contractors. The reverse circulation samples are all prepared directly off the drilling rig into separate sample bags. At all times samples are handled by the independent contractors until bagged and handed over to the Company's personnel. The Company's personnel are only responsible for handing the sample to the laboratory personnel.

Subsequent to sampling, all sample preparation and assaying is undertaken by an internationally recognised independent laboratory. As such, RPM considers that the sample security during the drilling, sampling, sample preparation and assaying to be suitable.

6.4 Data Verification Statement

The review undertaken by RPM of the drilling and sampling procedures indicates that international standard practices are generally utilised with no material issues being noted by RPM in the checks completed. The QAQC samples all showed suitable levels of precision and accuracy to enable confidence in the primary laboratory. RPM also notes that the vast majority of samples used for the resource estimation are derived from drilling from post 2000. RPM considers that the data which underpins the resource estimation has no material sample bias and is representative of the samples taken.

7 JORC MINERAL RESOURCES

Mineral Resources have been independently reported by RPM in line with the recommended guidelines of the JORC Code.

7.1 Mineral Resource Classification System under the JORC Code

A “Mineral Resource” is defined in the JORC Code as ‘a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured.’

Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results.

For a Mineral Resource to be reported, it must be considered by the Competent Person to meet the following criteria under the recommended guidelines of the JORC Code:

- There are reasonable prospects for eventual economic extraction.
- Data collection methodology and record keeping for geology, assay, bulk density and other sampling information that is relevant to the style of mineralisation and that quality checks have been carried out to ensure confidence in the data.
- Geological interpretation of the resource and its continuity have been well defined.
- Estimation methodology that is appropriate to the deposit and reflects internal grade variability, sample spacing and selective mining units, and
- Classification of the Resource has taken into account varying confidence levels and assessment and whether appropriate account has been taken for all relevant factors i.e. relative confidence in tonnage/grade, computations, confidence in continuity of geology and grade, quantity and distribution of the data and the results reflect the view of the Competent Person.

7.2 Area of the Resource Estimation

The Resource areas which are included in the Statement of Mineral Resources (*Table 7-1*) are shown graphically in *Figure 7-3* to *Figure 7-5* and outlined below:

- **E-48** — The Resource area is reported in the area directly below the current production level and below the E-48 Ore Reserve Cave, as shown in Figure 7-4. The area is reported from a minimum depth of 500m to a maximum depth of 1,000m. This area is termed E-48 Lift 2 (“E-48 L2”)
- **E26** — The majority of the Resource area is reported in the area directly below the historical E-26 Lift 2 Main Cave and the planned northern extension E26L2NN Ore Reserve Cave (*Figure 7-3*). The area is reported from a minimum depth of 900m to a maximum depth of 1,400m. This area is termed E-26 Lift 3 (“E-26 L3”). In addition some small areas surrounding the E26L2NN Ore Reserve Cave are also included in the resources.
- **E22** — The Resource area is reported in the area in the resource surrounding the E22 Ore Reserve Cave as shown in *Figure 7-5*. The area is reported from the area directly under the historical open pit to a maximum depth of 500m. This area is termed E-22 Lift 2 (“E-22 L2”)
- **GRP-314** — The Resource is reported in the area directly below the Altona fault zone (*Figure 7-3*). The Resource area is separated into 2 lifts, Lift 1 and Lift 2 (*Figure 7-3*). Lift 1 is reported from a minimum depth of 280m to a depth of 560m while Lift 2 is reported from a depth of 560m to 1060m. RPM notes that the majority of the Mineral Resources are reported within Lift 2. This is a result of the distribution of the porphyry bodies as can be seen in *Figure 7-3*.

7.3 JORC Statement of Mineral Resources

The results of the independent Mineral Resources estimate for the Project are tabulated in the Statement of Mineral Resources in **Table 7-1** below, in line with both the requirements of the JORC Code and the reporting standards of Chapter 18 of the HKEx Listing Rules. The Statement of Mineral Resources is therefore suitable for public reporting.

The independent Statement of Mineral Resources is reported within the current mining and exploration licences and reported as at June 30th 2013 using a cut-off of 0.4% Cu. The Statement of Mineral Resources shown in **Table 7-1** and graphically in **Figure 7-1** is reported exclusive of and is additional to the Ore Reserves reported in **Table B**. A cut-off grade of 0.4% Cu was utilised based on the results of the Ore Reserves estimate and mining study as outlined in **Section 8** and **Section 9**.

Table 7 1 Statement of JORC Mineral Resources as at 30th June, 2013 with the Project area Reported at a Cut Off of 0.4% Cu.

Reporting Area	JORC Classification	Quantity Mt	Cu %	Au g/t	Ag g/t	CuEq* %	Cu kt	Au kOz	Ag Moz	CuEq* Kt
E26	Measured	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	<u>215.1</u>	<u>0.6</u>	<u>0.15</u>	<u>1.7</u>	<u>0.71</u>	<u>1296.9</u>	<u>1038.6</u>	<u>11.8</u>	<u>1,536.9</u>
E22	Measured	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	<u>1.2</u>	<u>0.48</u>	<u>0.32</u>	<u>2.2</u>	<u>0.71</u>	<u>5.7</u>	<u>12.3</u>	<u>0.1</u>	<u>8.5</u>
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	<u>123.3</u>	<u>0.53</u>	<u>0.23</u>	<u>1.9</u>	<u>0.70</u>	<u>659.6</u>	<u>917.3</u>	<u>7.4</u>	<u>861.1</u>

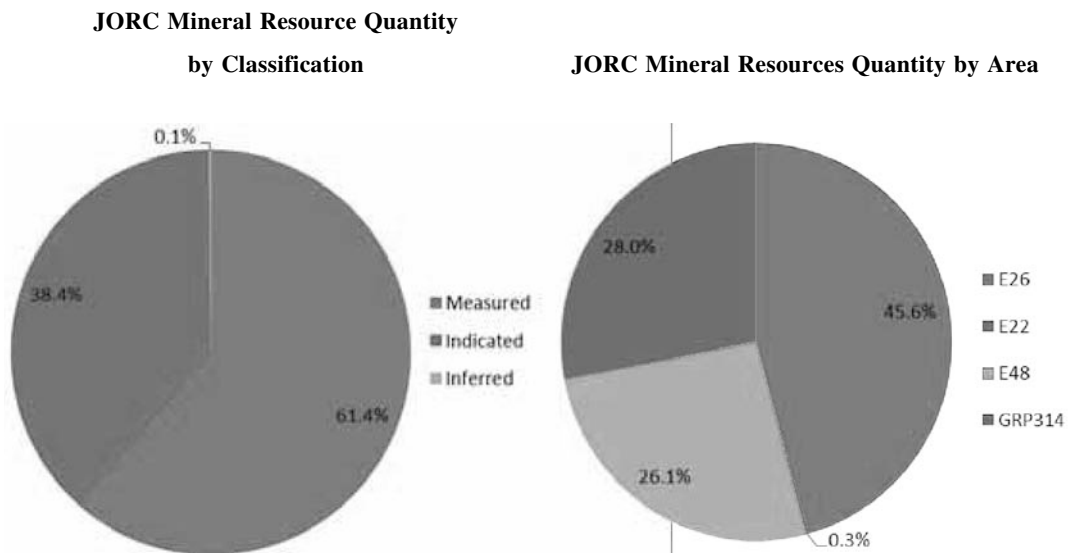
Reporting Area	JORC Classification	Quantity Mt	Cu %	Au g/t	Ag g/t	CuEq* %	Cu kt	Au kOz	Ag Moz	CuEq* Kt
GRP314	Measured	71.9	0.54	0.15	1.7	0.65	391.7	353.0	3.9	470.6
	Indicated	60.2	0.52	0.12	1.7	0.62	313.6	232.3	3.2	370.3
	Inferred	—	—	—	—	—	—	—	0.0	—
	Sub Total	<u>132.1</u>	<u>0.53</u>	<u>0.14</u>	<u>1.7</u>	<u>0.64</u>	<u>705.4</u>	<u>585.2</u>	<u>7.1</u>	<u>842.8</u>
Grand Total	Measured	289.7	0.59	0.19	1.8	0.73	1,720.5	1753.4	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
	Total	<u>471.7</u>	<u>0.57</u>	<u>0.17</u>	<u>1.8</u>	<u>0.70</u>	<u>2,667.6</u>	<u>2,553.5</u>	<u>26.4</u>	<u>3,294.7</u>

Note: Mineral Resources are exclusive of Ore Reserves. Sum of respective components may not equal totals due to rounding.

Mineral Resources have been estimated under the 2004 Edition of the JORC Code.

*CuEq Calculation is based on information outlined in Section 12.1.1, however includes an Ag prices of A\$20

Figure 7 1. Graphical Representation of JORC Mineral Resources quantities as at 30th June, 2013.



7.4 Estimation Parameters and Methodology

The Mineral Resource estimates were completed using the following parameters:

- The individual resource estimates cover a variety of areas ranging from 0.81 sq.km to 3.42 sq.km as shown in *Table 7-2*.

Table 7 2. Block Model Origins and Extents.

Area	Origin			Extent			Area (sq.km)
	Easting	Northing	Elevation	Easting	Northing	Elevation	
	(m)	(m)	(m)	(m)	(m)	(m)	
E-26	9,900	52,560	8,800	1,860	1,840	1,500	3.42
E-22	9,400	56,400	9,500	900	900	820	0.81
E-48	10,240	54,500	8,900	1,320	1,500	1,400	1.98
GRP314	10,600	53,300	8,800	1,900	2,000	1,500	3.80

- Drilling which was included in the estimates has been conducted on a variety of spacing's via surface and underground diamond core and surface reverse circulation drilling. The proportion of each method varies between the estimation areas, with E-26, E-48 and GPR314 being dominated by underground diamond drilling, while E-22 being dominated by surface reverse circulation and diamond drilling. Surface drilling was generally conducted on larger spacing down to 50m by 50m with close spaced (25m by 25m) underground drilling being used to define the resource with higher confidences. *Figure 7-3* and *Figure 7-4* graphically show the drilling while *Table 7-3* shows the number of holes within each estimate.

Table 7-3. Number of Holes and Assays Utilised in the Estimates.

Estimate Area	Number of Holes	Total Metres	Total Assays
E-26	428	165,901	91,111
E-22	161	44,517	27,226
E-48	326	163,273	73,165
GRP314	287	152,535	73,674

- Two resource estimation specific site visits were conducted one by Mr. Robert Dennis and Mr. Andrew Jones in May 2013, and August 2013 respectively.

- Surface diamond drill holes were drilled on dips ranging from 45 to 80° using predominately HQ and NQ sized core, while all underground diamond holes were drilled using NQ sizes. The underground holes were completed on fans, as a result dips ranged from -45° to +45°. Due to the pipe like geometry of the mineralisation, a number of drill orientations were utilised from both surface and UG.
- Holes were sampled to the mineralisation and alteration boundaries with a maximum of 4 m forming one sample.
- Sample preparation and assay determinations were carried out by the laboratory of the internationally accredited ALS Laboratory in Orange, NSW while external checks were completed at SGS in Orange. Both that's are internationally accredited under the ISO system.
- Quality control samples were collected on a regular basis throughout the exploration and resource drilling programs. Internal and external samples were completed in addition to standard reference material, blanks and field duplicates.
- Downhole surveys were completed for all holes using the Reflex Multishot Method which is considered suitable for the Project.
- A transformed grid system is utilised for the estimates.
- Geological envelopes for the porphyry, monzonite and Altona Fault Structures were constructed based on 3 dimensional interpretations based on geological logging. Due to the diffuse style of mineralisation, no mineralised envelopes were generated or used the limit the estimate. However
- Samples were composited to 4 m with a variety of high grade cuts of 2.5g/t Au applied to E-48 and E-22. No high grade cuts were applied to Cu for any estimation area.
- One block model was generated for the estimate to encompass the full extent of the currently defined mineralisation within the deposit. All models were created using a block size of 20 m NS by 20 m EW by 20 m vertical with sub-cells of 2 m by 2 m by 2.5 m.

- The Ordinary Kriging (OK) algorithm with an anisotropic search was selected for grade interpolation due to the number of samples and the interpreted geospatial analysis. The search ellipses utilised for the estimate were based on the interpreted variogram parameters for each element and the relative orientations of the geology and fault structures. A total of 3 passes were used to estimate the resources with varying search ellipse parameters as shown in *Table 7-4*.

Table 7-4. Parameters for Grade and Bulk Density Estimations

Area	Pass Number	Grade (Cu, Au)						Bulk Density					
		Easting	Northing	Elevation	Samples			Easting	Northing	Elevation	Samples		
		(m)	(m)	(m)	Min	Max	Octant	(m)	(m)	(m)	Min	Max	Octant
E-48/E-26 Primary	1	50	50	100	16	40	4	100	100	25	8	32	4
	2	100	100	200				200	200	50	6		
	3	160	160	320				300	300	75	4		
E-26 Oxide/AFZ	all	100	100	15	8	32	4						
GRP214	1	50	100	100	16	40	4	100	100	15	8	32	4
	2	100	200	200				200	200	30	6		
	3	160	320	320				300	300	45	4		
E-22	1	50	50	100	16	40	4	75	75	25	8	32	4
	2	100	100	200				150	150	50	6		
	3	150	150	300				300	300	100	4		

- Bulk Density Determination were taken every 20 m down hole during all post 2000 drilling. As a result there are a significant number of determinations which have been utilised to estimate the block BD estimates. An ordinary Kriging method of interpolation was utilised to the block BD estimates based on the geospatial analysis of the variability and the parameters shown in *Table 7-4*.

- Due to the unconstrained style of estimation, the Mineral Resources were reported within cave shapes which were based on the Net Smelter Return (“NSR”). These cave shapes includes the A\$16, A\$14, A\$18 and A\$16 NSR shapes for the E48, E26, E22 and GRP413 resource respectively and were generated based on the same parameters used in the Ore Reserve estimates (**Section 8 and Section 9.4**). The material within the cave shapes used to report the Ore Reserves was subsequently excluded from the Mineral Resources. The detailed statistical analysis suggested that a sample spacing’s based on the pass spacing (Table 7-4) was appropriate for classification of Measured, Indicated and Inferred Mineral Resources respectively, which would be compliant with the recommended guidelines of the JORC Code for all elements. These distances formed search ellipse represent the maximum distance between two composites from at least two different drill holes.
- RPM assessed the reasonableness of the expectation of eventual economic extraction of the E-48L2 Resource, the E-26L3 Resource and the GRP314L1 & L2 Resources by undertaking a high level financial model based on the LOM production rate (6.4Mtpa), using average short term budgeted mining and processing costs and recoveries as per the current performance, bank long term consensus metal prices and very high level capital costs (**Table 7-5**) to access the individual sources to be exploited. The analysis although high level demonstrated that the resource areas showed reasonable prospects for economic extraction.

RPM highlights that the parameters utilised for the verification of the ‘Reasonable Prospects for Economic Extraction’ as required by the JORC Code in **Table 7-5** are not Ore Reserve parameters and are not supported by mining studies, designs, plans or schedules and are highly conceptual. Furthermore if a mining study was to be undertaken to increase the accuracy of the parameters, the result of any economic model could vary greatly which could have a material impact on the economic viability on portions or all of the resources. RPM notes that some variation may occur between these parameters and those utilised to estimate the Ore Reserve. Were variations occur RPM has been conservative in the parameters used for the justification of the Mineral Resources due to the inherent inaccuracies in the resource estimates without supporting mining studies being completed.

Table 7-5 Key assumptions for Evaluating Eventual Economic Extraction Possibility

Item	Amount
Long Term Copper Price	A\$2.94/lb
Long Term Gold Price	A\$1,297/oz
Mill Recovery Cu/Au	75.7%/64.2%
Smelter Return Cu/Au	96.6%/95.0%
Production Rate	6.4Mtpa
Tonnage and Grade	Individual Resource Source Tonnage & Grades
Mining Cost	A\$5.0/t
Milling Cost	A\$6.2/t
Asset Management Cost	A\$5.3/t
G&A Cost	A\$1.5/t
Concentrate Transport	A\$97.5/t conc.
TC	A\$72.5/t conc.
RC Cu	A\$0.0725/lb
RC Au	A\$8.0/oz
Mine Access Capital Costs	A\$1.01billion
Tailings/Mill/Working	A\$1.22billion

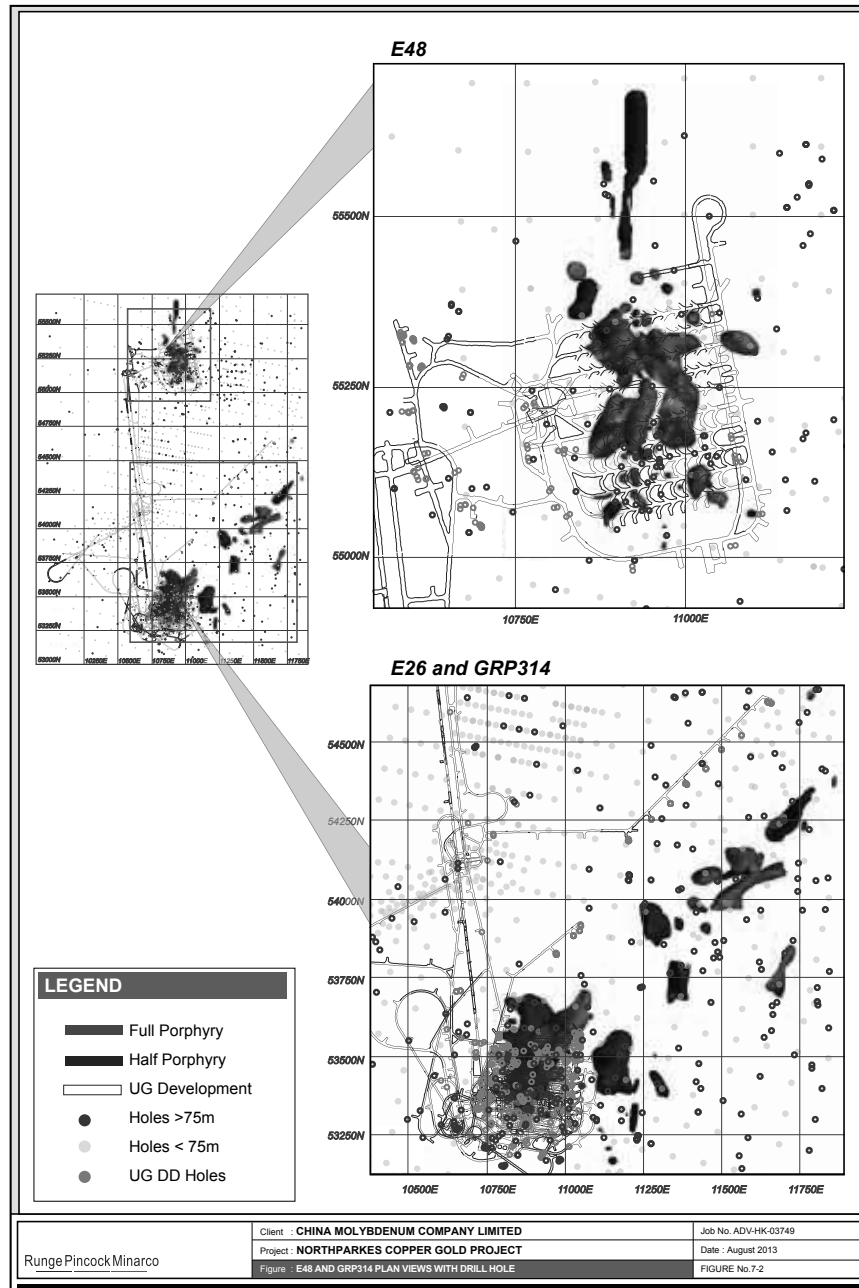
7.5 Exploration Potential

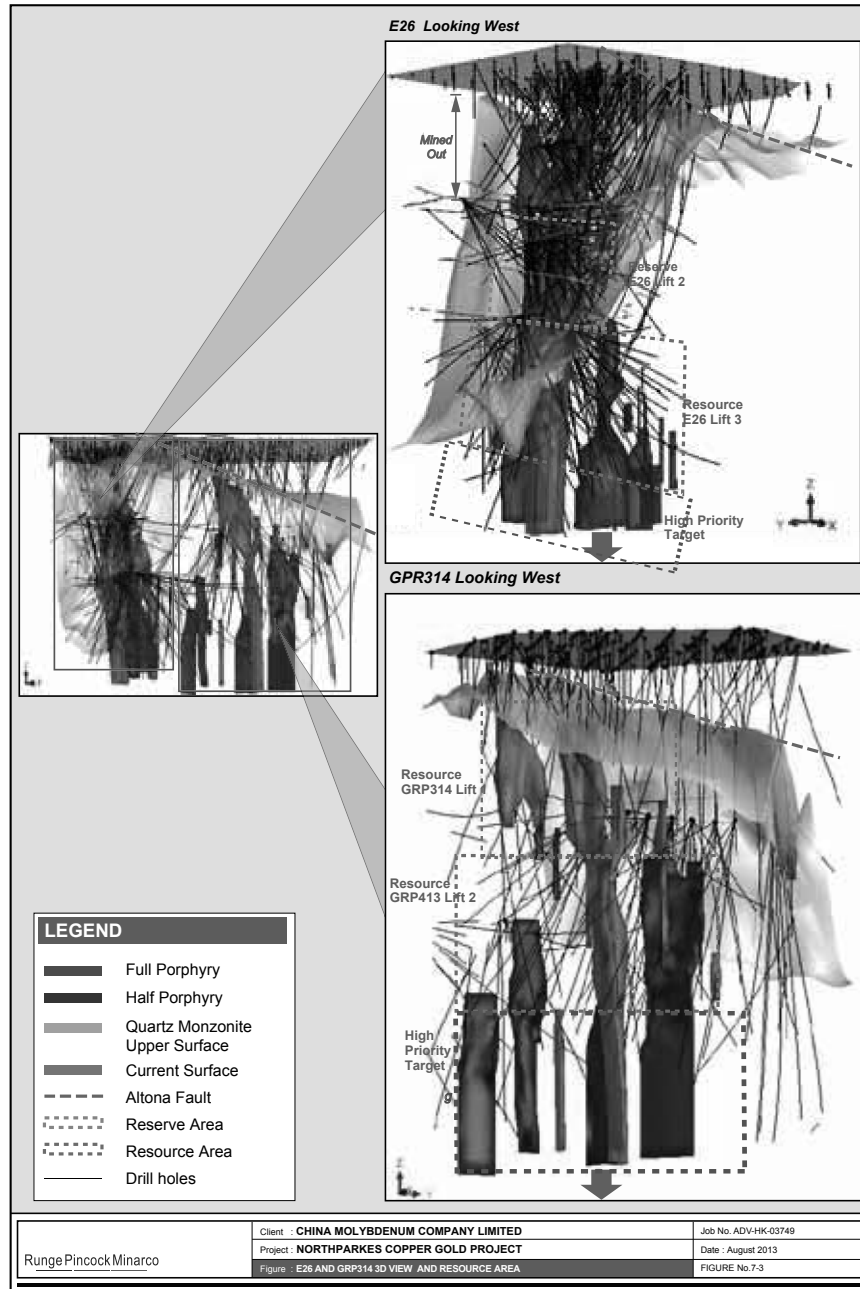
Despite the long history of exploration and the modern sophisticated exploration techniques applied by the Company in recent years, RPM considers there to be good potential to define further mineralised bodies within the Project area both near current mining infrastructure and within the broader exploration licences. RPM notes the recent understanding that mineralisation is not truncated by the monzonite stock at depth (as noted in *Figure 7-4* for E-48 and GRP-314) and the identification of the thrust Altona Fault which limits the outcrop of several mineralised systems i.e. GRP-314 system as shown in *Figure 7-3*.

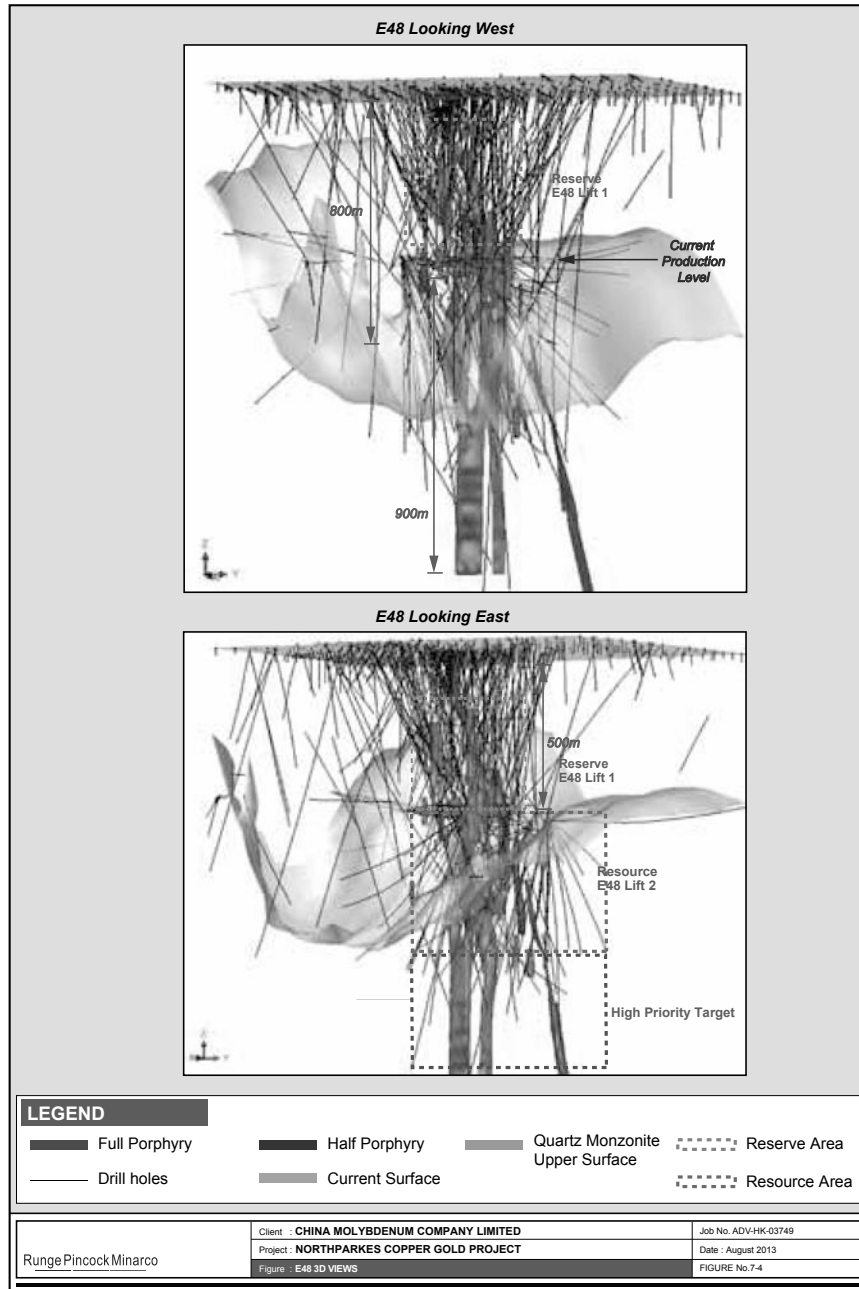
Following a review of the data RPM considers there to be three high priority targets which present opportunities to increase the resource base and add feed sources to the plant, these include:

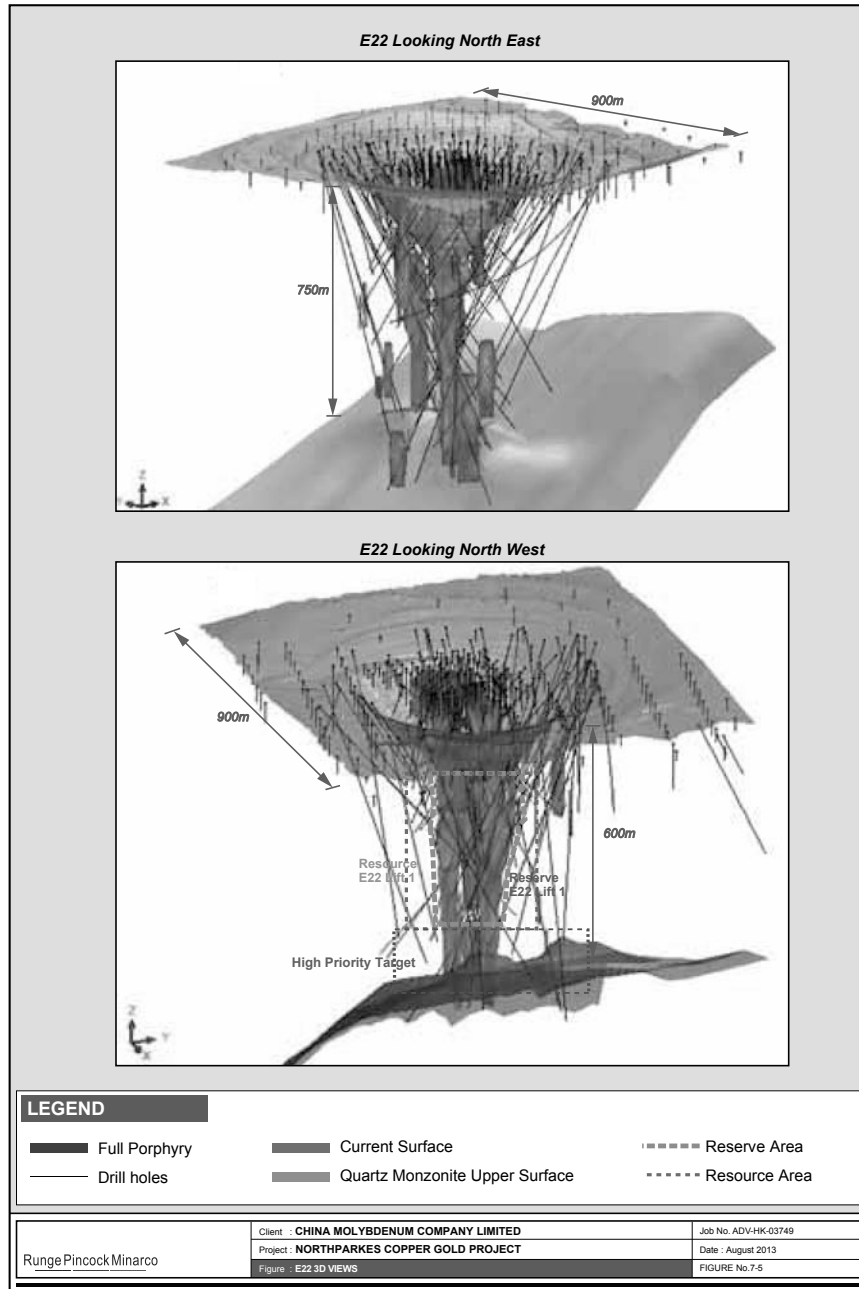
- The currently defined Measured and Indicated resource base lies directly beneath the current or planned development levels (Ore Reserves). RPM considers this to present significant upside to the Project with the potential to support expanded capacity, multiple source production or an expanded mine life. RPM notes that the currently reported resource base has been utilised as part of mining studies by the Company. The cave shapes generated as part of these studies, although not suitable for reserves estimates highlight the economic viability of the resource. RPM considers that based on the current mining capacity these resources could support an extended mine life equal to or in excess of 30 years (inclusive of the current Mine Life).
- *Down dip of the currently defined resource:* With the exception of the E-22 deposit, all currently defined resources are open at depth. Drilling which target below the currently defined resources has intersected extensions of the host porphyry bodies as shown in **Figure 7-2** to **Figure 7-4**. In addition to intersecting the host porphyry extensions potentially economic mineralisation was also intersected. These intersections had grades in excess of 0.5% Cu in E-48 and E-26, while anomalous grades were intersected below GRP-314. RPM considers these areas (**Figures 7-3** to **Figure 7-5**) to be high priority targets and presents excellent opportunities to increase the resource base and potentially the mine life with additional drilling in the short term (1 to 2 years).
- *Identified Regional Targets:* As discussed in **Section 4**, following the identification of the Altona fault, the Company undertook a comprehensive review and refined the geological model based on all the exploration and extensive mining data available. Following this review the Company undertook a regional exploration program targeting areas below the Altona Fault zone. This work identified a number of “Project’s of Merit” including, Hopetoun, Nanna, and E-48 NW extension as well as additional Prospects warranting drill testing. Furthermore numerous exploration targets in the Exploration Licence areas have been identified which are earlier stage and will require geochemical and geophysical tests prior to scout drilling. All of these targets have insufficient drilling and exploration work to enable the estimation of Mineral Resource and present an opportunity to potentially add to the resource base with successful drilling programs in the medium term (2 to 5 years).

- Unidentified Prospects:* Based on recently identified mineralisation systems and exploration results RPM considers there be good potential for the identification of further bodies of economic interest within the licences. However significant exploration is likely to be required and there is risk no further discoveries may be identified.









8 ORE RESERVES

The JORC Code defines an 'Ore Reserve' as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. (JORC Code - Clause 28).

8.1 Areas of Ore Reserves

The estimation of Ore Reserves is based on the following areas:

- **E-48** — This is the current active mining cave. The Reserve area is the first cave within the E-48 deposit; as such it is termed the E-48 Lift 1 ("E-48 L1") Block Cave, as shown in *Figure 7-4*. The Reserves area is reported from surface to a depth of maximum depth of 500m.
- **E26** — The Reserve area is the northern extension of the previously mined E-26 Lift 2 Mine Cave (*Figure 9-6*). It is referred to as the E26L2NN Block Cave (*Figure 7-3*). The Reserves area is reported from a minimum depth of 600m to a maximum depth of 900m.
- **E22** — The Reserve area is reported directly under the historical open pit to a maximum depth of 500m (*Figure 7-5* and *Figure 9-2*). To date the material has been designed to be included in a single lift as such it is termed the E-22 Lift 1 ("E-22 L1") Block Cave.
- **Ore Stockpiles** — The Company currently has numerous surface stockpiles which are separated by grade and material type. These are referred to as the Red, Green and Blue Stockpiles (*Figure 9-3*).

8.2 JORC Statement of Ore Reserves

The Proved and Probable JORC Ore Reserves estimate for the Project is summarised in **Table 8-2** and shown graphically in **Figure 8-1**. The Measured and Indicated JORC Mineral Resources quantities reported in **Section 7** are **additional to the JORC Ore Reserves estimates reported below**. RPM has estimated the total JORC Ore Reserves to be 107.5 Mt at a grade of 0.62%Cu, comprising 8.2 Mt of Proved and 99.3 Mt of Probable Ore Reserves.

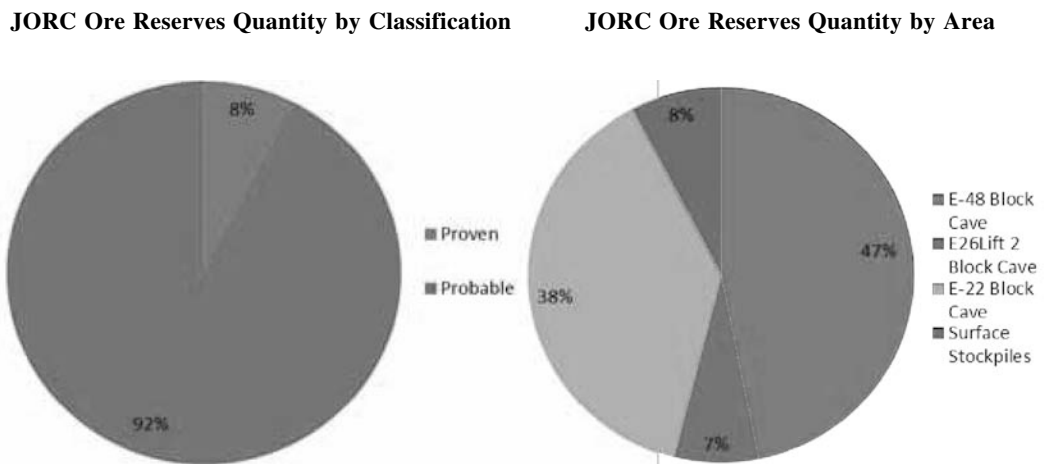
**Table 8 1. Statement of JORC Ore Reserves Estimate
as at June 30th within the Project Area.**

Area	JORC Classification	Tonnes Mt	Cu %	Au g/t	Ag g/t	CuEq* %	Cu Kt	Au KOz	Ag Koz	CuEq* Kt
E-48 Block Cave	Proven	—	—	—	—	—	—	—	—	—
	Probable	50.4	0.76	0.27	2.6	0.94	383	437.5	4,213.0	471.2
	Sub Total	<u>50.4</u>	<u>0.76</u>	<u>0.27</u>	<u>2.6</u>	<u>0.94</u>	<u>383</u>	<u>437.5</u>	<u>4,213.0</u>	<u>471.2</u>
E26Lift 2 Block Cave	Proven	—	—	—	—	—	—	—	—	—
	Probable	7.6	0.67	0.14	2	0.76	50.9	34.2	488.7	57.8
	Sub Total	<u>7.6</u>	<u>0.67</u>	<u>0.14</u>	<u>2</u>	<u>0.76</u>	<u>50.9</u>	<u>34.2</u>	<u>488.7</u>	<u>57.8</u>
E-22 Block Cave	Proven	—	—	—	—	—	—	—	—	—
	Probable	41.3	0.49	0.36	2.3	0.72	202.4	478	3,054.0	298.7
	Sub Total	<u>41.3</u>	<u>0.49</u>	<u>0.36</u>	<u>2.3</u>	<u>0.72</u>	<u>202.4</u>	<u>478</u>	<u>3,054.0</u>	<u>298.7</u>
Surface Stockpiles	Proven	8.2	0.39	0.24	1.8	0.55	32	63.3	487.8	44.7
	Probable	—	—	—	—	—	—	—	—	—
	Sub Total	<u>8.2</u>	<u>0.39</u>	<u>0.24</u>	<u>1.8</u>	<u>0.55</u>	<u>32</u>	<u>63.3</u>	<u>487.8</u>	<u>44.7</u>
Total	Proven	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
	Grand Total	<u><u>107.5</u></u>	<u><u>0.62</u></u>	<u><u>0.29</u></u>	<u><u>2.4</u></u>	<u><u>0.81</u></u>	<u><u>666.5</u></u>	<u><u>1,002.30</u></u>	<u><u>8,574.6</u></u>	<u><u>868.6</u></u>

Note: Figures reported are rounded which may result in small tabulation errors. Ore Reserves have been estimated under the 2004 Edition of the JORC Code.

*CuEq Calculation is based on information outlined in Section 12.1.1.

Figure 8-1. Graphical Representation JORC Ore Reserves quantities as at 30th June, 2013.



8.3 JORC Ore Reserves Estimation Procedure

Ore Reserves were estimated using the specialised Block Caving planning and modelling software package, 'PCBC'. The Ore Reserves estimation applied Mixing, Draw and Cut-Off parameters to the JORC Mineral Resource estimates. The input parameters selected by RPM are based on the review of the mining studies completed by the Company, discussions with site personnel and site visit observations. To enable the estimation of JORC Ore Reserves, RPM has:

- Characterised mineralisation at the Project;
- Reviewed approach, assumptions and outcomes from the Company mine planning studies, including the operating and capital cost forecasts;
- Reviewed information on current mine performance including operating costs and historical mining and processing recoveries.
- Reviewed the applied mining method and current life of mine development and cave designs;
- Reviewed models completed to estimate ore recovery from block caving, geotechnical and mining parameters used in the model;

- Independent modelling of each of the block caving areas, after selection of reasonable parameters which RPM considers achievable for the mine. This included simulation of production schedules using the specialised Block Caving modelling program PCBC. The simulations for each Block Cave are outlined in **Section 9.4**.
- Verified the cut-off grades applied as suitable for use in an Ore Reserve estimate; and
- An economic model was generated for each of the Block Cave areas and the LOM schedule incorporating operating and capital costs and revenue as detailed in **Section 12** and outlined below. RPM reviewed the operating and capital cost estimates prior to applying them in the economic model. Additional capital costs were included in the economic model to allow for increased development requirements for E22 as outlined in **Section 9.4** and **Section 12**.

8.4 JORC Ore Reserves Estimation Parameters

RPM has determined suitable technical parameters to apply in the Ore Reserve estimation process following discussions with site personnel, review of pre-feasibility level documents and the proposed life of mine plans, mining method, and historical and forecast processing plant recoveries to the areas of the Project where Measured and Indicated Resources have been estimated. Inferred Mineral Resources cannot be used for Ore Reserves estimation, and were not included as part of the Ore Reserve estimate. RPM notes that the accuracy of the modifying factors is suitable for a Probable Ore Reserve classification to be applied for all Block Caving areas, however mineralised stockpile material (named Red, Green and Blue Stockpiles) is considered to be of a Proved Ore Reserve classification.

The following parameters have been used for the Ore Reserve estimate:

- Dilution and recovery are estimated using the block cave mining program PCBC:
- The depth of mining as used in mining studies for the yet un-mined portions of the deposits, as described in **Section 9.1**;
- A variable metallurgical recovery dependent on the grade of the mill feed, in no case less than 75% for Cu, 60% for Au and 72.5% for Ag, refer to **Section 10**;

- Operating and capital costs are estimated based on at least pre-feasibility level documents, actuals from the recent operation and as amended by RPM. Refer to *Section 12* for the estimation of mining costs;
- Forecast metal price of (A\$ 3.15/lb Free On Board (“FOB”) per pound Cu and A\$1,400/oz Au, and
- Refer to *Table 8-2* for PCBC input parameters.

Table 8-2 Ore Reserve Estimate PCBC Input Parameters

Parameter	Cave		
	E-48	E-26L2NN	E-22
Model File	E-48 bm_2013 eng_v1	E-26bm2013	E-22bm_2013
Drawpoints	270	58	108 and 236
Maximum draw cone radius	15m	12m	8.5m
Height of Interaction	150m	150m	150m
Maximum Height of Draw	500m	250m	500m
Mixing Method	Vertical & Template	Template	Vertical
<i>Mixing Cycles</i>	2	No Mix	2
<i>Percentage Fines</i>	30%	30%	30%
Cave Shape	Not Applied	Indicative Cave Shape Assumed	Not Applied
Mining cost	A\$18	A\$24	A\$18
Shutoff NSR value (schedule)	A\$18	A\$24	A\$18
Schedule Method	PAST/COMBO	COMBO	EVEN/COMBO

9 MINING

9.1 Mining Methods and Overview

The two mining methods that have been employed within the Project are open cut mining and underground 'Block Caving'. Open cut mining occurred on a small to medium scale between late 1993 and 2007 and resulted in the formation of 2 small pits E-22 and E-27, while E-26 was also mined in 2010 (*Figure 9-3*). The 3 pits combined to extract over 31 Mt of ore including several stockpiles which are located adjacent to the processing plant. Post 2007 mining has continued through underground means using the Block Caving method. Block caving has been the sole underground mining method employed within the Project commencing with the undercutting of the E-26 deposit in 1995. The Project was the first mine in Australia to use this mining method which has been proven worldwide to be a means to extract deep seated large deposits at low cost.

Due to the relatively small footprint of the E-26 cave and the poorly fractured nature of the ore, caving was not spontaneous and had to be induced. This substantially limited early production from this cave. Mining of the first lift of E-26 was completed in 2003 with a second lift directly beneath Lift 1, E-26 (E-26L2) commencing production in 2004. Early dilution and the failure of portions to cave (due to ground weighting) limited recovery and mining on this level ceased in 2010.

Following completion of undercutting in 2010, a program of hydraulic fracturing was undertaken above the undercut and caving to surface occurred in a reasonably short period of time. Ground weight in three production drifts affected production from approximately 20 Drawpoints. Efforts have been expended to re-habilitate those areas with mixed success.

Currently, E-48 is the principal source of mill feed from the mine and will continue to be so until about 2023 when E-26 and subsequently E-22 will provide mill feed. Since 1995 approximately 59 Mt have been mined by block caving, collectively from three zones: E-26 Lift 1, E-26 Lift 2, and E 48 (As shown graphically on long section in *Figure 5-2*). Only E-48 is currently in production however several sources are planned to be mined in the future, with the new development in E-26 Lift 2, which will be comprised of three production workings and 58 draw points, and ultimately the development of the E-22 deposit which lies approximately 2,000m north of E-48 and current mine infrastructure. Surface stockpiles will be used to supplement production during periods of transition from the mining of one deposit to the next.

Based on the Ore Reserves estimate, the production schedule can be summarised as:

- Life of mine period of 16 years to 2030.
- 107.5 Mt of ROM Ore.
- Average ROM Ore grade at 0.62% Cu and 0.29 g/t Au.

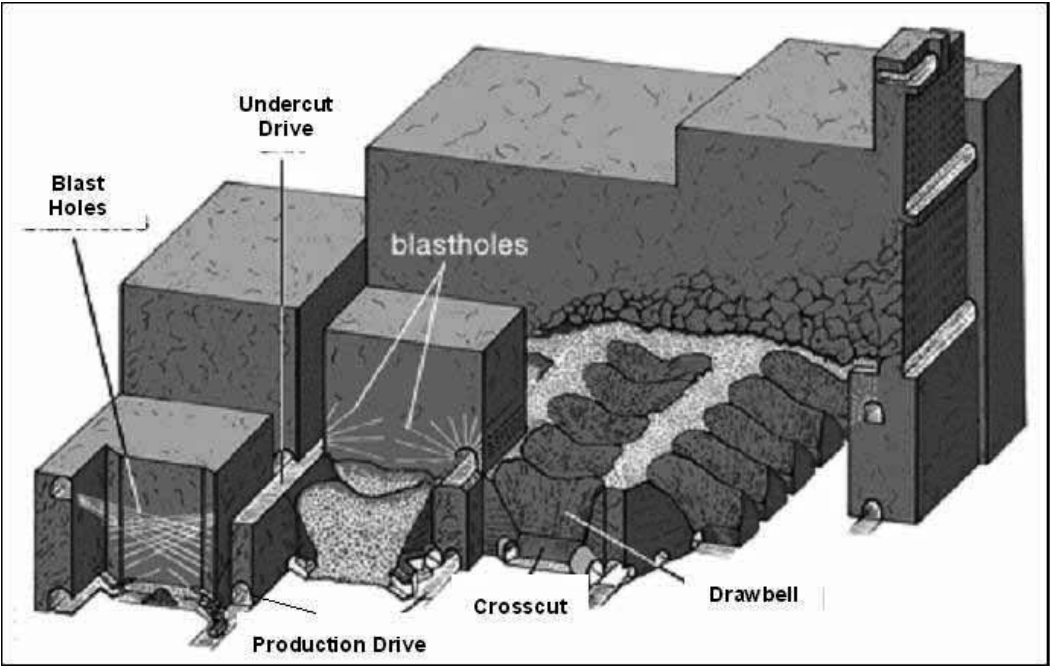
9.2 Block Caving Mining Method Description

The Project utilised the modified Henderson Style Block Caving Layout which is graphically shown in *Figure 9-1*. This Block Caving method utilises the natural forces in the rock to break and transport the material into Drawpoints for extraction to surface. The principles upon which it works are described below:

- A series of Production Drives (tunnels) are driven under the block to be mined. These are generally horizontal and connect to the load outs at the crusher sites.
- A series of Undercut Drives are developed above the production level.
- Drawbells or funnels are excavated between the Production and the Undercut Drives. This may be accomplished either before or after material above the undercuts is blasted. This process forms a series of Drawpoints on the Production Level from which material is removed.
- Blasting of the undercut material (the material directly above the Undercut Drives) creates a void of unsupported ground enabling the rock to fail in the Drawbells to the Drawpoints (*Figure 9-2*).
- Failed rock flows into the Drawbell for extraction on the Production Level by remote controlled mobile equipment.
- Continuous Draw of the material from the Drawpoints enables the formation of a void directly above the undercut drives. This causes the above insitu material above the undercut void to be unstable and drawn into the Drawbells.
- The process of draw, rock failure, and rock movement towards areas of draw continue until the ore column is fully broken, drawn and, in most cases, caves to the surface.

For the block caving method to be effective, the rock has to be weak enough to fragment into sufficiently small pieces for easy extraction and handling. The Project is typified as one of the mines that form the upper limits of rock mass strength suitable for block caving. Fragmentation is often coarse and caving can be achieved with difficulty.

Figure 9 1. Generalised Block Caving Mining Method



9.3 Mine Design and Operation

9.3.1 Mining Concept

A decline from surface allows light vehicle and support vehicle access to the mine development and production areas. A series of access and internal declines connects the different areas of the underground mine, however all ore haulage to surface is undertaken via the production shaft which is located to the north of the E-26 Caves and surface just north of the E-26 subsidence zone, as shown in *Figure 9-3 and Figure 5-2*.

The extraction concept of the material from the caves used by the Company remains much the same as that developed during the first mining level E-26L1. The extraction method is designed around electric loaders, which have proved to be very efficient when trammed short distances. Ore is trammed from the Drawpoints subsequent to loading to a dedicated underground crusher facilities located in close proximity. The ore is transferred from the crusher facility to the production shaft via dedicated underground conveyors. This production shaft remains the only efficient way of bringing ROM ore to the surface for processing. On surface the material is transferred to the processing plant via an overland conveyor as shown on *Figure 9-3*. Further details of the equipment and crushing sizes can be found in **Section 9.3.3**.

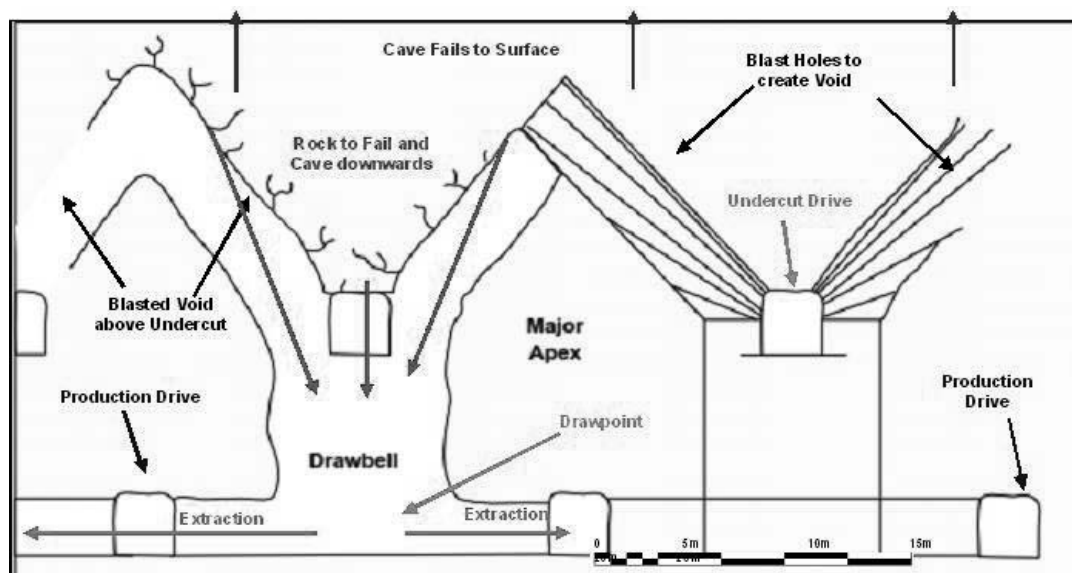
Although the mining concept has remained similar, the mining equipment has varied to more efficient and effective methods as the Project has evolved. Of particular note the electric loaders being remotely operated from the surface. Being a state of the art remote control system allows all production areas within the mine to be vacated during operation, which greatly increases safety and minimise the impact of human error on production. This system is world class and was implemented in 2010 for the operation of the E-48 cave and will be the basis for all future operations. RPM considers this system, in addition to the sophisticated cave profile monitoring system in place allows the operators to optimise extraction from the cave based on real time data.

In addition a variety of underground crusher types have been utilised. During the early years of operations two jaw crushers were utilised to reduce the size of mine product on E-26L1. Subsequent mining areas have utilised the more cost effective gyratory crushers. An additional gyratory crusher is proposed for crushing ore from E-22. Additionally the Company has introduced diesel loader in addition to the electric loader for ore extraction from the Drawpoints.

9.3.2 Cave Layout

The layout for each of the 3 planned caves (E-48, E-26 and E-22) in the current LOM plan are similar wherein production drives are developed on 30m centres. Drawbells are spaced nominally 14m along the production drives. An undercut trench drive is developed between the production drifts (E-22 and E-26L2NN) and 15 m above the sill of the production drive. Undercut blasting is accomplished by angling and shooting blast holes above the major apex (pillar above the production drift) resulting in a void to induce rock fail in the above mass and cause spontaneous caving (*Figure 9-2*). The E-26L1, E-26L2 caves used an advanced undercutting method wherein the undercut is blasted before Drawbells are excavated as a measure to avoid abutment stresses when advancing the cave. The same method is proposed for E-22. E-48 used a post-undercutting in which production drifts are driven, and Drawbells are raised before undercutting.

Figure 9 2. E-26L-2NN and E-22 Drawbells and Undercut Configuration



9.3.3 Ground Support

An extensive ground support system is utilised within the mine development. The system and methods vary depending on the type of development. As a result additional ground support is utilised in the production areas, particularly the Drawpoint area, and includes:

- All workings except production drives - Shot Crete +/- 75mm in thickness with 2.4m resin grouted bolts on 1m centers.
- Production drives - Poured concrete 0.5m thick floors, 2.4 m resin grouted rock bolts, and grouted tensioned cable bolts.
- Drawpoints - Similar support to production drives with the addition of lentic steel, steel sets and wear plates at the brow.

RPM considers the ground support to be industry standard. RPM notes that NSW has strict ground support regulations for underground mines, and operation abides by these regulations.

9.3.4 Ore Circuit and Capacity

The planned ore circuit for the 3 caves is similar to that in operation within the E-48L1 Cave. Ore is currently drawn from the E-48 cave draw points by diesel and electric loaders (“LHD”) units and trammed to a single, large Krupp gyratory crusher. This crusher breaks the ROM ore down to nominal 150 mm lump size. Crushed ore is conveyed over 2.6 km of inclined conveyor to the shaft loading station located on the 9828 Level where it is hoisted to surface (**Figure 5-2 and Figure 9-3**). Hoisting is carried out by a ground-mounted Siemens Friction (Koepe) Winder (hoist) with twin 18 t skips and four head ropes. The winder uses a single electric motor with a peak rating of 3 MW. The variable speed motor is operated using a controlled cyclo-converter system. A major upgrade of the winder control system was completed in 2012 enabling hoisting at a cycle time of approximately 67 sec.

Based on discussions with site personnel and site visit observations by RPM, ore production capacity includes:

- Loaders: (4 loaders by 10 t/load) with 2.5 mins/load (60mins/hr) = 960 t/hr = 23,040 tpd
- Crusher: 2,200 tph = 52,800 tpd
- Conveyors: 1,050 tph = 25,200 tpd
- Hoist: (18 t/skip) with 1.12 min/load = 964 t/hr = 23,136 tpd

The current LOM plan proposes a production rate of 6.4 Mtpa for both the mine and processing plant capacity. In order to achieve this, the daily production must average 17,500 tpd. The ITR by RPM shows that these production rates are achievable at approximately 75% availability and suitable for the operation, however notes that hoisting capacity of the production shaft is 7.2Mtpa.

RPM notes that the weakest link in the ore flow chain is the ability of the LHD's to extract the requisite tonnes from the Drawpoints. This assumes all tipping points (four) are available at the crusher and complete automation is achieved and synchronization occurs. The current configuration of a diesel LHD working in areas of problematic ground conditions limits the amount of material that can be transferred to the crusher, and as such makes the design tonnage more difficult to sustain. In RPM's opinion it is reasonable to assume the proposed capacity can be achieved with the current configuration, however further work needs to be completed to allow for the increased numbers of drawpoints to be accessible.

9.3.5 Mining Equipment

Principal mining equipment used for production is summarized below:

- 6 x Sandvik 514E electric LHD's.
- 1 x Sandvik 514D diesel LHD.
- 1 x Sandvik Toro 1,400 LHD (only partially utilised and not for production purposes).

- 1 x Caterpillar 2,900G LHD (development only).
- 1 x Sandvik 50D Dump Truck - hire unit.
- 1 x Atlas Copco E2C Tunnelling Jumbo Drill (development only).
- 1 x Sandvik DD420/60 Development Jumbo Drill (development only).
- 2 x Sandvik Commando Rockbreakers, and
- 1 x Jacon Maxi Jet Shotcrete Unit.

RPM notes that the majority of the mobile equipment was recently purchased new for the E-48 cave. These purchases include the electric loaders which have proven to be reliable efficient machines that have served as the backbone of the production fleet. In addition to the recent purchases of the mining equipment, the Company has in place a program to refurbish or replace equipment at select intervals according to condition and expected life. The machines are currently being maintained by Sandvik (the manufacturer). RPM sees no problem with the Company assuming all maintenance of the equipment provided that they are given adequate training, however recommends a regular maintenance schedule be put in place to minimise mechanical issues with the equipment. As noted in **Section 13**, capital expenditure has been provided in previous years for this training.

9.3.6 Draw Control

A state of the art draw control program is in place that is remotely operated from the control room on the surface. Draw is scheduled at progressive levels of cave development initially at 75mm/day ultimately reaching 400mm/day when the cave has breached the surface. Until recently draw rates were controlled so that all Drawpoints exhausted at the same time. This was achieved using higher rates of draw where the columns are highest. Currently operators adjust the draw in conjunction with convergence and MPBX (multiple position borehole extensometers) data to minimize ground weight in problematic areas. Mine operators recognise that air blast potential exists in newly developed areas and control the draw when breaking in the block so that there is no void left between broken rock atop the Drawpoints and the back of the un-caved ground.

RPM considers these practices appropriate and suitable for the Project and will likely result in minimising ground condition issues.

Drawpoints are sampled weekly and tonnes/grades are reconciled with those expected from flow and cave modelling.

9.3.7 Waste Dumps

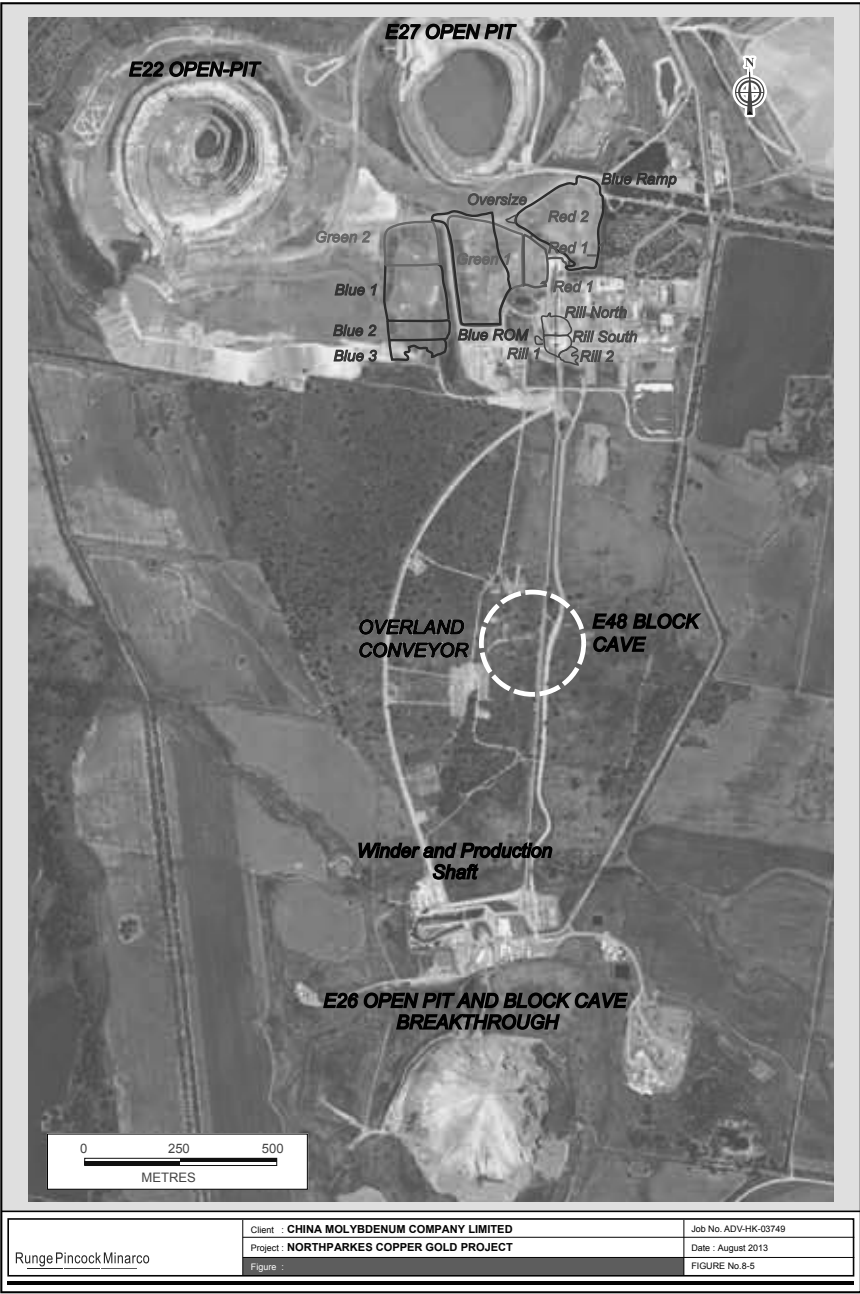
Block caving mining is not a selective mining method, as a result all material reporting to Drawpoints enters the ore circuit and is ultimately hoisted and processed. Minor waste material is mined during the production and mine development. As such the mine maintains the capability to hoist waste rock. Waste rock hoisted to the surface is delivered to a waste dump southeast of the mine surface facilities. The mine also designates areas for the storage of surface soils from open pit stripping. This will ultimately be used for surface cover during reclamation for mine closure purposes.

9.3.8 Ore Stockpiles

The Company currently has 8.2 Mt of economic grade material contained within 3 surface stockpiles. The stockpiles are designated by the colors 'Red', 'Green' and 'Blue' in order of decreasing grade (*Figure 9-3*). All material contained within the 3 stockpiles was sourced from open pit mining of the E-22 deposit. Stockpile grades are based on grade control blast hole information obtained during open pit mining, while tonnages were estimated from truck counts. Tonnages have been subsequently reconciled by pit and surface survey information.

During discussion with site personnel and based on records reviewed. RPM was informed that the surface stockpiles are regularly surveyed to deplete the stockpiles for any processed material. As such RPM considers that sufficient care and diligence has been taken in the mining and control of surface stockpiles such that they can be considered as Proved Ore Reserves.

Surface stockpiles are used for plant feed during periods of underground mine shut-down (scheduled maintenance). The life of mine plan utilises surface stockpiles to supplement mill feed during ramp-up periods for new underground mining areas, as old areas reach exhaustion.



9.4 Mining Infrastructure and Support

The mining operation is supported by an extensive and suitable infrastructure network which supplies power, water and communications from surface. In addition several other surface mining related infrastructures are in place, as outlined below.

9.4.1 Mine Power

The Project's power supply is via the public grid from overhead power lines which connect to the processing plant. An 11 kV supply runs overhead from the process plant substation to the main underground substation located at the winder. From this substation the supply splits to form an 11 kV ring main, one via the mine shaft and the other via the service/air shaft. There are various 11 kV substations situated throughout the underground mine and also some 1,000 V supplies for specific equipment. The mine ventilation fans are each powered by a 750 kW, 3.3 kV motor, with a nearby transformer and switch room providing power. RPM considers the power supply and feeder suitable to support the mining operations.

9.4.2 Mine Communications

Mine communications are industry standard and are controlled via the mine server which is located in the surface mine control room. RPM notes that a redundant server is also located underground at the 980 workshop within the E-48 area. The mine data acquisition system is supported by a fibre-optic cable that runs up the hoisting shaft to the surface mine control room. The mine utilises the Sandvik AutoMine system which is an automated loading and hauling system installed for the operation of the electric LHD's. These units are controlled by an operator in the surface mine control room. RPM considers the mine communications to be suitable and of industry standards.

9.4.3 Ventilation

The mine is ventilated via a series of shafts, drives and fans which has been designed by the onsite personnel using specialised software. The ventilation systems include:

- One 191 m vertical, 5.0 m diameter, raise bored shaft is fitted with two 750 kW Centrifugal Fans. These fans deliver 440 cu.m/s of air volume at 2,800 Pa pressure.

- Two 168 m vertical, 4.0 m diameter, raise bored shafts are used for intake air and services.
- One 556 m lateral ventilation drive acts a main return airway. This drive is 5.0 m by 6.0 m and covers a vertical distance of 93 m.
- One 290 m vertical, 4.0 m diameter, raise bored shaft.
- One 115 m vertical, 3.5 m diameter, raise bored shaft.
- One 36 m vertical, 4.5 m diameter, blasted shaft to connect the E-48 workings to the main ventilation circuits.

RPM has not conducted a detailed review of the ventilation system or proposed designed for the remainder of the mine life, however a preliminary review and site visit observations by RPM indicates that designs are reasonable and suitable for planned operations.

9.4.4 Compressed Air

Compressed air is not used extensively in the mine, however dedicated compressors are provided at the underground work shop and the hoist house for use in servicing equipment.

9.4.5 Water Supply and Mine Dewatering

The underground mine utilises approximately 750,000 l per day of water predominately consumed for dust suppression at draw points equipped via sprays and along roadways. It is also used for fire suppression and wash down of equipment. Potable water for the underground mine is supplied via a pipeline installed along the western side of CV003. A 200 mm diameter potable water pipeline is provided and supported along the length of CV004 and CV005. The pipeline connects to the existing supply pipe originating at E-26 Lift 2.

The majority of water within the mine originates from dust suppression and ground water, however the mine is essentially dry. A duplex pump system located at E-26 Lift 2 is designed to lift (vertical) up to 50 l/sec. Studies and measurements indicate that the mine inflow is estimated to be 0.22 MI per day (2.5l/sec). As such the current pumping infrastructure has significant additional capacity for the mine requirements.

RPM notes that groundwater within the E-48 and other mine development area is pumped to a sump at E-26L2 which acts as a main distribution point for water supply in the mine and extraction to surface ponds.

9.4.6 Waste Rock

Waste rock carrying sufficient grade for processing is crushed and enters the ore stream. Other rock is handled in campaigns, by crushing at the E-26L2 crusher and stored in surged bins for later hoisting to the surface. Once hoisted, it is placed on the ground adjacent to the shaft headframe, from where it is loaded into trucks and hauled to a waste dump to the southeast of the mine surface facilities. Waste rock hoisting averaged 16,000 tonnes per month in 2012.

9.4.7 Open Pit Support Infrastructure

The infrastructure associated with the decommissioned open pits (E-22 and E-27) are a three bay heavy earthmoving equipment workshop, administration offices, messing and ablutions facilities for 40 people, a 90kl fuel facility and other site infrastructure such as site lighting.

9.5 Block Cave PCBC Simulations and Schedules

Based on the Mineral Resource estimate model, RPM utilised the specialised Block Caving simulation package *PCBC* to estimate production profiles and schedules for each Cave area. *PCBC* was utilised to determine various production schedule and potential variation resulting from a number of factors including cave footprints, cave production fronts, vertical mixing and fines variations.

Below is a summary of the simulations and reviews completed by RPM for each cave area.

9.5.1 E-48

Various production schedules for E-48 were simulated using *PCBC* and the results compared to the actual production records. Analysis by RPM indicates that long term production will likely encounter greater dilution and vertical mixing due to a high proportion of fines in the cave column than currently predicted. This is supported by site observations by RPM and discussions with site personnel.

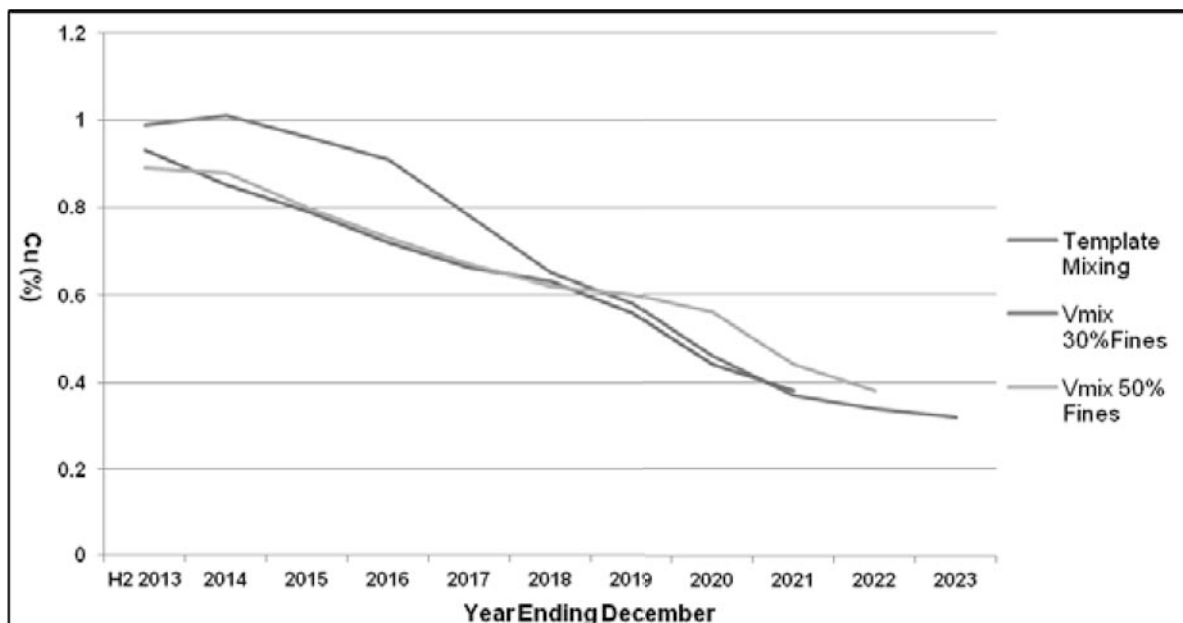
The schedule simulations are all sensitive to the declining shutoff towards the end of the production period. The various schedules are outlined in **Table 9-1** and are graphically shown in **Figure 9-4** shows production grade estimates from 2013 to 2023.

Table 9-1 summarises the 3 RPM simulations. RPM estimates E-48 total production of 50.4 Mt at 0.76% Cu and 0.27 g/t Au based on using the template mixing and a cessation of mining when quarterly grade drops below A\$18/t Net Smelter Return (“NSR”).

Table 9 1. E-48 PCBC Simulations.

SOURCE		H2 CY2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Template	kt	3,175	6,400	6,400	6,400	6,400	6,400	6,400	6,400	3,004	43	11	51,034
Mixing	Cu %	0.99	1.01	0.96	0.91	0.78	0.65	0.58	0.46	0.37	0.34	0.32	0.76
	Au g/t	0.43	0.41	0.36	0.33	0.28	0.21	0.17	0.11	0.07	0.05	0.05	0.27
Vertical mixing	kt	3,175	6,400	6,400	6,400	6,400	6,400	6,400	6,400	1,497			49,472
30%Fines	Cu %	0.93	0.85	0.79	0.72	0.66	0.63	0.56	0.44	0.38			0.67
	Au g/t	0.78	0.31	0.29	0.25	0.21	0.19	0.17	0.12	0.09			0.25
Vertical mixing	kt	3,175	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	2,365		56,740
50% Fines	Cu %	0.89	0.88	0.8	0.73	0.67	0.62	0.6	0.56	0.44	0.38		0.66
	Au g/t	0.35	0.33	0.29	0.26	0.23	0.2	0.19	0.17	0.13	0.11		0.23

Figure 9 4. E-48 Life of Cave Grade Variations.



RPM is aware the approach and methodology for the estimation of future Ore Reserves for E-48 is currently undergoing a review by site personnel to reflect the recent performance of the operation. RPM considers that any changes will likely result in additional dilution being incorporated into the *PCBC* mining model however RPM has incorporated a portion of this into its independent estimate to reflect the recent production.

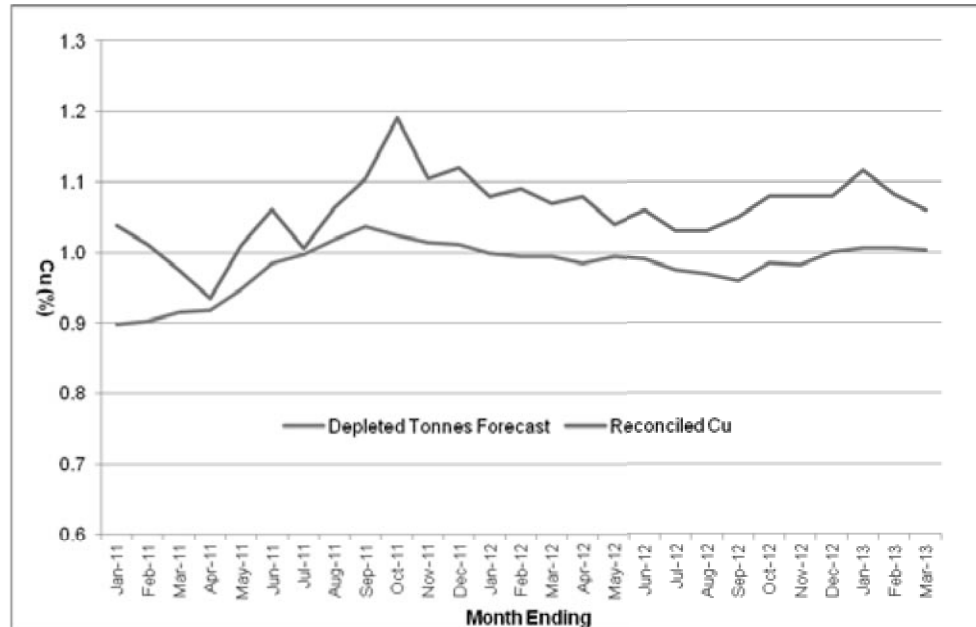
RPM has assumed that the current Drawpoints which are plugged are included in the mine schedule. Further discounting of the Ore Reserve grade and tonnages may need to be applied. These Drawpoints although potentially increasing the overall tonnages, will likely impact the caves short term tonnages and grade profiles after 2017 which has in turn lowered the current forecast.

To minimise the impact on project metal production, RPM suggests a detailed review of the life of mine development sequence, potentially bringing new ore supplies (E-26L2NN) into production earlier to maintain metal production. Furthermore LOM optimisation studies to minimise grade fluctuation year on year are recommended by RPM to potentially enhance project economics.

Recent Reconciliation and Depleted Forecast Grades Comparison

As of June 2013 information supplied to RPM indicates that the E-48 Ore columns ranged from approximately 10% to approximately 40% draw however most had uniform draw. RPM notes that the majority of the variation in draw occurs in areas where production workings were damaged. Scheduled grades have been mostly exceeded by what has been reporting to the draw points as shown in *Figure 9-5*. The systematic positive reconciliation to the resource model may be the result of ineffective drill coverage within these regions and as such underestimation within the underlying resource or could be the result of some other factor. A detailed reconciliation review will be required to confirm this. RPM further notes that the reconciliation of planned and actual production grade has been observed to be improving over recent months.

Figure 9 5. Recent Production Reconciliation and Depleted Forecast Grades



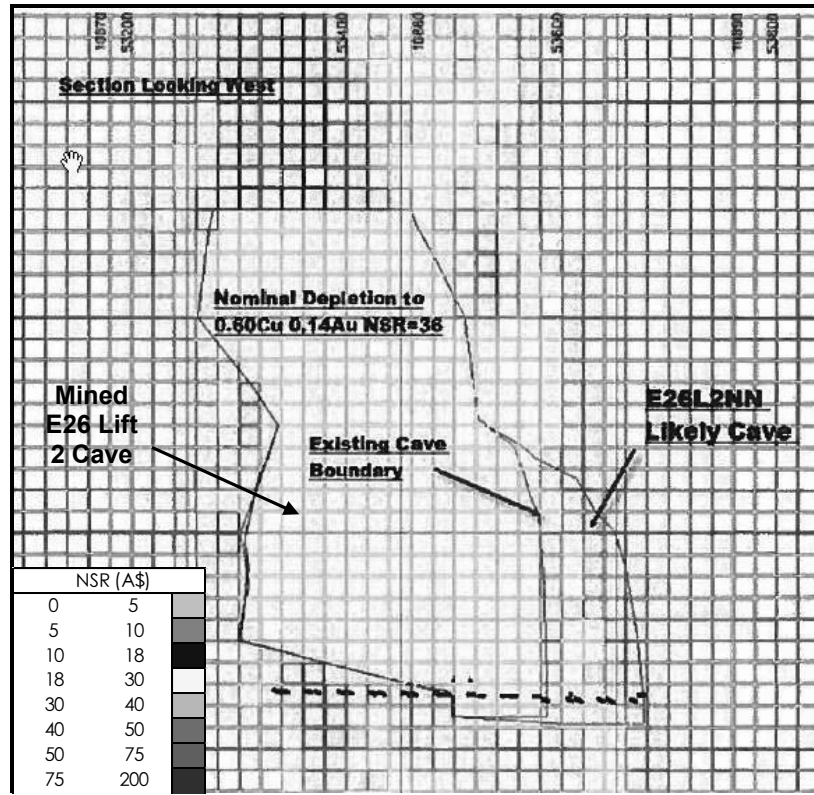
9.5.2 E-26 Lift 2 and Lift 2 North

The PCBC schedules undertaken by RPM incorporates the planned 58 drawpoints across the northern extension of E-26L2 and assumes the cave will only partially migrate prior to connecting into the main cave *Figure 9-6*. The schedule assumes a tonnage from the main section of the L2 footprint, however the forecast tonnes are dependent on the relative proportion of clays present within the material (see below). The E-26L2NN schedule assumes vertical cave propagation and no dilution from the adjoining cave.

The material recovery across the E-26L2NN cave is dependent on the cave propagation behaviour. The overhanging profile may limit ore recovery and there is the risk of an air gap being developed if the riling angle of the clays is too steep. RPM recommends that mitigation be planned prior to cave development which includes preconditioning the rock mass above the anticipated cave shape to encourage vertical cave propagation.

Additional Reserves expected from the mining of the “caved reserves” are based on the assumption that one third of the broken tonnes in the adjoining E-26L2 and E-26L2N are minable. To incorporate these into the Ore Reserve estimates RPM have weighted the tonnes and grade by the size of the cave footprint of each mining area.

Figure 9.6. Cross Section Showing NSR and Cave Designs

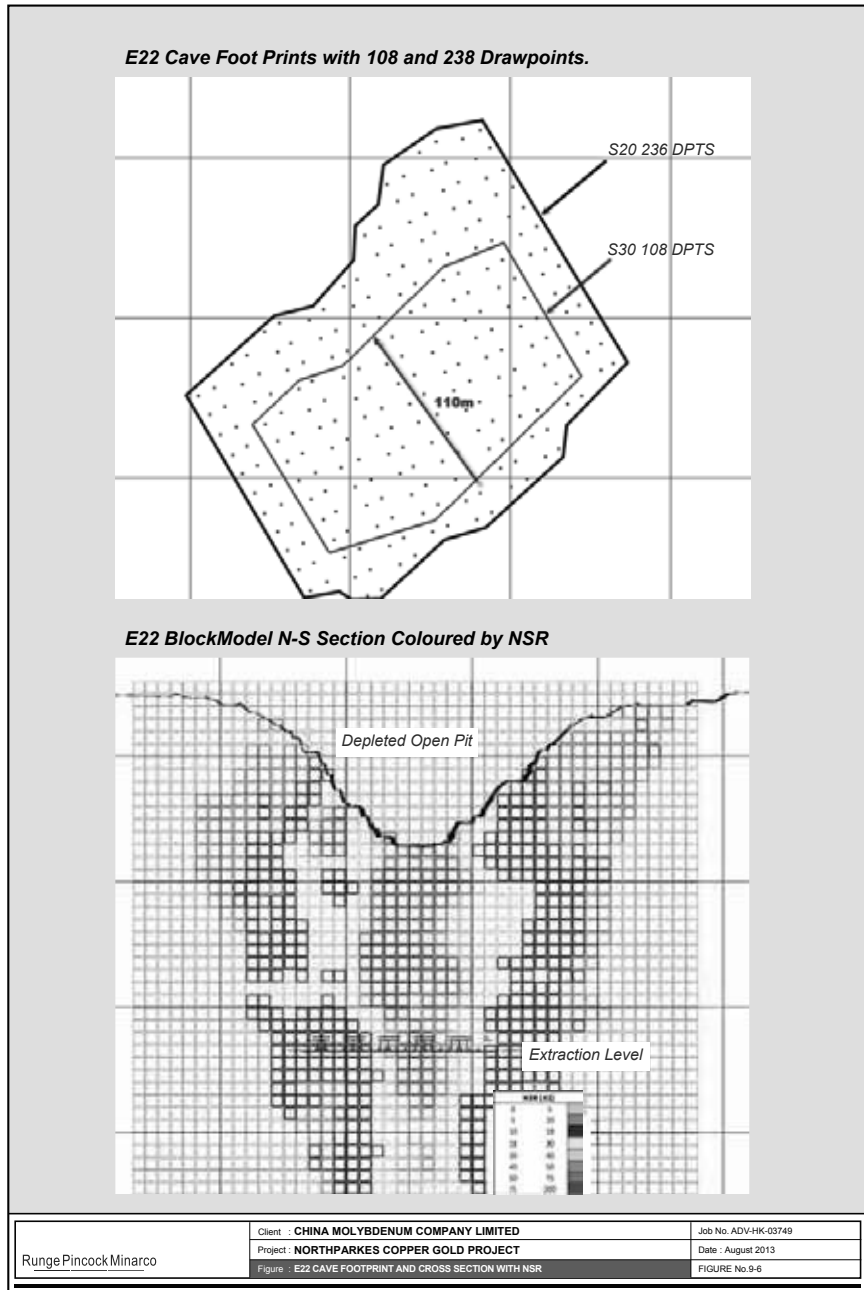


9.5.3 E-22

The E-22 block cave is located directly beneath an existing decommissioned open pit. Previously the Companies approach has been to run PCBC using the template mixing model and to allow material existing around the perimeter of the ore blocks to fill voids created as the material is drawn down. RPM considers this approach will likely result in the timing and location of toppled material being uncertain. To overcome this potential risk and uncertainty, RPM incorporated a larger cave footprint (*Figure 8-5*) thereby increasing the number of draw points to 238.

A schedule was subsequently prepared for the 238 drawpoint layout which summarises the quarterly outputs for the smaller footprint. In this approach there is insufficient dilution included above the ore columns to allow for reasonable cave propagation. For example, the image below shows ore terminating at the base of the open pit (*Figure 9-7*).

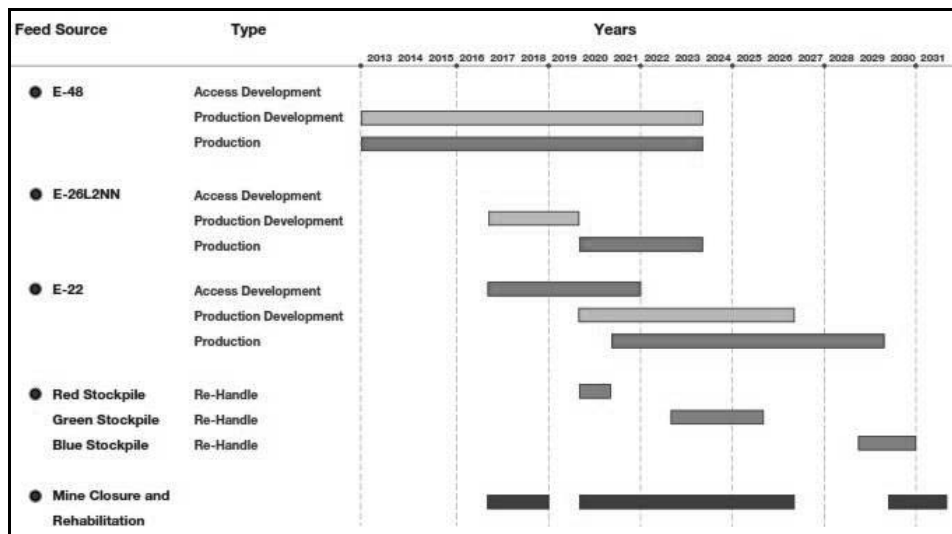
In order to overcome this issue the model cells within the pit were filled with nominal background low grade values to force a degree of dilution from the cover rocks. This is an alternative method to the toppling approach which should provide realistic indicative mineable ore quantities. The cells within the pit were assigned a density of 2.2 t/bcm and a nominal grade of 0.2%Cu, 0.1g.tAu, 1g/tAg and NSR=\$12.



9.6 Life of Mine Cave Sequence and Development

Only E-48 is currently in production, however the current proposed mine development sequence includes the development of 2 additional cave sources in the future. These caves include the new development in E-26 Lift 2 and ultimately the E-22 deposit which lies approximately 2,000m north of E-48 and current mine infrastructure. Surface stockpiles will be used to supplement production during periods of transition from the mining of one deposit to the next. The Cave and Project Development Sequence is shown graphically in Figure 9-8 by year and is detailed by cave area below.

Figure 9 8. LOM Cave Development Sequence (6.4Mtpa)



RPM highlights that the Mine utilised a highly sophisticated automated trucking and computerised cave profile monitoring system which has a major impact of mine production and control efficiencies. This system was initially implemented in 2010 and as the operation has development in its methods and approach this system has developed further in its efficiency and impact and controls approximately 40% of all production. A continuous development and improvement of as system such as this is expected and as further understanding of the application of this technology continues RPM expects this system to further improve and develop. Once fully operation RPM considers that this system will have key benefits to the operation in mine production performance and safety, decreasing mine production bottlenecks and ensuring the highest quality control of the cave profiles. RPM notes that these increase efficiencies have not been forecast into the LOM plan and present upsides in the mine capacity thereby potentially decreasing operating cost profiles and ore recovery potentially increasing the mine life. Cave Development

9.6.1 E-48:

The current E-48 Cave is supported by 12 km of underground development, including 10 extraction drives and 214 draw points, crusher, workshops and facilities and a section of underground conveyor that connects to the existing underground material handling system.

The Project also comprises a surface secondary crushing facility and an overland conveyor, the latter replacing an older overland conveyor that was situated within the E-48 cave subsidence zone. The E-48 operations now include the automation of the electric loader fleet to improve underground production rates. The E-48 project reached planned production rates in 2011.

As part of the LOM plan, the mine proposes to add three production drives, two north and one south of the existing mining area which will add 55 additional Drawpoints and extend the life of the level to 2023. Development work in these extension areas commenced in 2013 and is forecast to continue through 2015 with production commencing in early 2015.

9.6.2 E-26L2NN

The E-26L2NN Cave lies north of the current abandoned workings at E-26L2. It is planned to utilise the existing crushing and conveying system emplaced at the site. Development and cave design are planned to be identical to the previous E-26L2 design although three production drives are planned for a total of 58 Drawpoints.

Underground development for this cave is forecast to commence in 2017 with first production in 2019. It is proposed low grade stockpile material will augment the underground mining to ensure production at 6.4 Mtpa is maintained until exhaustion in 2024. The ventilation system for the E-26 Lift 2NN extension will not require fan upgrades as the air flow, which currently ventilates the Lift 2 and Lift 2N extraction levels can be re-directed into the Lift 2NN. RPM notes that it will be necessary to construct a new vent connection between the undercut level and the extraction level to ensure airflow is efficiently distributed into the northern part of the extraction level.

9.6.3 E-22

The Company's current proposed development option for E-22 includes eight production drifts with 108 Drawpoints. Access to the mining area will be via twin 1,800m long 5.5m by 5m drives from the E-48 mining area. One will serve as a conveyor gallery and the other an access drive.

Due to issues noted in **Section 8**, RPM recommends an alternative development and production plan utilising a larger cave footprint. This plan proposes an expansion of the E-22 mining area to a total of 238 Drawpoints to allow the extraction over the larger footprint.

The alternative plan is supported by pre-feasibility level work completed by the Company which was reviewed by RPM. RPM notes that additional work is needed to optimise the schedules presented in Section 13.2. The alternative development and production schedules for the alternative plan serve as the basis for LOM operating and capital costs as discussed in **Section 12.1** and **Section 12.2**.

The design of the E-22 production level will be substantially the same as E-48 using principally remote control electric LHD's to transport mine product from the Drawpoints to one of four tipping points at a gyratory crusher constructed. A 1,000mm belt originating at the base of the crusher will convey the ore to a transfer point for loading onto the existing CV-10 belt for removal from the mine.

Additionally E-22 will require the boring of two four- meter diameter ventilation shafts, each nominally 580m in length. Additionally RAL recommends the 1,800 m long drives from E-48 to E-22 should commence in 2017, to enable potential earlier production from E-22 in 2021 if required.

9.7 Forecast Production Schedule

Based on the Ore Reserve estimate, the Cave Development Sequence and the Cave Designs the forecast mine life is approximately 17 years from 30th June, 2013. The total production schedule for the Project is presented in **Table 9-2** while the breakdown between caves and stockpiles is shown in **Table 9-3** and graphically in **Figure 9-9**. RPM considers that the proposed Life of Mine Development Sequence and Production Forecast to be reasonable and achievable based on the current mining equipment and designs. RPM does however recommend that further optimisation and rescheduling of the development sequence be undertaken. This optimisation should focus of the sequence of development in conjunction with capital expenditure to maximise the profitability of the Project.

Figure 9 9. LOM Production Schedule (6.4Mtpa)

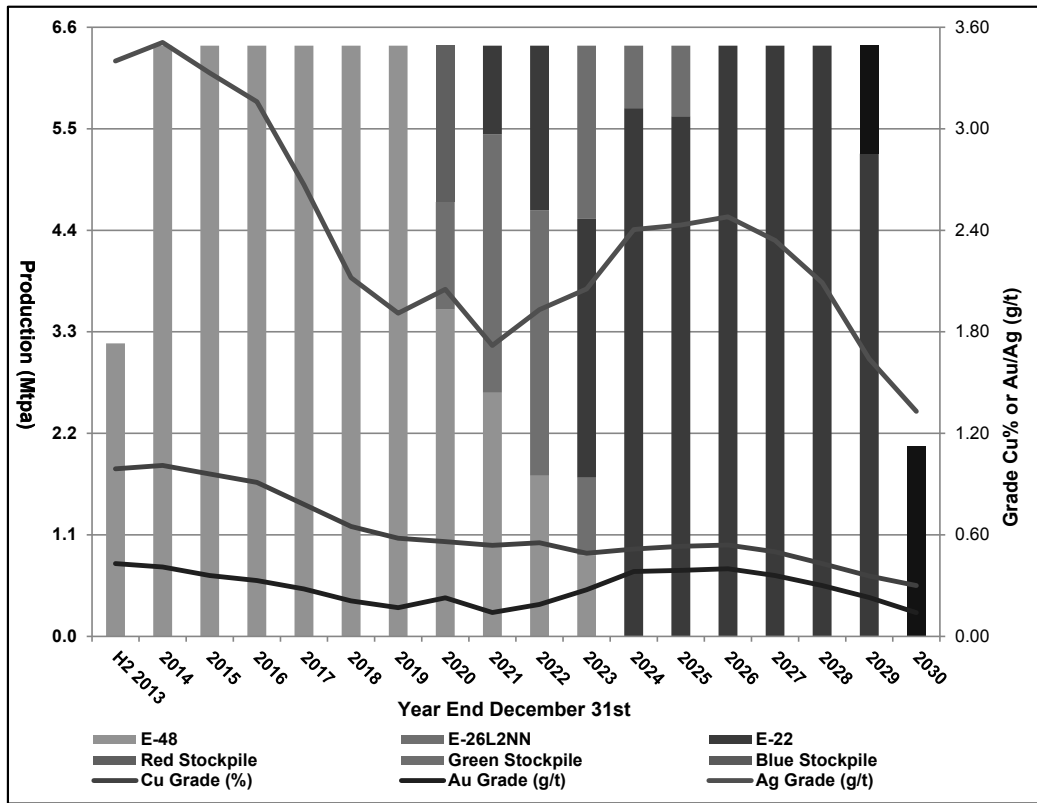


Table 9 2 Life of Mine Production Schedule (6.4Mtpa).

Measure	Unit	Year Ending 31 December												LOM						
		H2 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		2025	2026	2027	2028	2029	2030
UG Mining																				
Quantity	Mtpa	3.2	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	99.4
Copper Grade	%	0.99	1.01	0.96	0.91	0.78	0.65	0.58	0.56	0.54	0.55	0.53	0.53	0.55	0.54	0.50	0.43	0.37	0.00	0.64
Gold Grade	g/t	0.43	0.41	0.36	0.33	0.28	0.21	0.17	0.15	0.14	0.19	0.29	0.40	0.41	0.40	0.36	0.30	0.25	0.00	0.30
Silver Grade	g/t	3.4	3.5	3.3	3.2	2.7	2.1	1.9	2.8	1.7	1.9	2.9	2.7	2.8	2.5	2.3	2.1	1.7		2.5
Stockpile																				
Quantity	Mtpa								1.7		1.9	0.7	0.8							8.2
Copper Grade	%								0.56		0.4	0.4	0.4							0.39
Gold Grade	g/t								0.45		0.24	0.24	0.24							0.24
Silver Grade	g/t								2.8		1.9	1.9	1.9							1.8
Processing Plant																				
Ore Processed	Mtpa	3.2	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	107.66
Feed Grade																				
Copper Grade	%	0.99	1.01	0.96	0.91	0.78	0.65	0.58	0.56	0.54	0.55	0.49	0.52	0.53	0.54	0.50	0.43	0.36	0.30	0.62
Gold Grade	g/t	0.43	0.41	0.36	0.33	0.28	0.21	0.17	0.23	0.14	0.19	0.28	0.38	0.39	0.40	0.36	0.30	0.23	0.14	0.29
Silver Grade	g/t	3.4	3.5	3.3	3.2	2.7	2.1	1.9	2.1	1.7	1.9	2.1	2.4	2.4	2.5	2.3	2.1	1.6	1.3	2.4
Metal Recovery																				
Copper Recovery	%	90.5	90.5	90	89	86.5	83.5	81.5	80.5	80	80.3	78.3	79	80	80	78.5	75.5	72.5	70	81.64
Gold Recovery	%	83	82	78.5	76	71.5	65	61.5	67	58.5	63	71	80	81	81	78.5	73	67	58.5	72.22
Silver Recovery	%	91	92	91	90	87	83	80	82	81	80	83	88	88	89	84	83	80	75	85.05
Concentrate																				
Dry Quantity	kt	91.4	177.4	173.5	161.1	143.0	125.5	120.3	87.7	104.6	94.0	88.0	100.7	117.4	115.7	88.9	66.1	68.4	21.9	1,945.7
Copper Grade	%	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32
Gold Grade	g/t	12.8	11.4	10.9	11.0	8.9	7.9	7.0	13.0	7.7	10.0	15.7	26.6	24.6	26.0	29.2	29.1	20.4	16.9	15.0
Silver Grade	g/t	108.3	116.5	111.8	113.0	104.0	89.7	81.3	122.8	85.2	105.2	123.9	134.5	116.6	122.1	141.5	168.0	122.7	93.9	111.8
Contained Copper	kt	29.2	56.8	55.5	51.6	45.8	40.2	38.5	28.0	33.5	30.1	28.2	32.2	37.6	37.0	28.5	21.2	21.9	7.0	622.6
Contained Gold	t	1.2	2.0	1.9	1.8	1.3	1.0	0.8	1.1	0.8	0.9	1.4	2.7	2.9	3.0	2.6	1.9	1.4	0.4	29.1
Contained Silver	t	9.9	20.7	19.4	18.2	14.9	11.3	9.8	10.8	8.9	9.9	10.9	13.5	13.7	14.1	12.6	11.1	8.4	2.1	217.6

Table 9 3 LOM Forecast Production Break by Source (6.4Mtpa).

Source	units	H2 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total	
E-48	Mtpa	3.175	6.4	6.4	6.4	6.4	6.4	6.4	3.5	2.6	1.7	0.9								50.4	
	Cu Grade (%)	0.99	1.01	0.96	0.91	0.78	0.65	0.58	0.51	0.47	0.46	0.41									0.77
	Au Grade (gt)	0.43	0.41	0.36	0.33	0.28	0.21	0.17	0.14	0.11	0.11	0.09									0.27
	Ag Grade (gt)	3.4	3.5	3.3	3.2	2.7	2.1	1.9	1.7	1.4	1.3	1.1									2.6
E-26L2NN	Mtpa								1.2	2.8	2.9	0.8								7.69	
	Cu Grade (%)								0.71	0.64	0.65	0.75								0.67	
	Au Grade (gt)								0.17	0.13	0.13	0.20								0.14	
	Ag Grade (gt)								2.1	1.9	2.1	2.3								2.0	
E-22	Mtpa								1.0	1.8	2.8	2.8	5.7	5.6	6.4	6.4	6.4	5.2		41.3	
	Cu Grade (%)								0.43	0.49	0.50	0.53	0.53	0.55	0.54	0.50	0.43	0.37		0.49	
	Au Grade (gt)								0.26	0.36	0.38	0.40	0.40	0.41	0.40	0.36	0.30	0.25		0.35	
	Ag Grade (gt)								2.1	2.4	2.4	2.4	2.5	2.5	2.5	2.3	2.1	1.7		2.3	
Red Stockpile	Mtpa								1.7											1.69	
	Cu Grade (%)								0.56											0.56	
	Au Grade (gt)								0.45											0.45	
	Ag Grade (gt)								2.8											2.8	
Green Stockpile	Mtpa											1.9	0.7	0.8						3.3	
	Cu Grade (%)											0.40	0.40	0.40						0.40	
	Au Grade (gt)											0.24	0.24	0.24						0.24	
	Ag Grade (gt)											1.9	1.9	1.9						1.9	
Blue Stockpile	Mtpa																			1.9	
	Cu Grade (%)																			3.2	
	Au Grade (gt)																			0.30	
	Ag Grade (gt)																			0.14	
UG Mining Total	Mtpa	3.2	6.4	6.4	6.4	6.4	6.4	6.4	4.7	6.4	6.4	4.5	5.7	5.6	6.4	6.4	6.4	5.2	2.1	99.4	
	Cu Grade (%)	0.99	1.01	0.96	0.91	0.78	0.65	0.58	0.56	0.54	0.55	0.53	0.53	0.55	0.54	0.50	0.43	0.37	0.30	0.64	
	Au Grade (gt)	0.43	0.41	0.36	0.33	0.28	0.21	0.17	0.15	0.14	0.14	0.19	0.29	0.40	0.41	0.40	0.36	0.30	0.25	0.30	
	Ag Grade (gt)	3.4	3.5	3.3	3.2	2.7	2.1	1.9	2.8	2.8	1.7	1.9	2.9	2.7	2.8	2.5	2.3	2.1	1.7	2.5	
Grand Total	Mtpa	3.2	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	107.6	
	Cu Grade (%)	0.99	1.01	0.96	0.91	0.78	0.65	0.58	0.56	0.54	0.55	0.49	0.52	0.53	0.54	0.50	0.43	0.36	0.30	0.62	
	Au Grade (gt)	0.43	0.41	0.36	0.33	0.28	0.21	0.17	0.23	0.14	0.14	0.19	0.28	0.38	0.39	0.40	0.36	0.30	0.23	0.14	
	Ag Grade (gt)	3.4	3.5	3.3	3.2	2.7	2.1	1.9	2.1	1.7	1.9	2.1	2.4	2.4	2.4	2.5	2.3	2.1	1.6	1.3	

9.8 Comments and Recommendations

9.8.1 Geotechnical Risks

All underground mining activities carry certain inescapable risks by virtue of rock behaviour being unpredictable. These risks are particularly applicable using the block caving method wherein ground movement can render production areas inaccessible. RPM notes that the larger openings, once collapsed are very difficult to rehabilitate and return to service with no definitive assurance that the affected area would not collapse again. The E-48 mining area has experienced such an occurrence with partial collapse of three production drifts and the loss of 20 Drawpoints. Work to rehabilitate these areas is underway although full recovery of the remaining reserves is unknown.

Early dilution can, and often does affect ore recovery. This may be an effect of poor draw management or just a matter of waste rock being more easily mobilized when weaker. The reality of reduced recovery is best illustrated when viewing block performance of E-26L2 as contained in the report titled "NPM Rio Tinto Experiences from the Operation of Northparkes Mines Lift 2 Block Cave Mine (2004-08) Report". In this production area only 59% of the Cu and 65% of the Au were recovered during the course of mining. Poor recovery was cited for two reasons:

- The rapid influx of clays once the cave breached the base of the E-26L1 block cave which created handling problems for the clay-rich ore when clay content exceeded about 15%.
- The southern portion of the block did not cave despite an effort to hydro-fracture as well as blast it. Based on studies by the Company it is believed this was caused the presence of biotite quartz monzonite which is harder than the volcanics and quartz monzonite that adjoin it.

The success of the block caving mining method is dependent on the rock caving once undercut, producing a product sufficiently fine for easy extraction and handling. Each new mining area produces new challenges, in that ground conditions are not the same from one area to the next. This means that designers and engineers must be cognisant of how the rock quality affects block performance, and operators must be experienced enough to deal with problems should they develop. Although the Company has developed action plans for the mitigation of geotechnical problems, RPM believes these problems will most likely persist. RPM observed during discussions with the site personnel and conversation underground that the Company is aware of the issues and is taking mitigation actions to minimise ground conditions having an impact on production. RPM does however note that if ground control problems occur the recovery of the reserve may decrease which may impact the overall mine life and Project performance.

RPM recommends that further optimisation and mining studies be undertaken to mitigate these risks. These reviews and studies should focus on caving and grade profiles, and the review and optimisation of the ground weights (above the Drawbells) based on the historical performance and detailed information available from the sophisticated draw system in place to understand the rock behaviour.

9.8.2 Life of Mine Plan

Based on preliminary economic analyses using *PCBC* derived ore reserve estimates, RPM believes that exploitation of the E-22 deposit using the smaller 108 Drawpoints footprint is both geotechnically and economically untenable. Although geotechnical work has been completed on a larger footprint, RAL considers that it cannot be reasonably assumed that given the relatively small footprint and mining span, that caving will occur spontaneously upon undercutting. Independent modelling by RPM indicates that approximately 70% of the ore reserves estimated are likely to be recoverable from the 108 Drawpoints footprint which will significantly impact the life of mine and ultimately the Net Present Value of the E-22 Cave.

Alternatively, RPM's Ore Reserve estimates are based on a larger footprint comprised of 238 Drawpoints and 10 production drives being developed. Preliminary economic analyses completed by RPM indicate that this alternative will be economically viable based on reasonable assumptions while providing for a mining area with sufficiently large footprint to promote spontaneous caving. The principal disadvantage is that a lower grade product will be mined, implying that commodity price and operating costs will bear more significantly on breakeven and profitability of the cave.

A review of the mining studies by the Company for this larger footprint cave indicates that the accuracy is at a pre-feasibility level and as such suitable for inclusion in an Ore Reserve estimate. RPM however does recommend that further work be completed to increase the accuracy of the capital costs estimated by RPM and complete preliminary development design for the proposed mine and infrastructure. RPM considers that further studies will likely have a positive impact on the economics of the E22 Cave particularly with increased accuracy of the Capital costs and optimisation of the cave shape and development design.

9.8.3 Mine Life Extension and Additional Production Sources

The currently defined Measured and Indicated resource base lies directly beneath the current or planned development levels (Ore Reserves levels). RPM considers these resource to present significant upside to the Project with the potential to support expanded capacity, multiple source production or an expanded mine life. RPM is aware that the currently reported very large resource base has been utilised as part of mining studies by the Company. RPM notes that these resources are reported in cave designs from these studies however are not consider mineable quantities as not suitable modifying factors or costs have been applied. A review by RPM of these studies which although not finalised, highlights the potential economic viability of these reported resources and the potential to form part of the mining schedule in the future. RPM considers that based on the current mining capacity these resources could support an extended mine life to up to and in excess of 30 years (inclusive of the current 17 years).

In addition to the currently reported resource RPM notes that several zones of mineralisation are known to extend down dip beneath the resource areas. RPM recommends that the Company undertake conceptual style mining studies of the deeper mineralisation to determine the potential economics of other higher priority near mine targets which can be 'fast tracked' to support either increased production levels or create additional feed sources to the plant.

9.8.4 Mining Methods

RPM considers that Block Caving is suitable for the Project and is the most effective means by which to exploit defined underground reserves. The current and historical mine designers and operators have done a commendable job in the development and exploitation of the deposits. However, further exploitation is not without risk, notably:

- Whether full recovery from E-48 can be achieved, in consideration of the partial collapse of 3 production drives and 20 Drawpoints. RPM notes that work is underway to repair these workings and all but one production drift remains closed. RPM notes that it remains uncertain whether the repaired workings will remain open for the life of the level and full production can be achieved. It is uncertain that full recovery can be achieved should the Company decide to leave affected Drawpoints closed or whether new areas of ground weight will develop.
- Whether early dilution originating from the mined area adjoining E-26L2NN will render this new source of mill feed uneconomic. RPM believes that this is a possibility given the rapid influx of clay during the exploitation of E-26L2 and later E-26L2N, however consider that if suitable and careful mine planning is utilised this risk can be mitigated.

- E-22 is a low grade reserve that has 108 Drawpoints design using eight production drifts has been supplied by the Company as part of their preferred mining option. Independent modelling by RPM indicates that reserves are substantially less than the Company estimates, yielding little to the value of the project. RPM recommends that further work be completed on a 238 Drawpoints design with 10 production drifts. RPM believes this adds greater value to the project by extending the mine life and deferring reclamation to later years. It also provides for a greater opportunity to further explore for mineral resources and evaluate currently defined ones. Model studies by the Company which have focused on the larger footprint in assessing cavability concluded that caving can be achieved more spontaneously within the limits of the mining zone. There has been no such work on the 108 Drawpoints design. Further modelling using *PCBC* by RPM indicates that some additional reserves may be available from E-22 beyond those estimates provided in the reserve section of this report.

RPM preliminary economic analyses find this alternative to be more robust than the Company's preferred development option with the larger footprint being more conducive for caving.

9.8.5 Expanded Production base

RPM is aware the mining studies in addition to reviewing the current resource base have focused on a variety of expansion options of the underground and processing capacities. These studies included the drilling over 130,000 m of drilling and trade off studies of expanding Cu metal production from 80kt to 110ktpa. RPM considers that these studies highlight a number of opportunities within the current production, not only to increase revenue but also decrease the risk profile of the current operations, these include:

- A larger footprint means caving will occur more spontaneously with lower potential of air blast or "crowning out". While increase production and reserve base, a larger foot print and increase in spontaneous caving will decrease the risk of production interruption and shortfalls in caving output as have occurred in the previous occurred.
- The larger deposits will enable centralization of ore crushing and handling systems into maybe one or two areas. This would bring critical infrastructure out of cave abutments and enable some cost savings by avoiding duplication.

- The larger mining areas could justify more than one lift so that ore columns are kept less than 200m high. This will reap benefits in ore recovery and cave control which would decrease the risk of caving and production problems resulting from larger caves.
- Higher throughput from multiple mining areas would mean that the mine is no longer putting “all their eggs in one basket” as there should be sufficient Drawpoints to achieve design tonnage. Without the spectre of relying on a relatively small area to produce a great deal of tonnage, draw control can be better achieved. This equates to higher recovery and less ground weight. As noted in **Section 14** these present a high risk to the project and with an increased production footprint, smaller cave height and multiple production sources this presents a significant opportunity to decrease risk profile.
- Multiple source feed will enable optimisation studies to potentially maximise revenue flow and project value.
- RPM notes that although any potential expansion of production capacity of the mine and processing plant above that currently planned forecasts will result in additional CAPEX, this will be limited to the mining and mine site infrastructure only. Significant regional infrastructure is in place which has more than adequate supply of key consumables such as power and water while large rail capacity is also available for transport of concentrate to port.

As such RPM recommends that the Company complete mining studies focussing on the currently defined resource areas to potentially define Ore Reserves in these areas. In addition the Company should undertake conceptual style mining studies of the deeper resource to determine potential economics and other higher priority targets which can be ‘fast tracked’ to support either increased production levels or create other feed sources for the plant.

9.8.6 *Management and Site Personnel*

RPM views the mining operation as well run and the mining personnel are knowledgeable, mostly young and ambitious. The Company have also managed to attract a new manager with caving experience which is a significant advantage to the operation's experience levels. The Company has instilled in the operation an element of thoughtfulness and self-evaluation that is in RPM's opinion world class. Decisions are made after careful analysis of many options, and risks are evaluated based on their cost in real terms and that of lost production. The mine site has historically been annually audited and graded relative to other properties on the severity of the risk and the means by which to mitigate them, as well as whether recommendations of the risk assessment team have been followed. RPM considers this approach excellent and has managed the potential risk with mining and other facets exceptionally well.

10 METALLURGY AND ORE PROCESSING

10.1 Mineralogy

The mineralised bodies are a cluster of porphyry style deposits containing the hard and abrasive quartz monzonite. The deposits are characterised by a higher Cu grade central core, dominated by bornite ($\text{Cu}_5\text{F}_4\text{S}_2$, 63.31% Cu), an outer zone containing both bornite and chalcopyrite (CuFeS_2 , 34.63% Cu), and a halo of pyrite (FeS_2).

Within the higher grade cores, small quantities of chalcocite (Cu_2S , 79.85% Cu) and covellite (CuS , 66.46% Cu) are also present associated the bornite, along with Tennantite ($[\text{Cu},\text{Fe}]_{12}\text{As}_4\text{S}_{13}$, 47.51% Cu, 20.37% As). The Cu sulphide mineralisation is relatively fine grained (generally <38 microns) indicating the 40 to 50 microns size range to be the optimal size range for flotation.

Au mineralisation is closely associated with the Cu minerals (bornite) mainly as fine inclusions (<5 microns) such as native gold, some electrum (AuAg) and tellurides. Au recovery closely follows the Cu recovery, as does Ag mineralisation. RPM notes that the correlation between metals does vary depending on ore type within the mineralised bodies.

Bornite is brittle (slimes easily and floats more slowly than other Cu minerals), oxidises (which can impact recovery however sodium hydrosulphide is successfully used to mitigate this effect) and allows a high grade concentrate to be formed (>40% Cu). Chalcopyrite floats readily and results in a lower grade concentrate (~28% Cu). Tennantite also floats very well and results in arsenic contamination in the Cu concentrate, as such it needs to be mitigated in the process.

Test work completed to date and observations during the site visit indicate that the mineralogy between bodies is similar however variations occur. E-22 contains less bornite (more chalcopyrite), less tennantite however more Au, which can be up to 1mm in grain size. E-26 and E-22 are harder than E-48 and possibly contain finer grained Cu mineralisation however contain significantly less tennantite and will produce concentrates with substantially lower arsenic grades.

10.2 Ore Contaminants and Management

The primary ore contaminants that impact processing and environmental issues within the Project are arsenic (“As”) bearing minerals, pyrite and clay.

The As bearing mineral, tennantite, is readily recovered into the final concentrate and is present in very small quantities in the final tailings. RPM notes that this mineral does not present a specific processing problem however as it cannot be readily depressed during flotation. Furthermore the concentration of Tennantite in the final tailing is considered to be a low level and does not present a significant environmental issue (see **Section 13**).

The Company has conducted a number of studies and as a result, RPM considers the As management to be very good. It is based on minimising ‘spikes’ in the arsenic concentrate grade and thereby avoiding either concentrate rejection or increasing penalty costs.

RPM understands that As management is based on stockpile blending and operating the two processing modules with different feed stocks as required. A review of the planned production feed indicates that future ore types are similar to those currently being feed into the plant, as a result do not present a significant As management problem. RPM notes that testing work indicates that the presence of arsenic in the ores did not pose any health problems to the operating staff.

Pyrite is generally present in relatively low proportions in the feed and appears to partition between the final concentrate and the tailings. RPM notes that it has not been confirmed if pyrite is either liberated or exposed in the final tailings; however as noted in **Section 13**, no acid generation material has been identified in the tailings storage facility (“TSF”).

Finally, significant amounts of clay in the feed present processing issues due to increased slurry viscosity and can lower Cu recovery and concentrate grades. It will also affect the dewatering pumping and thickening of the tailings.

10.3 Test Work

As an existing operation with over 19 years of production records treating E-48, E-26 and open cut ores, there is an excellent site understanding of ore properties and behaviour. Test work has been undertaken on future ore types including milling properties and flotation test work. This test work include Locked Cycle Test work on selected ore sources, Flotation test work on E-22 is very limited and was abandoned due to apparently poor ore sample representativity.

The main weakness with the flotation test work on all future ore types, including E-48, is that the impact of feed grade on metal recoveries has not been tested. While it is reasonable to assume that the deposits are similar in terms of mineralogy (although definitive studies have not been available on this subject), this feed grade-recovery needs to be demonstrated.

Some analyses of plant recoveries as a function of feed grade have been undertaken, however this suffers from a limited range of feed grades (none approaching the future ore feed grades) and applies a rather optimistic linear trend line to the data, resulting in optimistic predictions, see **Section 11.7.2** for further information.

Water quality does not appear to be an issue since a significant proportion of the water used on site is recycled and of suitable quality. In addition, all Shire water is treated prior to use.

10.4 Material and Water Balances

RPM considers that the material and water balance appears reasonable. The operation is treating 5.8 Mtpa of ore at a current 1% Cu grade which is planned to expand to 6.4 Mtpa in 2014.

As noted in **Section 9** feed grades are forecast to steadily decrease and unless the throughput is increased, the material and water balances will only be affected in the flotation concentrate processing and filtration areas. The material and water flow rates will be decreased with the effect of excess equipment capacity in these areas.

10.5 Processing Plant

10.5.1 Overview

Flotation is used to recover the Cu sulphide minerals which is a typical and widely used recovery method for these ore types and Cu-Au mineralogy. Two features of the flotation processing circuit, common to many Cu processing plants include:

- The difficulty in floating Cu minerals less than 30% liberated, and
- Cu sulphides in the finer size fractions float more slowly and need longer flotation residence times.

A review of the test work and historical performance of the operation indicate that Cu recovery is dependent upon the grind size however there is an optimisation process between throughput and grind size, common to all Cu porphyry operations.

RPM notes that the flow sheet has been modified to a three stage milling rather than the typical rougher-scavenger concentrate regrind. This modified flow sheet has been developed to optimise the Cu and Au recoveries over the long operation historical. These modifications have been driven by:

- The brittle nature of the primary Cu mineralisation (bornite) and subsequent high production of Cu fines (<10-15 microns),
- The relative fineness of the Cu mineralisation combined with the hardness of the ores, and
- General difficulty in floating composites with less than 30% Cu coarse mineral liberation.

These modifications have resulted in current metallurgy properties results:

- *Copper recoveries:* 87-90% for 1.05% Cu head grade, and
- *Gold recoveries:* 70-75% for 0.5g/t feed grade.

10.5.2 Plant Description

Subsequent to delivery from the Caves, Ore is crushed underground at a large gyratory crusher and lifted to the surface in skips. The ore is crushed by a secondary gyratory crusher to produce a product 80% passing 30mm. This crusher has a capacity of 1,000 tph and does not represent a potential bottleneck. Crushed ore is stored in two stockpiles which feed two Modules which are detailed in **Table 10-1** and **Table 10-2**. RPM notes that Module Two is a new and larger circuit with a design capacity of 3.7Mtpa.

In order to improve throughput, the SAG mills operate more as coarse ball milling stages, with crushing of the screened discharge. This strategy is being further pursued in order to increase throughput increasing the recycle to the pebble crushers by coarsening the SAG mill grind (larger sized mill discharge particles).

125mm chrome balls are used in the SAG mill due to their superior abrasive resistance, particularly given the abrasive nature of the monzonite ores. Two further stages of ball milling are employed, with finer material from each milling stage being directed to the flotation circuit.

The flotation circuit consists of four stages in order to maximise recovery. A Flash Flotation unit is employed on the SAG mill hydrocyclone underflow to recover coarse Cu minerals (30% Cu recovery) while a Unit Cell is used to recover another 30% of the copper before treatment in a conventional roughing-scavenging bank. Unit Cell and rougher-scavenger concentrates are upgraded in the cleaner circuit which consists of primary and secondary Jameson Cleaners and a conventional scavenger cleaner bank. Tables in Annexure F summarise details of the two flotation circuits.

Table 10 1 - Module 1 Milling Circuit Details

Circuit /Equipment	Capacity (tph)	Other	Motor Size (MW)
Stockpile (live capacity, t)		60,000	
SAG Mill	254		2.8
<i>Ball Charge (%)</i>		10.5	
<i>Pebble Recycle (%)</i>	61	24	
Pebble Crusher	80		
Primary Hydrocyclones			
<i>Feed</i>	226		
<i>Overflow</i>	49		
<i>Underflow</i>	177		
Secondary Ball Mill	NS		4.8
Ball Charge (%)		38	
Secondary Hydrocyclones			
<i>Feed</i>	527		
<i>Overflow</i>	354		
<i>Underflow</i>	173		
Tertiary Ball Mill	123		1.3
<i>Ball Charge (%)</i>		32	
Tertiary Hydrocyclones			
<i>Feed</i>	358		
<i>Overflow</i>	134		
<i>Underflow</i>	224		

Source: Provided by the Company.

Table 10 2 - Module 2 Milling Circuit Details

Circuit/Equipment	Capacity (tph)	Other	Motor Size (MW)
Stockpile (live capacity, t)		60,000	
SAG Mill	457		4.9
<i>Ball Charge (%)</i>		9.7	
<i>Pebble Recycle (%)</i>	146	32	
Pebble Crusher 1	80		
Pebble Crusher 2	160		
Primary Hydrocyclones			
<i>Feed</i>	457		
<i>Overflow</i>	127		
<i>Underflow</i>	330		
Secondary Ball Mill	NS		5.5
<i>Ball Charge (%)</i>		29.5	
Secondary Hydrocyclones			
<i>Feed</i>	1,982		
<i>Overflow</i>	1,548		
<i>Underflow</i>	434		
Tertiary Ball Mill	568		1.4
<i>Ball Charge (%)</i>		21.9	
Tertiary Hydrocyclones			
<i>Feed</i>	1,022		
<i>Overflow</i>	569		
<i>Underflow</i>	453		

Source: Provided by the Company.

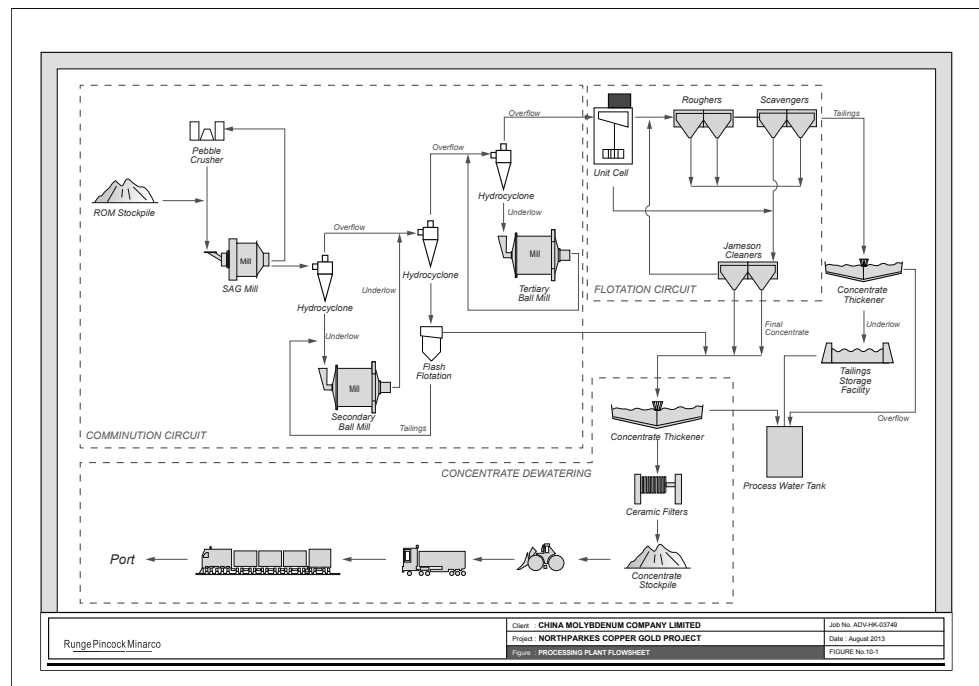
A recently installed Outotec On Stream Analysis (“OSA”) unit monitors 8 flotation streams (capacity is 12) permitting real time process control and regularly takes samples for the shift sample. The process circuit consists of two modules, namely Module 1 (255 tph or 2.1 Mtpa) and the more recent Module 2 (455 tph or 3.71 Mtpa). The flotation concentrates from both Modules are combined and upgraded in the cleaning circuit.

The final concentrate is dewatered by thickening and ceramic filtration to 9% moisture content. The flotation tailings is thickened and pumped to various TSF's for containment.

Figures 10-1 presents the current flow sheet employed at the Project. RPM considers it provides a suitable method for recovering marketable Cu concentrates (32-34% Cu) at acceptable recoveries (88-90%). Au recoveries vary between 70-75% and around 90% for Ag. The flow sheets also show the proposed upgrade to 6.4 Mtpa proposed by Hatch (in red). A review of the equipment and current methods of operation by RPM indicates there are potential areas to optimise the performance of the plant resulting in increased throughput capability, however without major capital expenditure this increase would not be material (refer to **Section 10.5.2**).

Generally the processing operation is well managed and currently standardising the operating procedures between shifts. Personnel are reasonably knowledgeable, particularly the operators, although management is relatively recent (~14 months) and not overly familiar with previous operating history or feed grade-recovery relationships. The operation monitors several processing streams (e.g. SA mill feed size, OSA of key flotation streams, etc.) as well as typical operating parameters (e.g. mill power draws, conveyor tonnages, percent solids, etc.). A feature of the processing operation is the monthly metallurgical reconciliations which RPM considers suitable.

Figure 10 1 Processing Plant Flow sheet



10.5.3 Throughput Capacity

The design capacity of the current processing plant configuration is rated at a maximum of 5.81 million tonnes per annum based on availabilities of 93-94% (*Table 10-5*). RPM notes that this recent performance has met this design capacity and in some cases exceeded this capacity, as shown in *Table 10-6*. While some months have exceeded 5.8 million tonnes per annum on an annualised basis, discussion with site personnel indicates this has been achieved through very high availabilities and generally resulted in slightly lower Cu recoveries.

RPM notes that with some minor changes and better operating practices, it is likely that an increase in throughput capacity from 5.9 to 6 Mtpa is achievable without further equipment or CAPEX requirements.

Table 10 3 - Processing Plant Design Criteria

Circuit	Design Capacity		Maximum tph	Availability Mtpa	Availability (%)
	Normal tph	Mtpa			
Module 2	417	3.40	455	3.71	93
Milling Circuit	457	3.72			
Flotation Circuit	436	3.55			
Module 1	243	2.00	255	2.10	94
Milling Circuit	254	2.09			
Flotation Circuit	280	2.31			
Overall			710	5.81	93

Source: Provided by the Company.

Table 10 4 - Processing Plant Performance Data

Period	Plant			Module 1				Module 2						
	Throughput		Cu Feed (%)	Cu Conc (%)	Cu Rec (%)	Throughput		Availability		Throughput		Availability		
	Report ktp month	Annual Mtpa				% of Design	Report	tph	% of Design	Report (%)	Report	tph	% of Design	Report (%)
Mar-13	502.9	5.92	102.0	1.04	33.5	89.4	269	105.5	99.0	422	105.3	97.1	97.1	104.4
Feb-13	472.9	6.16	106.2	1.07	33.2	87.8	269	105.5	98.9	442	105.2	97.1	98.9	106.3
Jan-13	442.8	5.21	89.8	1.06	33.7	87.9	236	92.5	96.6	432	102.8	94.9	84.9	91.3
Dec-12	476.3	5.61	96.6	1.05	32.9	87.9	248	97.3	99.7	406	106.1	89.2	96.6	103.9
Nov-12	419.1	5.10	87.8	1.07	33.7	90.0	237	92.9	90.7	375	96.5	82.4	97.8	105.2
Oct-12	497.3	5.86	100.8	1.04	33.4	88.3	258	101.2	99.9	418	106.3	91.9	98.3	105.7
Sep-12	432.2	5.26	90.6	1.04	35.2	87.8	277	108.6	93.5	417	99.5	91.6	81.7	87.8
Aug-12	563.7	6.64	114.3	1.04	34.4	87.2	279	109.4	99.9	480	106.3	105.5	99.8	107.3
Jul-12	472.3	5.75	99.0	1.03	33.8	88.3	260	102.0	73.0	454	77.7	99.8	98.1	105.5
Jun-12	488.4	5.94	102.3	1.15	35.1	89.9	271	106.3	98.8	417	105.1	91.6	98.5	105.9
May-12	476.4	5.61	96.6	1.05	34.6	88.5	272	106.7	98.0	428	104.3	94.1	87.3	93.9
Apr-12	472.7	5.75	99.0	1.07	35.3	90.0	261	102.4	96.9	414	103.1	91.0	96.9	104.2
Average	476.4	5.73	98.7	1.06	34.1	88.6	261.4	102.5	95.4	425.4	101.5	93.5	94.7	101.8

Source: Provided by the Company.

10.5.4 Bottlenecks

RPM notes that no significant bottlenecks occur within the current processing plant configuration. If expansion was to occur above the planned 6.4 Mtpa, the primary production bottlenecks occur within the milling circuit and limitation of the flotation capacity, however these are noted by the Company and would require further studies and equipment.

RPM notes that improved operation of the various processing stages, based on independent studies, would likely bring improvements in throughput, Cu recovery and operating costs. Based on the current production forecast the head grade decreases after 2017. Any decrease in feed grade will likely impact upon the filtration capacity which may become a bottleneck if throughput is not significantly increased.

10.5.5 Potential Improvements and Expansion Plans

The Company have conducted a number of studies examining increased production as well as bottlenecks. Hatch was engaged to examine the requirements and costs for increasing the throughput to 6.4 Mtpa from the current 5.8 Mtpa. Two improvement goals have been identified:

- Increase throughput (lower operating costs and increase revenues), and
- Increased Cu recoveries (increased revenues and lower A\$/lb Cu costs).

In order to achieve these goals, Hatch determined that a number of processing stages required upgrading, these include:

- Increased SAG mill discharge screen capacity,
- Increased roughing and cleaning flotation pump capacity,
- Increased filtration capacity (2 pressure filters),
- Electrical and instrumentation upgrades.

Upon completion of this study, Hatch determined that the total cost to increase throughput capacity from 5.8Mtpa to 6.4Mtpa was estimated to be A\$12.6 million ($\pm 10\%$). RPM considers this estimate to be reasonably appropriate given the design and equipment section, however notes that the Company has allowed A\$20 million, which also includes a potential upgrade to 7.0Mtpa.

The upgrade to 6.4Mtpa will address recovery losses at higher throughputs, however without increased flotation capacity, particularly Module 2, RPM considers that some bottlenecks may occur. Production of fewer fines will assist addressing this recovery issue, however a significant amount of fines will still be produced due to the nature of the Cu mineralisation. RPM recommends that further studies and design of the floatation circuit be undertaken to confirm the capacity requirements prior to construction.

10.6 Metal Recoveries

10.6.1 Current Performance

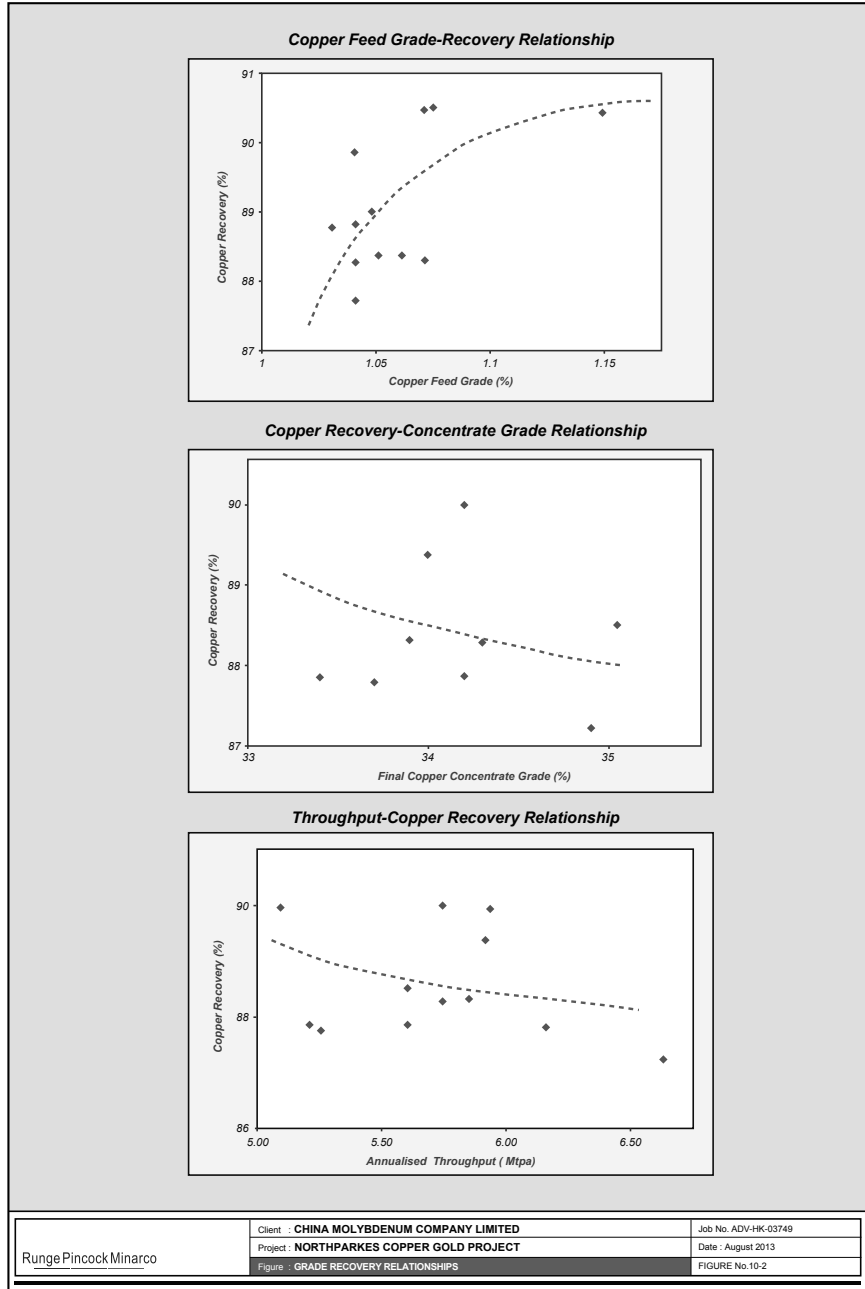
Based on the test work and the historical production reviews the Cu and Au recoveries are dependent upon the following parameters:

- The feed grade;
- The mineralogy of the feed ores;
- The grind size of the materials;
- The final concentrate grade;
- The flotation residence time (both rougher-scavenger and cleaner), and
- How well the flotation circuit is operated.

In a stable operation with consistent mineralogy, where the treatment rate, the grind size and circuit operation remain relatively constant, feed grade and the concentrate grade are the two main variables that affect the overall recovery. A lower feed grade results in a lower overall recovery (*Figure 10-2*) while accepting a lower final concentrate grade increases the overall recovery (*Figure 10-2*). Note that these relationships are complicated by operating issues (changes in grind size, % solids, pulling rates, breakdowns as well as changes in mineralogy). In addition increased throughput rates general results in a loss in Cu recovery (*Figure 10-2*).

RPM notes that due to the close mineralogical correlation between Cu and Au, Au recoveries generally follow the same relationship trends as the Cu recoveries.

Figure 10 2 Copper Grade-Recovery Relationships



10.6.2 Forecast Recoveries

Based on the future mining schedule, which summarises the ore types and blends as well as the feed grades that would be treated in the processing plant, available metallurgical data from testing and RPM's Ore Reserves estimates, RPM has estimated the Cu and Au recoveries as shown in *Table 10-1*.

10.7 Concentrate Grade (update)

Historically, the typical concentrate grade has been ranged between 33 to 38% Cu with 14g/t Au and 100g/t Ag, however due to varying feed grade and plant configurations the final concentrate grade has been decreasing over the last year of operation from around 34% Cu to 32% Cu (*Table 4-1*). The concentrate grade is forecast to be a constant 32% Cu over the remainder of the mine life.

10.8 Process Control and Automation

The process plant is controlled by a Citec PLC system, with all monitoring equipment located in the Concentrator Control Room. The administration server (supporting administration and maintenance) has a redundant server located in the same room. Loss of this would have little direct impact on the operation. The mine server is located in the surface control room, with a redundant server located underground at the 980 workshop (E-48). This could be re-established within one week to use functionally. The plant also has a redundant server.

The business converted to the SAP management system software platform in 2011. The mine data acquisition system is supported by a fibre-optic cable that runs up the Hoisting Shaft to the surface Mine Control Room. Sandvik AutoMine is an automated loading and hauling system installed for the operation of the block caving extraction LHD units. These units are controlled by an operator in the Surface Mine Control Room.

10.9 Consumables

Due to the abrasive nature of the mineralisation, milling media consumption within the mills accounts for the majority of the consumables costs. The milling media usage rates have shown a downward trend over the recent period which is presumably the result of the coarser product milling strategy (*Table 10-7*). Unit milling media costs were not supplied to RPM or details of the specifications of chrome media. However assuming a cost of A\$1,600 per tonne, RPM estimates that this equates to around \$2.91/ ROM t for the milling media. RPM notes that based on the site observation and discussion with personnel this estimate is likely to be slightly inflated compared to actual.

Table 10 5 Milling Media Consumption

Mill	Description	Consumption (kg/t)	
		2012	YTD 2013
ML01	SAG Mills	0.475	0.499
ML02		0.29	0.293
ML03	Secondary Ball Mills	0.735	0.469
ML04		0.579	0.351
ML05	Tertiary Ball Mills	0.116	0.112
ML06		0.175	0.092
Total		2.370	1.816

Source: Provided by the Company.

10.10 Staffing Requirements

Table 10-8 provides a breakdown for the 53 processing staff. Shifts are 12 hours long, with four panels of 10 people, each panel consisting of the team leader, 7 process technicians (operators), mechanical and electrical fitters. There are 5 people in the assaying facility and 8 staff in managerial and metallurgical roles. RPM considers these staffing numbers to be reasonable to efficiently operate the equipment onsite and monitor the performance of the plant.

RPM notes that the Company increased the number of process operators in 2012 by 4 and the number of metallurgists by 3 in 2011 to ensure the optimum performance of the operation and maximise recoveries. RPM also notes that processing plant personnel are also responsible for the operation of a secondary crusher unit located near the winder.

Table 10 6 Process Operating Staff Breakdown

Position	Number
Manager Ore Processing	1
Technical Superintendent	1
Senior Plant Metallurgist	1
Specialist Metallurgist	1
Plant Metallurgist	1
Graduate Metallurgist	1
Project & Metallurgical Accounting	1
Process Team Leader - Shift	4
Process Technician - Shift	28
Electrical Technician - Shift	4
Mechanical Technician - Shift	4
Analytical Services Team Leader	1
Graduate Analytical Chemist	1
Technician - Laboratory	3
	<hr/>
Total	<u><u>53</u></u>

Source: Provided by the Company.

10.11 Tailings

A review of the Tailing Storage Facilities (“TSF”) by RPM indicates that the current facilities and planned areas are reasonable for the forecast production schedule. In addition RPM considers that the procedures and operations are suitable for the Project.

The mine site topography is relatively flat with minimum relief and is considered a low seismic hazard area. The oldest TSF (TSF 1) was constructed approximately 20 years ago and its perimeter containment dike has performed well. Based on this observation it is reasonable to assume that the underlying alluvial soils have adequate resistance to support the current perimeter dikes.

RPM considers it reasonable that adequate storm water diversion and collection systems exist based on the Project receiving medium levels of precipitation (587.5 mm annual average) and that the TSF's perimeter dikes appear in generally good condition. RPM does however note that Intermediate Surveillance Reports completed in 2012 stated that erosion of the downstream face of the TSF 1 and TSF 2 dikes is recognized as a potential long-term problem, see **Section 14**.

10.11.1 Tailings Type

The tailings material produced by the processing plant is classified as predominantly silt-size material, with particle sizes to less than 100 microns. Given the sulphide mineralisation, the tailings contain sulphide sulphur, which could generate acid drainage in the long term (after closure). However the Mineral Waste and Acid Rock Drainage report indicates that the net acid generation (NAG) testing indicates that the risk of acid generation is low. However, geochemical data for the tailings is limited and kinetic (humidity cell) testing to evaluate long-term acid generation potential is recommended to confirm this assumption. RPM notes that acid drainage is less likely to occur during operations, due to the alkaline nature of the reagents generally used for copper flotation.

10.11.2 Tailings Storage Facilities

Four TSF's currently are located within the Project site: TSF 1, TSF 2, Estcourt and E-27 with all but TSF 1 active. TSF 1, TSF 2, TSF 3, and Estcourt are surface TSFs while the E-27 TSF is an in-pit fill (*Table 10-3*). Future TSF development to meet planned production includes storing tailings in the spaces between TSF 1 and TSF 2 and between TSF 2 and TSF 3 and the construction of a fifth TSF which is planned and designated TSF 3, located in the Rosedale area (*Figure 10-3*).

Tailings are pumped from the processing plant to the active TSFs using two of three sets of slurry pumps. The existing tailings delivery pipelines and tailings distribution pipelines are capable of a maximum flow rate of about 540 cu.m/h, equivalent to about 4.4 Mtpa production per pipeline. The total design flow of 785 cu.m/h (6.4 Mtpa) is achieved by utilizing two pipelines.

The Current and planned TSF's are summarised in *Table 10-9* and are detailed below.

Table 10 7. Summary of Current and Planned TSF's

TSF	Type	Available Capacity (Mt)
TSF 1	Surface Ring Design	Closed
TSF 2 Current	Surface Ring Design	1.2
TSF 2 Next Lift	Surface Ring Design	6
E-27/Estcourt	In-Pit and Surface Ring Design	30
TSF 3 and Infill TSF 1/2 and TSF2/ Rosedale	Surface Ring Design	103.6

Source: Provided by the Company.

TSF 1 and TSF 2

Tailings produced until 2010 have been stored in TSF 1 and TSF 2 which are located two kilometres away from the processing plant. TSF 1 and TSF 2 have areas of 141 ha and 137 ha, respectively, are both located on flat terrain and are ring-type design contained by a perimeter dike (“wall”) constructed of rock and clay. RPM notes that clay utilised for wall construction is dispersive (dispersive clays are more susceptible to erosion than other clays), however no material issues have been noted to date (see **Section 13**).

Tailings slurry was discharged sub-aerially within TSF 1 and TSF 2 from a distribution ring main with spigots along the wall. This method forms a decant pond at the centre of each TSF and is a method commonly used in Australia. A decant causeway connects the decant pond within the wall. Water is recovered from the central decants and is pumped (electric) to a return water dam and then recycled to the Process Water Dam. *Figure 10-3* shows a plan view of TSF 1 and TSF 2, which includes the decant causeways and the piezometers installed in the perimeter dikes.

Based on the 2013 Environmental Impact Assessment, TSF 1 and TSF 2 have an approved height of 28 m, while current heights vary between 22 m and 25 m. No further deposition will occur within TSF 1 which will have trials for closure conducted this year. These trials are intended to be run / monitored for four years. After this, further lifts may be conducted for re-contouring during the rehabilitation process. A successful trial polymer application for dust control at TSF 1 recently resulted in the Company submitting an application to cover the entire surface of TSF 1 to control fine particle lift-off during high wind events. RPM notes that no dust issues or external complaints to the Environmental Protection Authority from this dust source since the polymer application in September 2012.

The currently remaining capacity within the current lift of TSF 2 is approximately 1.2 Mt of tailings. Current plans for TSF 2 consist of a 5 meter raise, which would provide approximately 6 Mt capacity. Further lifts /contouring may take place up to maximum height for closure.

E-27 / Estcourt TSF

The E-27 TSF is an in-pit tailings dispositions facility which commenced operation in April 2009. During this period the tailings stream was split between TSF 2 and E-27 however all present tailings are discharging into the E-27 open cut mine void. The deposition in E-27 is sub-aqueous from a single point beneath the current water level. E-27 pit water (currently estimated to be >2GL) is pumped back to the processing plant with a large Flood pump (Pioneer) - Diesel at rates approximately 100L/s.

The Estcourt TSF is a surface TSF which was commissioned in November 2012. Similar designs have been applied as to TSF 1 and 2, with a ring-type TSF contained within a perimeter dike. The TSF is designed to encompass the full extent of the E-27 pit and TSF and the flat land to the north (Estcourt north basin) (**Figure 10-3**). Having a storage capacity of 30 Mt the TSF full capacity will be formed with 2 additional Stages of construction. RPM notes that the construction material for Estcourt Stage 2 and Stage 3 raises is identified and reserved and is considered suitable material.

Tailings deposition is designed to be from a distribution ring main with spigots and it is sub-aerial deposition. Supernatant water from the Estcourt TSF is removed through the northern basin decant trench. It has two electric pumps on a floating barge that returns reclaim water.

TSF 3

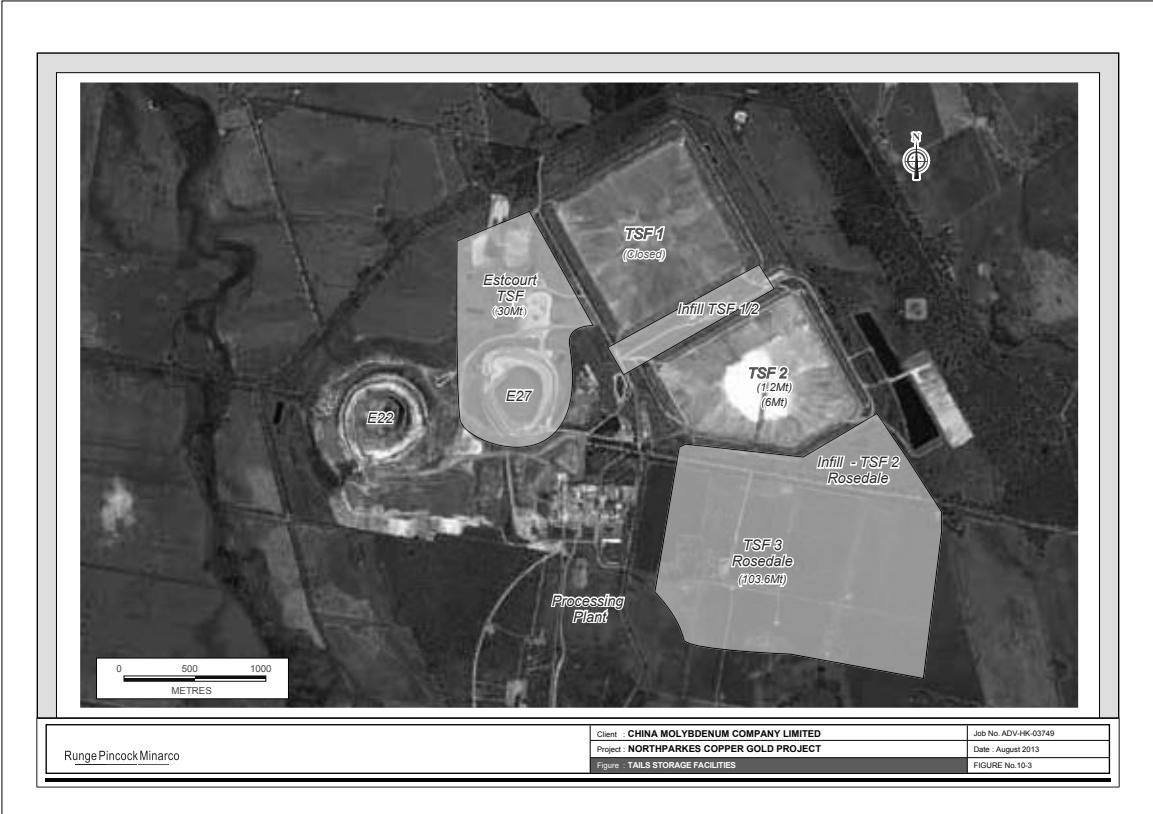
TSF 3 is a planned tailings storage area, located in the Rosedale area, which was approved simultaneously with the current E-48 development. The extensions to TSF 3, which relate to the current environmental assessment (**Section 13**), will require an offset package which is being developed in consultation with the appropriate regulatory entities. The construction material for TSF 3 will be sourced from the basin of this TSF as well as from existing waste stockpiles around E-22 open cut mine. The total material requirements for TSF 3 will be updated during the ongoing Mining Studies when the designs are finalised.

10.11.3 Tailings Opportunities

The current designs consider containing conventional tailings slurry deposited almost horizontally, forming a central depression used as a decant pond. Considering the high capital cost allocated for tailings, it appears that there is a good opportunity to reduce the capital cost of the Estcourt TSF and TSF 3 by designing a central discharge high-density thickened tailings deposition system. This system allows tailings deposition with a slope typically 3 to 4 degrees, forming a conical surface, which requires smaller containment dikes for the same capacity (or greater capacity for the same perimeter dike height).

Performing a trade-off analysis to compare conventional tailings slurry deposition and high-density thickened tailings is recommended. For high-density thickened tailings, the operating cost would increase to about A\$1.50 to A\$1.80 per tonne of tailings. A trade-off analysis is recommended to compare the two options.

Figure 10 3- Tailings Storage Facilities



11 REGIONAL AND LOCAL INFRASTRUCTURE

11.1 Power Supply and Usage

11.1.1 Supply Infrastructure

Electricity is supplied to the Project by Energy Australia, which has constructed and owns a 132 kV feeder line to the Project site from where a Forbes-Wellington 132 kV line crosses the Parkes-Condobolin Road. The Company owns and operates the 132 kV and 11k V sub-stations situated adjacent the process plant. The 132kV and 11 kV transformers are located approximately 8 m apart in concrete bunds. The transformers were installed in 1993 and 1995 respectively and are both rated at 20 MVA with cooling. Based on the current equipment and site requirements the total load is 32 MW, as such approximately two thirds of production could be maintained with one transformer. The central substation provides an 11 kV distribution network for the site. During construction, a 1 MW capacity, 11 kV field line was run from the nearby existing network at Alectown to the mine site. The line is now de-rated to 600 kW however is available for emergency power supply when required.

All high voltage distribution around the plant is run underground or along gantries with the exception of the supply to the tailings dam which is run via an aerial line. The power lines to the underground mine are also run overhead however lightning wires have been fitted. There are several major 415 V motor control centre's ("MCC") and switch gear in the process plant. Step down transformers are generally located outside in a bund adjacent to the substations. The grinding area MCC's also contains the high voltage starters and switch gear for the crushing plant mills. The liquid resistance "soft" starters for the mill motors are located in small enclosures adjacent to the mills at ground level. The substations cannot be isolated from outside the room except via the main high voltage substation. The large transformers situated around the process plant each have high temperature alarm and shutdown facilities and blast walls are provided between each transformer where they are grouped.

The 11 kV supply runs overhead from the process plant substation to the main underground substation located at the head frame. From this substation the supply splits to form an 11 kV ring main, one via the mine shaft and the other via the service/air shaft. Isolating switches are provided in the supply to enable electricity to be fed from either direction in case of emergency. There are various 11 kV substations situated within the underground mine and also some 1000 V supplies for specific items of equipment. Three especially wound transformers (11 kV/880 V) are associated with the cyclo converter power supply used by the winder within the head frame. The transformers are located in a common yard without blast walls between. The winder upgrade that occurred in Q3 2012 replaced these units.

11.1.2 Fire Control Systems

All substations are bottom entry cable feed, with the field substations having the cable areas unenclosed. All surface substations and MCC rooms, except the main ventilation fan switch room, are protected by Inergen or Proinert gas suppression systems. In addition the main fans' switch room is protected by smoke detectors. Process Plant substation fire alarms report to the Concentrator Control Room, while the Winder and Fan alarms report to Mine Control.

RPM considers the fire systems within the plant and the substations suitable and of industry standards.

11.1.3 Power Agreements

The Company has a two year agreement with Energy Australia for the supply of power. The agreement includes shoulder (9am to 5pm, 8pm to 10pm: A\$0.060713/kWh, business days), peak (7am-9am, 5pm-8pm: A\$0.060329/kWh, business days) and off-peak tariff rates (A\$0.026516/kWh, all other times), metering fees A\$2.329/day/meter) and the carbon tax as per the government regulations (***Table 11-1***).

RPM notes that the power prices within the region have been slowly increasing and with the introduction of the carbon tax in Financial Year 2013, have increased by more than 50% since 2010. For the first four months of 2013, the average power price amounted to A\$0.0989/kWh. RPM notes that this increase is not the result of changes to the Project's operation or the result of operation factors, rather due to the general increase of power in New South Wales. The electrical consumption rates and costs for the Project over the last three years are presented in ***Table 11-1***.

Table 11 1- Site Power Consumption and Costs

Measure	Unit	Period					YTD
		2010	2011	H1 2012	H2 2012	2012	(April) 2013
Power price							
Base	A\$/kWh	6.48	7.10	7.55	7.67	7.61	7.85
Carbon tax	A\$/kWh	—	—	—	1.98	0.98	2.04
Total	A\$/kWh	6.48	7.10	7.55	9.65	8.59	9.89
Consumption							
Actual	GWh	226.95	233.50	112.92	111.51	224.44	74.28
	kWh/t	43.24	42.20			39.72	38.26
For carbon tax ^{*1}	GWh	—	—	—	115.16	115.16	76.73
Cost	A\$ million	14.72	16.59	8.25	10.84	19.09	7.40
	A\$/t	2.81	3.00			3.38	3.81

*1 Power consumption for carbon tax calculation is based on 103.3% of the actual

Source: Provided by the Company.

Based on the Energy Australia contract supplied to RPM, the estimated annual load is 250 GWh, with a minimum of 225 GWh and a maximum of 275 GWh. As **Table 11-1** shows, the Company consumes approximately 225 GWh per annum and the power intensity, as measured by kWh/t, is decreasing annually from 43.24 kWh/t in 2011 to 38.26 kWh/t in 2013. As such RPM considers the current agreement is suitable to meet the power requirement of the Project.

The current agreement expires at the end of 2013 however RPM is aware the Company are in negotiations with Energy Australia to secure a further two year agreement. As noted under in Section 12 the cost of power is expected to fall after 2015 due to a significant drop in the carbon tax. RPM presents tax information for reference only and recommends readers refer to the business section for further information.

11.1.4 Usage Breakdown

RPM notes that the majority of the power on site is consumed by the processing plant which has accounted for between 75.8% and 82.45% of the total site consumption in the last 3 years.

11.2 Water

11.2.1 Requirements

The Company holds a number of water usage rights known as Water Access Licences (WAL) for a secured access to over 12.8 GL/a of water (**Table 11-2**). The majority of the water supply is obtained from the WAL's and a Water Supply Licence held with the Parkes Shire Council ("PSC"). The Project consumes approximately 3.2 gigalitres per annum (GL/a) or approximately 0.533kL/tonne of ore processed, with 90% being used in the processing plant. The water usage and sources for recent years are shown in **Table 11-3**.

Table 11 2 Secured Water Sources

Description	Water Quantity (GL/annum)			
	General Security River Water	Mining and Irrigation Bore	Mine Dewatering	High Security River Water
WAL 8241	2.976	3.40	455	3.71
WAL 10082	0.000			
Bore 7 Licence (mining & irrigation)		1.600		
Bore 8 Licence (mining)		1.050		
Bore E-26 & E-48 Licence (watering - mining)			0.232	
Wirabilla property		0.500		
Borst Holdings		3.438		
Nithesdale	0.486	0.536		
Kang's Block		0.700		
Lachlan High Security River	1.300			
TOTAL	3.462	7.824	0.232	1.300

Source: Provided by the Company.

RPM notes that the central NSW region is prone to drought which impact water supplies. While it would be expected that the quantities shown in *Table 13-3* would be impacted, RPM considers there will be sufficient quantities of water available during a severe drought from all of these sources to maintain the current processing operations with no impact to capacity.

RPM is aware that the yearly rainfall in the past year has been well above average resulting in significant ponding on site (**Section 11.2.3**). This water is utilised primarily rather than the paid water sources.

11.2.2 Agreements

The Company has several WAL and Water Supply Licences with the PSC. These agreements state that the Company will pay for the PSC delivered water on a cents/kL basis, noting the cost is based on cost recovery rather than a profit model. An additional 2.05GL/a will be supplied at no additional charge in consideration for the upgrade of the pipeline by the Company from the pumping stations to Parkes and bores 4 and 5. RPM notes that the majority of water is sourced from onsite storage ponds and directly from the bores. RPM notes that if further additional water is required for expansion of the project or if issues occur with the onsite water supplies the PSC agrees to co-operate and assist any requirement. In addition RPM notes that any change of ownership will not impact the agreement and that it remains binding.

The current PSC agreement expires in 2015 and the Company is in the process of negotiating a new agreement, which is expected to be in place by the end of 2013. Water prices are currently A\$0.387/kL.

RPM notes that the NSW Office of Water is in the process of updating bore licences to WAL which will take some time. The new WAL for each Bore Licence will need to be renewed for a period of ten years. RPM understands that the gaining of these WAL's are a matter of course and no significant issues will prevent the Company from gaining these WAL's.

11.2.3 Water Sources

The Project is located within a reasonably complex hydrogeological environment at the headwaters of the Macquarie-Bogan River catchment, which contributes surface water runoff from approximately 74,800 sq.km to the Murray-Darling Basin System and work has been undertaken by the Company to explore and understand the local and regional groundwater systems.

The Bogan River, which forms part of the Macquarie-Bogan River system, starts in the Harvey Range near Goonumbla and flows north-west towards Nyngan before joining the Darling River near Bourke. Within the upper southern reaches of the catchment, the Bogan River collects flows from Tenandra Creek, Goonumbla Creek and Cookopie Creek (refer to **Figure 3-1**).

Within the vicinity of Project, the Bogan River and its tributaries (Tenandra Creek, Goonumbla Creek and Cookopie Creek) are generally ephemeral and surface water only flows after heavy or prolonged rainfall events. Flood modelling has been undertaken within and surrounding the Project area, including the modelling of 1 in 100 Average Recurrence Interval (ARI) year flood levels.

Water is sourced from various places to minimise the impact of severe droughts and localised flooding events. The primary sources of water for the PSC and the Project are a bore field in the Lachlan Valley near Forbes, river water from the Lachlan River and two surface dams located near Parkes (refer to **Figure 2-1**). Also during RPM's site visit it was noted that significant water is ponded within the old open pit and tails storage facilities as well as the drainage ponds which store surface water runoff. These are being utilised presently to offset the use of PSC water, and as such will decrease costs associated with water usage, as shown in **Table 11-3**.

Table 11 3. Recent Water Sources and Usage for the Project.

Source	Quantity Used(Mega Litres)				
	2008	2009	2010	2011	2012
Fresh water piped from the Lachlan Valley bore field(A)	3,471	3,499	3,141	2,379	3,019
Collected from site surface water catchments(B)	304	430	1,627	1,054	1,762
Total Water Used(A+B)	3,775	3,929	4,768	3,433	4,781
Recycled water	1,288	1,797	1,375	1,898	2,188

Source: Provided by the Company.

11.3 Concentrate Transport

11.3.1 Logistics

Following generation in the processing plant the concentrates are loaded into purpose built 29t containers on site and delivered to a nearby railway siding at Goonumbla (15km away). The containers are subsequently loaded onto trains and delivered to deep water Port Kembla, Wollongong. Each train load consists of approximately 1,110 tonnes of concentrates and there are typically 3 trains per week (~3,500 tonnes per week). The containers are emptied at the port and returned to site.

Concentrate is stored at Port Kembla until a vessel arrives. The containers are emptied onto covered stockpiles in the storage shed and a front end loader recovers the concentrate for loading onto the shipping vessel. The Port Kembla facility includes a rail siding, container tippler, storage shed, automated ship loader and jetty.

Sampling for sales quality of the concentrate is conducted as the filtered concentrate is stockpiled and as the concentrate is loaded on the shipping vessel.

11.3.2 Agreements

All transport, storage and vessel logistics are undertaken by contractors and third party agents. The Company has contracts for the transportation of concentrate from site to Goonumbla, for rail transport to Port Kembla (Pacific National, 145,000 to 180,000 wet metric tonnes (“wmt”) per annum, standard train A\$20.43/wmt and A\$135,654.45/month), and for the storage and loading of concentrate onto shipping vessels (Port Kembla Gateway Pty. Ltd., A\$12.20/wmt of concentrate in 2010, adjusted annually by 80% of the All Groups CPI).

RPM has not sighted the current agreements, however considers it reasonable that suitable current contracts and engagements are in place given the current operational status on site.

11.4 Accommodation

Due to the close location of the Project to local towns, all site workers are local personnel from Parkes or nearby towns. As such no on site accommodation is required.

11.5 Consumables and Spares

There are number of suppliers both locally and internationally for most consumables and spares and no issues are foreseen with either supply or availability. Critical spares have been identified, held on site and regularly reviewed. The site hosts a large warehouse with a significant inventory.

12 OPERATING AND CAPITAL COSTS

12.1 Recent (2011 to 2013) Total Operating Costs

The total operating costs for the previous two years have ranged from A\$29.64/ROM t to A\$29.82/ROM t (A\$1.16 / lb CuEq and 1.03 / lb CuEq); however have dropped significantly to A\$23.80/ROM t due to a drop in the mining costs and Asset management and G & A costs.

Between 2010 and 2012 the Company undertook an extensive resource drilling program which underpins the updated life of mine studies and production options studies. These costs are contained within the Project Study and Drilling Costs Centre in **Table 12-1**. This program was completed in 2012 and will not be reoccurring in 2013 onwards, as shown by the significant drop in cost in the centre in YTD in 2013.

Table 12 1. Total Project Operating Costs 2011 to April 2013.

Period	2011				2012				2013 April YTD			
	Costs			% Operating	Costs			% Operating	Costs			% Operating
Cost Centre	A\$M	A\$/ROM t	A\$/lb CuEq*	Costs	A\$M	A\$/ROM t	A\$/lb CuEq*	Costs	A\$M	A\$/ROM t	A\$/lb CuEq*	Costs
UG Mining	47.3	8.63	0.34	29	35.6	7.15	0.23	24	9.8	5.05	0.19	20
Ore Processing												
& Logistics	45.5	8.22	0.32	28	49.2	8.71	0.32	29	16.1	8.27	0.32	32
Asset Management	37.9	6.85	0.27	23	42.3	7.49	0.27	25	10.8	5.56	0.21	22
G & A	32.9	5.94	0.23	20	32.9	6.47	0.21	22	9.6	4.92	0.19	19
Total Operating												
Costs	163.6	29.64	1.16	100	160	29.82	1.03	100	46.3	23.8	0.91	100
Project Study												
and Drilling	38.7	6.99	0.27		48.1	8.52	0.31		1.6	0.82	0.03	
Exploration	5.3	0.96	0.04		10.4	1.84	0.07		1.8	0.93	0.04	
Tax/Royalties.												
Total Project Costs	207.6	37.59	1.47		218.5	40.18	1.41		49.7	25.55	0.98	

Note-All costs are for 100% of the Project and the JV Company and do not separate cost for each shareholder.

Source: Provided by the Company.

* See Section 12.1.1 for CuEq calculation parameters

12.1.1 Reporting of Costs ROM t vs Pounds Copper Equivalent

To assist in reporting the costs in a transparent manner RPM has report the unity costs in terms of A\$ / ROM t (throughput into the plant) and A\$ / lb Cu eq. As the revenue of the project is predominately made of Cu and Au RPM has estimated a CuEq value for reporting of cost unit based on the consensus forecast metal pricing (before tax which is the same as the reserve basis A\$ 3.15 /lb Cu and A\$1,400 ounce Au). Cu contributes slightly more to the equivalence calculation and was hence selected to report on an equivalent basis.

12.1.2 Recent Operating Costs - Processing

RPM has reviewed the recent processing operating costs and consider them reasonable for the operation and in-line with the expected costs for the processing methods applied onsite. The 2011 to April 2013 processing operations costs vary between A\$11.67/ROM t and A\$10.33/ ROM t as shown in *Table 12-2*. The majority of the processing costs are contained within the consumables including power and water, which the transport logistics and selling costs account for approximately 11.5% of the total processing costs each year.

Table 12 2 Recent Total Processing Operating Costs per ROM Tonne.

Period	2011			2012			2013 April YTD		
	Costs		% Processing	Costs		% Processing	Costs		% Processing
Cost Centre	A\$M	A\$/ROM t	Costs	A\$M	A\$/ROM t	Costs	A\$M	A\$/ROM t	Costs
Ore Processing & Logistics	45.5	8.22	70.4	49.2	8.71	76.3	16.1	8.27	80.1
<i>Power</i>	13.8	6.65	21.4	14.8	7.1	22.9	5.9	2.82	29.3
<i>Labour</i>	5.4	2.59	8.4	7.2	3.48	11.2	2.5	1.22	12.6
<i>Consumables</i>	15.4	7.4	23.8	16.2	7.78	25.1	4.6	2.22	23
<i>Diesel</i>	0.2	0.09	0.3	0.4	0.19	0.6	0.2	0.08	0.9
<i>Transport & selling</i>	7.3	3.51	11.3	7.4	3.53	11.4	2.3	1.12	11.6
<i>External services</i>	3.0	1.43	4.6	2.5	1.18	3.8	0.3	0.17	1.7
<i>Other</i>	0.4	0.2	0.6	0.8	0.4	1.3	0.2	0.1	1
Asset management (process)	19.1	3.45	29.6	15.3	2.71	23.7	4.0	2.05	19.9
Total Processing Cost	64.6	11.67	100	64.5	11.42	100	20.1	10.33	100

Source: Provided by the Company.

12.1.3 Recent Asset Management Costs

The Asset Management costs are the expenditures related to maintaining the Project's equipment of both the mining and surface operation. These costs are split between the Mining and Processing operations and includes the maintenance of all supporting equipment, office as well as the primary mobile and fixed plant. RPM notes that the contribution of the costs associated with maintaining the administration and other offices as well as the non-mining fixed assets has not been supplied; however RPM would expect this to be minimal (1 to 2%).

Maintenance philosophies and procedures are of industry standard. *Table 12-3* shows the breakdown of Asset Management costs in recent years, which highlight the high costs from labour (contractor) external services and consumables. Discussion with site personnel indicates that external services are predominantly associated with Sandvik loader maintenance services. This cost center will reduce significantly in 2013 and beyond as the Company plans to undertake the servicing of the loaders.

Table 12 3 Recent Asset Management Costs

Cost Centre	2011			2012			2013 April YTD		
	A\$M	A\$/Rom t	%	A\$M	A\$/Rom t	%	A\$M	A\$/Rom t	%
Power	0	0	0	2	0	0	0	0	0
Labour	8.7	1.57	23	12.0	2.12	28.2	4.1	2.12	38.3
Consumables	12.4	2.24	32.7	14.5	2.56	34	3.2	1.63	29.3
Diesel	0.0	0	0	0.0	0.01	0.1	0.0	0.01	0.2
External Services	16.3	2.94	43	16.0	2.84	37.8	3.4	1.75	31.5
Other	0.5	0.09	1.3	0.0	-0.01		0.1	0.04	0.8
Total	37.9	6.84	100	42.5	7.52	100	10.8	5.55	100

Source: Provided by the Company.

Based on discussions with site personnel and current data, 61% of the Asset Management costs are spent on maintaining the mining operation both at surface and underground, while approximately 37% is associated with the processing plant.

12.1.4 Recent General and Administration Costs

The General and Administration (G & A) Costs include Financial Management, People and Capability development, Health, Safety and Environment Facilities (HSEF) and Mine (which includes the farm costs). During 2011 and 2012, these costs amounted to A\$5.94/ROM t and A\$6.47/ROM t respectively; the annualised cost in 2013 is A\$4.92/ROM t.

12.2 Forecast Operating Costs

Estimated total cash costs include total operating cash costs, taxes and royalties. The estimated total production cost includes total cash costs, depreciation and amortisation.

12.2.1 Forecast Mining Operating Costs

The forecast processing operating costs based on RPM's Ore Reserve production schedule (**Section 9**) are based on a plant throughput of 6.4 Mtpa (after 2013). Once the cave is established and at full production the underground operating costs are quite consistent (approximately A\$4.6/ROM t). However during ramp up and shut off ramp down the unit cost increase due to the fix price component of the operating costs, as shown in total Production Operating Costs **Table 12-4** and the Mining Forecast Costs Breakdown in **Table 12-5**. During the re-handle, costs associated with the stock pile movement have a cost of A\$2.7/ROM t.

12.2.2 Forecast Processing Costs

The forecast processing operating costs based on RPM's Ore Reserve production schedule (**Section 10**) are based on a throughput of 6.4 Mtpa (after 2013) and the assumption that future ores will not increase unit power consumptions (**Table 12-4**). Including concentrate transport logistics costs, the ore processing costs are forecast range between A\$6.52/ ROM t and A\$8.62/ ROM t (0.24 / lb CuEq to 0.81 / lb CuEq), which are slightly lower than the current A\$8.7/RM t costs however vary when compared on per lb basis 0.32 / lb CuEq (this is due to the higher grade currently being processed). RPM notes this cost excludes the future maintenance (asset management) costs which are estimated to be approximately A\$1.97/ ROM t.

Total Processing Operating costs are expected to drop by A\$3 million per annum after 2015 due to a decrease in the power costs mainly associated with the planned change from a carbon tax (approximately 0.50 A\$/ROM t). In addition RPM estimates that the operation will consume less power due to a crushing-milling strategy where finer material is feed to the mills and a coarser mill discharge product made thereby lower the milling requirements.

RPM considers the overall processing costs to be reasonable however RPM has not been provided with the underlying data or breakdown for the forecast. However based on the recent production and forecast increase capacity RPM considers the unit costs to be reasonable.

Sales and marketing costs, currently A\$1.65/ ROM t, are considered reasonable for the production of this commodity. With increased concentrate volumes due to slightly lower concentrate grades, these costs will increase marginally (**Table 12-4**).

Table 12 4. Forecast Total Operating Costs

Measure	Unit	Year ending 31 Dec												LOM						
		H2 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		2025	2026	2027	2028	2029	2030
UG Mining	AS/ROM t	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.44	5.52	5.52	4.7	4.39	4.45	4.6	4.6	4.6	4.17	2.7	4.67
	AS/lb CuEq	0.18	0.19	0.19	0.21	0.24	0.28	0.30	0.36	0.41	0.44	0.36	0.25	0.23	0.23	0.29	0.39	0.39	0.39	0.26
Ore Processing	AS/ROM t	8.01	5.74	5.68	5.73	5.8	5.88	5.94	6.04	6.08	6.13	6.19	6.44	6.46	6.38	6.43	6.49	6.49	8.4	6.21
	AS/lb CuEq	0.31	0.24	0.24	0.26	0.31	0.36	0.39	0.49	0.45	0.49	0.48	0.37	0.33	0.32	0.41	0.56	0.60	0.81	0.37
Transport to Port	AS/ROM t	1.3	1.04	1.03	0.98	0.91	0.83	0.82	0.66	0.75	0.71	0.68	0.74	0.83	0.79	0.68	0.57	0.58	1.24	0.81
	AS/lb CuEq	0.05	0.04	0.04	0.04	0.05	0.05	0.05	0.05	0.06	0.06	0.05	0.04	0.04	0.04	0.04	0.05	0.05	0.12	0.05
Ocean Freight and Marketing	AS/ROM t	2.02	2.11	2.17	2.1	1.87	1.64	1.57	1.14	1.36	1.23	1.15	1.31	1.56	1.51	1.16	0.86	0.89	0.89	1.48
	AS/lb CuEq	0.08	0.09	0.09	0.10	0.10	0.10	0.10	0.09	0.10	0.10	0.09	0.08	0.08	0.08	0.07	0.07	0.08	0.09	0.09
Smelting Costs	AS/ROM t	3.91	3.9	3.81	3.54	3.12	2.73	2.62	1.93	2.27	2.05	1.9	2.22	2.64	2.55	1.97	1.47	1.48	1.47	2.54
	AS/lb CuEq	0.15	0.16	0.16	0.16	0.16	0.17	0.17	0.16	0.17	0.16	0.15	0.13	0.13	0.13	0.12	0.13	0.14	0.14	0.15
Exploration and Resource Drilling	AS/ROM t	0.9	0.84	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0	0	0.74
	AS/lb CuEq	0.03	0.03	0.03	0.04	0.04	0.05	0.05	0.06	0.06	0.06	0.06	0.05	0.04	0.04	0.05	0.07	0.00	0.00	0.04
Asset Management	AS/ROM t	4.64	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.52	4.48	4.38	4.38	4.38	3.84	3.3	4.35
	AS/lb CuEq	0.18	0.18	0.19	0.20	0.23	0.27	0.29	0.36	0.32	0.35	0.34	0.26	0.23	0.22	0.28	0.38	0.36	0.32	0.26
G & A	AS/ROM t	6.4	5.27	5.27	5.25	5.23	5.21	5.2	5.2	5.19	5.18	5.16	5.34	5.26	5.19	5.16	5.13	4.74	4.74	5.21
	AS/lb CuEq	0.25	0.22	0.22	0.24	0.28	0.32	0.34	0.42	0.38	0.41	0.40	0.31	0.27	0.26	0.33	0.44	0.44	0.46	0.31
Total Operating Costs	AS/ROM t	31.79	27.89	27.71	27.37	26.7	26.06	25.92	24.58	26.34	25.98	24.94	25.76	26.47	26.2	25.18	24.29	22.19	22.74	26.01
	AS/lb CuEq	1.23	1.15	1.17	1.24	1.41	1.60	1.70	2.01	1.95	2.07	1.92	1.49	1.35	1.33	1.60	2.08	2.06	2.19	1.55
Royalties	AS/ROM t	2.34	2.54	2.47	2.26	1.83	1.52	1.4	1.04	1.17	1.07	1.1	1.65	1.99	1.98	1.51	1.03	0.85	0.51	1.59
	AS/lb CuEq	0.09	0.10	0.10	0.10	0.10	0.09	0.09	0.08	0.09	0.09	0.08	0.10	0.10	0.10	0.10	0.09	0.08	0.05	0.09
Carbon tax	AS/ROM t	0.87	0.83	0.37	0.3	0.34	0.38	0.42	0.54	0.54	0.59	0.57	0.5	0.68	0.73	0.72	0.73	0.58	0	0.55
	AS/lb CuEq	0.03	0.03	0.02	0.01	0.02	0.02	0.03	0.04	0.04	0.05	0.04	0.03	0.03	0.04	0.05	0.06	0.05	0.00	0.03
Total Cash Cost	AS/ROM t	35	31.26	30.55	29.94	28.87	27.96	27.73	26.16	28.05	27.64	26.61	27.92	29.14	28.9	27.41	26.05	23.62	23.25	28.15
	AS/lb CuEq	1.36	1.28	1.29	1.36	1.52	1.72	1.82	2.13	2.08	2.20	2.05	1.61	1.48	1.47	1.74	2.23	2.19	2.24	1.67
Amortisation and Depreciation	AS/ROM t	12.35	13.72	13.72	13.57	12.99	12.08	12.27	9.22	11.54	11.29	10.71	12.43	15.69	16.12	13.65	11.24	7.96	5.71	12.28
	AS/lb CuEq	0.48	0.56	0.58	0.61	0.69	0.74	0.80	0.75	0.85	0.90	0.82	0.72	0.80	0.82	0.87	0.96	0.74	0.55	0.73
Total Production Costs	AS/ROM t	47.36	44.98	44.27	43.51	41.86	40.03	40	35.39	39.59	38.92	37.32	40.35	44.83	45.02	41.06	37.29	31.57	28.96	40.43
	AS/lb CuEq	1.84	1.85	1.87	1.97	2.21	2.46	2.62	2.89	2.93	3.10	2.87	2.33	2.28	2.29	2.60	3.20	2.93	2.79	2.40

Table 12 5. Forecast Mining Operating Costs

Source	Unit	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	LOM		
E-48	mt	3.2	6.4	6.4	6.4	6.4	6.4	6.4	3.5	2.6	1.7	0.9									50.4	
	Million A\$	14.6	29.4	29.4	29.4	29.4	29.4	29.4	17.9	14.6	9.6	4.8										237.9
	A\$/ROM t	4.60	4.60	4.60	4.60	4.60	4.60	4.60	5.06	5.53	5.51	5.48										4.72
E-26	mt								1.2	2.8	2.9	0.8										7.7
	Million A\$								5.9	15.4	15.9	4.7										41.9
	A\$/ROM t								5.06	5.50	5.53	5.57										5.45
E-22	mt								1.0	1.8	2.8	2.8	5.7	5.9	6.4	6.4	6.4	5.0				41.3
	Million A\$								5.3	9.8	15.5	26.3	27.2	29.4	29.4	29.4	29.4	22.8				195.1
	A\$/ROM t								5.52	5.50	5.53	4.59	4.60	4.59	4.59	4.59	4.59	4.60				4.72
Red	mt								1.7													1.7
	Million A\$								4.6													4.6
	A\$/ROM t								2.70													2.70
Green	mt											1.9	0.7	0.5								3.0
	Million A\$											5.1	1.8	1.3								8.2
	A\$/ROM t											2.70	2.69	2.71								2.70
Blue	mt																	1.4	1.8			3.2
	Million A\$																	3.9	4.8			8.7
	A\$/ROM t																	2.70	2.70			2.70
Total	Million A\$	14.6	29.4	29.4	29.4	29.4	29.4	29.4	28.4	35.3	35.3	30.1	28.1	28.5	29.4	29.4	29.4	26.7	4.8			496.4
	A\$/ROM t	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.44	5.52	5.52	4.70	4.39	4.45	4.60	4.60	4.60	4.17	2.70			4.67

12.3 Capital Costs

The Total Capital Expenditure for the remainder of the mine life is shown in *Table 12-9*. RPM considers this to be reasonable and in-line with the proposed production schedule for the operation. RPM notes that all forecast Capital Expenditure is associated with mine and plant infrastructure and no expenditure is forecast to ensure the transport or the supply of key consumables for the LOM planned production.

12.3.1 Mining Capital Costs

The information supplied to RPM indicates that significant analysis has been undertaken to quantify capital costs for each of the 3 cave areas included in the current LOM plan (*Table 12-7*). RPM considers that the majority of these mining capital costs to be reasonable however, RPM have refined the expenditure for the E-22 area due to the required change in the mine development and increase the required number of Drawpoints. RPM has independently modified mine supplied cost estimates to suit this plan. (*Table 12-7 and Table 12-9*)

Capital costs include all primary and secondary development necessary to bring mining areas into (and sustain) production. The Company's mining studies capitalise all mine development. These studies show significant details with sustaining capital (for example drift and Drawpoints repair in E-48) being itemised. Sustaining capital is comprised of the rebuilding and/or replacement of aging equipment. The Company has identified the expected life of mining equipment and has allocated funds in accordance with these schedules. Recharge capital is a credit gained from development rock that can be treated as ore. Capital costs represent the most recent estimates stated by the Company for development of E-48, E-26L2NN and E-22.

RPM's estimate of capital costs for development and exploitation of the alternative (238 Drawpoints) E-22 footprint is based on escalating the Company's pre-feasibility estimate of A\$271 million (*Table 12-8*) (exclusive of recharge and sustaining capital) for the 108 Drawpoints footprint. This number has been further adjusted upward to A\$ 297 million as it includes additional equipment and development required to ensure the forecast production rates.

RPM estimates the total 238 Drawpoints E-22 Cave Capital requirements will be (exclusive of sustaining and recharge capital) A\$ 360 million (*Table 12-9*). This estimate is based on escalating capital costs in proportion to the number of Drawpoints for the following cost items:

- Extraction Drives
- Drawpoints and Drawbells
- Undercut Drilling and Sublevel Access
- Perimeter Drive
- Blasting
- Drilling
- Recharge Capital

A contingency of 10% has been added to all capital costs. RPM believes this is a reasonable estimate in that an order of magnitude study completed by the Company in 2010 for a 360 Drawpoints E-22 plan estimated capital costs at A\$ 235 million. Allowing for inflation (15%) and indirect costs (25%), this estimate is nominally A\$ 338 million (exclusive of replacement and recharge capital). This would imply that some conservatism has been built into the RPM estimate which is likely to be verified through more detailed study and optimisation and additional mine development and cave design.

E-26L2NN and E-48 capital costs are merely an extension of known E-48 and E-26L-2 development costs as the layouts are similar.

The scheduling of capital expenditures by RPM is mostly sourced from the Company's LOM plan allowing for additional lead time for the development of the larger E-22 area. This work is subject to considerable refinement which should also be the subject of further investigation as noted previously.

12.3.2 Processing Capital Costs

The estimated capital costs is A\$ Million 12.6 for the proposed expansion to a treatment capacity of 6.4 Mtpa during 2013 and 2014. The process sustaining capital cost of A\$3 million per annum is considered reasonable, however the basis for the annual development cost of \$8 million is not known. This figure seems excessive.

12.3.3 Tailings Storage Facilities

The total capital expenditure is forecast to be A\$130.2 million for the remainder of the mine life (*Table 12-7*). The Company plans to increase the tailings storage capacity by 103.6 Mt. The majority of the CAPEX is planned for the construction of the Estcourt TSF and TSF3 (Rosedale) dam which is to begin construction in 2016, however several smaller dams and subsequent lifts are also forecast (*Table 12-10*) to ensure the require capacity.

RPM considers that the capital expenditure is reasonable for the magnitude of the TSFs. However RPM notes that design of the tailings facilities, construction schedule, quantities and unit prices have not been finalised and are being reviewed. RPM has assumed that most of those costs are for containment embankments, and tailings delivery and water reclaim systems associated to conventional tailings slurry deposition.

No operating cost was supplied to RPM however for conventional tailings slurry operations such as this operation, the typical cost would be A\$0.80 to A\$1.00 per tonne of tailings.

12.3.4 Closure Cost

A breakdown of the estimated Closure and Rehabilitation Costs is shown in Table 12-6. RPM notes that a relatively conservative 17% contingency has been applied to the closure capital, however given the long mine life this is a reasonable approach.

Table 12 6 - Total Projected Mine Closure Capital Costs

Cost Centre	A\$ Million Cost Estimation
<i>Direct Costs</i>	
Demolition & removal of permanent facilities	\$8.5
Rehabilitation and vegetation	\$82.2
Treatment and disposal of hazardous wastes	\$1.2
Human resources	\$18.5
Community	\$1.2
Post Closure monitoring and other obligations	\$5.3
Sub Total(Direct)	\$116.8
<i>Indirect Costs</i>	
Closure support facilities	\$13.3
Closure management(EPCM)services	\$5.7
Owner costs	\$5.8
Sub Total (Indirect)	\$24.8
Contingency (17%)	\$24.6
TOTAL	\$166.2

Source: Provided by the Company.

Table 12 9. Mining Capital Costs Breakdown by Cave

Area	Unit	Year Ending December 31											LOM								
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		2024	2025	2026	2027	2028	2029	2030	
E-48 Total	\$ Million	25.5	53.0	6.6	10.6	10.6	10.6	6.9	5.6	5.6	5.6	8.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	149.7
Extract Drive	\$ Million	10.3	21.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.5
Development	\$ Million	12.4	25.1	3.9	3.9	3.9	3.9	2.5	2.1	2.1	2.1	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	65.1
Sustaining	\$ Million	2.8	6.7	2.7	6.7	6.7	6.7	4.4	3.6	3.6	3.6	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	53.1
E-26 Total	\$ Million	0.0	0.0	0.0	0.0	1.0	41.0	16.0	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	60.6
Development	\$ Million	0.0	0.0	0.0	0.0	1.0	41.0	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	58.0
Sustaining	\$ Million	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.6
E-22 Total	\$ Million	0.0	0.0	0.0	0.0	8.8	38.8	97.3	117.2	50.2	50.2	34.0	6.5	6.5	11.5	6.5	3.5	-19.8	0.0	364.5	
ReCharge Capital	\$ Million	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-19.8	0.0	-19.8	
Development	\$ Million	0.0	0.0	0.0	0.0	8.8	38.8	97.3	117.2	50.2	30.5	3.0	3.0	3.0	8.0	3.0	0.0	0.0	0.0	359.8	
Sustaining	\$ Million	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5	3.5	3.5	3.5	3.5	3.5	0.0	0.0	0.0	24.5	
Total UG	\$ Million	25.5	53.0	6.6	10.6	20.4	90.4	120.2	123.5	56.5	40.3	16.1	6.5	6.5	11.5	6.5	3.5	-19.8	0.0	574.8	

Table 12 10. Tailings Storage Facility Capital Costs Breakdown by Tailings Area.

Tailing Area	Unit	Year Ending December 31											LOM							
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		2024	2025	2026	2027	2028	2029	2030
Rosedale	\$ Million	0	0	0	8.4	25.1	0	23.3	3.8	3.4	5.1	4	5.1	4.1	5.1	6.1	0	0	0	93.5
Infill	\$ Million	0	0	9.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9.7
Estcourt Stage 2	\$ Million	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
Access Road	\$ Million	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
Estcourt Stage 3	\$ Million	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	4
Estcourt	\$ Million	0	0	3	6	6	0	0	0	0	0	0	0	0	0	0	0	0	0	15
Total	\$ Million	0	0	12.7	22.4	31.1	4	23.3	3.8	3.4	5.1	4	5.1	4.1	5.1	6.1	0	0	0	130.2

Source: Provided by the Company.

13 OVERVIEW OF EHSS

Extensive environmental information sources were reviewed as part of the RPM's ITR including mining titles, planning approvals and supporting environmental documentation, annual reports, various specialist studies, and rehabilitation and mine closure cost estimation material.

13.1 Environmental Features

Existing mining activities have resulted in alterations to the natural topography of the Project area primarily due to advent of the tailings storage facilities (TSF's), waste rock stockpiles, the open cut pits (E-22) and subsidence associated with E-26 and E-48 underground block cave mining. Although there is a reasonable buffer zone of farmland around the mine site, the flat topography results in the earth structures at the site (tailings facilities as well as ore and waste stockpiles) and mine facilities being potentially visible from a wider area depending on intervening vegetation.

The Project area is located within the Macquarie-Bogan River catchment, which contributes surface water runoff from approximately 74,800 sq.km to the Murray-Darling Basin System. The Project is located within four sub-catchments in the headwaters of the Bogan River, with one tributary, Goonumbla Creek traversing the Project area. The surface water resources within and surrounding the Project area, including Goonumbla Creek, Tenandra Creek and Bogan River are generally ephemeral and only carry surface water after very heavy rainfall events.

The area surrounding the Project area is dominated by various large agricultural land holdings cultivated predominately for cropping or pastoral practices. The Company owns several agricultural properties hosting and surrounding the mine site. The surrounding locality and region consists of mostly cleared agricultural land with patches of remnant vegetation primarily associated with road reserves, travelling stock routes and State Forests.

13.2 Current Approvals and Permits

The key planning approvals and licences for NPM mine are set out in *Table 2-6* while the existing approved operations is illustrated in *Figure 3-1*.

13.3 Future Environmental Approvals

The Company is currently progressing a project application to the NSW Government to seek continuing and potentially expanded operations. The project application is being made under Part 3A as a transitional application for major development because the commencement of the application was made under Part 3A of the **Environmental Planning and Assessment Act 1979** (EP&A Act). Part 3A of the EP&A Act has since been repealed.

The Company's draft environmental assessment ("EA") report for the planning application is currently being reviewed by the NSW Department of Planning and Infrastructure (DP&I) for "adequacy" in meeting the Director-General of DP&I's requirements for matters to be addressed in the EA report. The EA report is expected to be publicly exhibited for at least four weeks starting, provided the draft EA report is finalised without significant delay following feedback from DP&I and other authorities. The draft EA report for the Company's application indicates no insurmountable issues although new landowner agreements may be required to address increased noise and dust risks at up to four neighbouring properties. Additional land acquisition by the Company is not expected to be required.

Routine but rigorous assessment processes for the application will include the Company responding to objections lodged during public exhibition of the environmental study. The assessment and approval period for the project application is expected to be completed well prior to the next NSW State government election due in March 2015. Provided that the EA report is able to commence exhibition it would be expected that an approval should be obtained within 12 months (by mid-2014).

Although it is possible that the NSW government may wish to conclude the approvals before the end of 2014, it is in any case likely that the Commonwealth approvals required under the Environment Protection and Biodiversity Conservation Act (EPBC Act) will extend into 2014. The Part 3A planning process is understood to remain beneficially subject to a State-Commonwealth bilateral agreement for environmental assessment which should allow relatively efficient arrangements for Commonwealth approvals. It is considered that the ecological matters of national environmental significance (MNES) relating to threatened species and communities as well as migratory species are not complex.

It is anticipated that a condition of project approval will be that within 12 months the previous development consents will be surrendered. The draft EA report states that the capital expenditure over the life of the project for which approval is sought will be A\$190 Million which exceeds the current forecast, however this capital expenditure includes additional expansion of capacity which is not within the current Life of Mine plan.

Table 13 1 - Key Features of the Proposed Project

Major Project

Components/Aspects	Existing and Approved Operations	Proposed Operations
Mining Areas	Underground block cave mining of E-26 and E-48 ore bodies; and Open cut mining of E-22 and E-27 (ceased in 2010).	Continued block caving of the E-26 and E-48 ore bodies (as per current approval); Development of block cave mining in the E-22 resource (previously subject to open cut mining); Development of open cut mining area in existing mine subsidence zone for E-26; Development of four small open cuts to extract ore from E-28, E-28NE, E-31 and E-31N; and Proposed open cut mining areas are located within the existing PA 06_0026 Project Area and existing Mining leases.
Ore Processing	Up to 8.5Mtpa of ore, sourced from underground and open cut mining areas.	Continuation of processing up to 8.5 Mtpa of ore through the existing processing plant sourced from underground and open cut mining areas.
Mine Life	Until 2025	Extension of mining by seven years until end of 2032.
Operating Hours	24 hours a day, seven days per week.	No Change.
Number of Employees	Approximately 700 full time equivalents.	No Change.
Mining Methods	Multiple Underground Block Cave; and Campaign open cut mining yielding up to 2 Mtpa for stockpiling and processing as required.	Multiple Underground Block Cave; and Campaign Open cut mining of up to 7 Mtpa for stockpiling and processing as required .

Major Project	Components/Aspects	Existing and Approved Operations	Proposed Operations
Infrastructure		Operation of:	Construction and operation of:
		Tailings storage facilities (TSF 1-4);	TSF to be augmented to connect existing and approved tailings facilities, through the development of TSF 3 southward from the existing southern embankment of TSF 2. The proposed TSF 3 will substantially include the approved TSF 3 (known as Rosedale);
		Ore processing plant including surface crusher, crushed ore stockpiles, active grinding mills, froth flotation area and concentrate storage;	Establishment of new waste stockpiles to store waste material generated during open cut mining campaigns including a vehicle wash down area;
		Site offices, training rooms and workshop facilities;	Continued operation of existing processing plant, site offices, underground access, water supply infrastructure and logistics connections;
		Road haulage of concentrate to the Goonumbla rail siding for transport to Port Kembla;	Continued road haulage of concentrate to Goonumbla rail siding for transport to Port Kembla;
		An overland conveyor to transport ore from the hoisting shaft to the ore processing plant stockpiles; and	Closure of the existing site access road through the development of TSF3;
		Operation of four wastewater treatment plants	Provision of an upgraded site access road along a new alignment from McClintocks Lane; Development of a access control and visitors car parking at the intersection of the proposed site access and McClintocks Lane; Upgrade/sealing of McClintocks Lane between the NPM access road and Bogan Road; and Upgrades as required to the intersection of McClintocks Lane and Bogan Road.
Block Cave	Knowledge Centre	Onsite Rio Tinto Block Cave Knowledge Centre operates for the domestic and international training of underground block cave mining methodology	Continued operation of the Rio Tinto Block Cave Knowledge Centre.

13.4 Site Management Procedures

13.4.1 Water Management Overview

The Company has a Water Management Plan in place which addresses regulatory matters, responsibilities, risks and potential impacts (drought and floods), management, monitoring, emergency responses, communications and reporting, review and documentation. RPM considers the water management plans to be above industry standards and highlights that the plan is reviewed on a regular basis to ensure minimal wastage of water.

Water quality is routinely measured from several sources as well as several site discharges and storage areas. The tested waters vary widely in alkalinity, indeed some are acidic, and show a reasonable amount of hardness (bicarbonate) and some chloride. Traces of copper exist in most waters and some samples contain moderate levels of magnesium besides the typical levels of sodium and potassium.

Water monitoring occurs at 69 surface water and 37 groundwater sampling sites. The surface water monitoring program consists of water quality sampling of various surface water courses and drainage system locations on and off the Project's licences. The groundwater monitoring program involves the monitoring of water levels and quality at various locations up gradient and down gradient from the site. Water monitoring occurs on a quarterly basis and after significant rainfall events.

While a site mine water management plan has been in place for some years, major studies have recently progressed toward the development of a detailed and integrated management plan that will address key risks raised in the Company's 2012 risk register.

Extensive water and groundwater monitoring is in place, with over 140 regular or infrequent monitoring locations (piezometer bores, monitoring bores, water storages, etc) over the site and surrounding lands and water bodies.

Water is required at the Project's processing plant, mining activities, dust suppression and general potable water usage. The Company obtains the majority of its existing water supply from Water Access Licences and a Joint Water Supply Licence held with Parkes Shire Council (PSC). As discussed in **Section 12**, the main source of water for PSC, and the most reliable water source for the Project, is a bore field in the Lachlan Valley near Forbes. In addition to this bore water, PSC obtains additional water from the Lachlan River and two surface dams near Parkes. The supply of operational water occurs via the PSC water pipeline to Parkes which has then been augmented to the mine site by NPM. *Table 3-9* outlines the main water and groundwater licences held for NPM.

The Project supplements the water it receives from PSC with the water recycled from the process plant thickeners and TSFs and rainfall recovered from the TSFs and other water storages within the existing mine site. Any groundwater recovered from the mine workings is also included and recycled for re-use as a part of mining operations.

The Project is a nil water discharge site, with the existing water management system operated and managed to comply with section 120 of the *Protection of the Environment Operations Act, 1997* (PoEO Act), as required under The Company's Environment Protection Licence (EPL) 4784.

Clean water diversion channels are constructed around the existing processing plant, site offices, TSF's and other operational areas, to ensure clean water is appropriately separated from operational water.

A recent internal memo clarified the Project's operational water requirements and water supply security in the context of climatic variability and other potential water supply constraints, as follows.

The Project normally requires approximately 3,200 Ml of water per year primarily for ore processing purposes. During times of drought (whereby there is no or little water in onsite storage and river allocations are cut to zero) this water comes from the Parkes bore field. For this reason water and security of supply remains a high priority for Project's operational ability. RPM notes that the Company currently holds a large water entitlement which is considered to be the primary insurance against a growth in use response, along with consultation and engagement with other water users in the local area in addition to times of severe drought.

The Company's groundwater entitlements are also supported by River Water (High and General Security) and a proportion of the Parkes town water (at least 1,088 ML) under the joint water supply agreement. The memo supplied and reviewed by RPM concluded that Company is in a strong position in relation to water security going forward and is well positioned should the NSW Office of Water implement a growth in use response. RPM concurs with this conclusion regarding the Company now having a satisfactory water supply security position.

Recent studies have focussed on assessing the sizing of various water management dams to ensure that mine meets the required standards for water retention during large storm events. This issue has been the subject of recent risk reviews and work has been programed for various priority works such as sediment removal and/or dam lifting as may be required.

13.4.2 Tailings Storage Facilities and Tailings Strategy

The waste from mining and processing production is stored in the waste dumps and tailings storage facilities (TSFs) respectively. The TSF's comprise TSF 1 (103 Ha) , TSF 2 (104 Ha) and E-27-Estcourt facility as shown in **Figure 10-3**. As part of routine operations, baseline groundwater monitoring is conducted on the mining lease to detect seepage from the TSF's and other mine storages, assess standing water levels and monitor water quality.

Six piezometer bores within the mine area are monitored for dissolved and total metals, sulphates, pH, TDS and EC. Fifty piezometers including vibrating wire piezometers are located surrounding the TSF walls to determine water conditions and stability of the structures. Regular TSF inspections are undertaken including a stability and seepage review. Reporting is submitted to the NSW Dams Safety Committee (DSC) in accordance with regulatory conditions. The most recent TSF inspection was undertaken by Knight Piesold engineers in November 2012 and the associated Intermediate Surveillance Report. The report concluded that the disposal of tailings is being well managed, the collection of monitoring data is being well performed and regularly reported, Dam safety management planning needs to be improved to meet the requirements of the NSW Dams Safety Committee, the confining embankments of the storage facilities do not show signs of serious instability, notwithstanding shallow slumping has been observed at TSF 1 and tunnel erosion has been observed at TSF 2, the water management works are functional but should be improved. RPM's site visit and desktop review agrees with this assessment.

E-27-Estcourt TSF includes the mined out E-27 Open Pit and commenced on 15 April 2009. The tailings stream was split with approximately 55% of the tailings being directed to E-27 and the balance to TSF 2. This provides flexibility for tailings management as, until additional piping was installed, TSF 2's gravity decant setup had limitations in also managing rainfall runoff collected in the TSF.

According to the Knight Piesold report (February 2013), significant leakage through the South Wall of TSF 2 was first noted in June 2011. The leakage is occurring adjacent to the Decant Causeway root a little way above the Stage 3 berm. A filter blanket was constructed over the leakage point in June 2011, and monitoring instrumentation was installed. In June 2012 a decision was made to generally cease tailings deposition in TSF 2 on account of concern for the stability of the embankment in the vicinity of the leakage.

Construction of E-27-Estcourt TSF commenced in February 2011 and tailings deposition into the Northern Basin of E-27-Estcourt TSF commenced on 21 November 2012.

In the previous 12 months, as part of an agreed strategy with the main environmental regulator (Office of Environment and Heritage), a polymer application was provided covering the majority of TSF 1 as a trial dust mitigation measure. RPM regards this action as an interim measure prior to permanent encapsulation with ground surface revegetation following the closure of the TSF's and capping. RPM notes that although not in regular use, periodic deposition in TSF 2 is used to keep the beaches moist and reduce the generation of dust.

Trials of cover materials for rehabilitation of the tailings beaches is understood to be planned to commence in late 2013, however RPM notes that no trials of slope armouring systems have been planned. The existing Project development consent provides that TSF 1 and TSF 2 have additional lift capacity of several metres to reach maximum approved height of 28 metres.

RPM's considers that ongoing risks are associated with the TSF's, however these are typical of a large scale operation of this type and no significant or abnormal risks can be identified. The Project's 2012 risk register identified several high risks associated with tailings facilities during normal operations as well as associated with mine closure/rehabilitation and long term stability. These are documented in **Section 14**.

A review of groundwater quality and potentiometric surface trends in the vicinity of the TSF 1 and TSF 2 and the Estcourt open pit TSF was undertaken by a senior Company corporate expert (memo dated 8/6/2012). Based on the limited data available, the decline in groundwater pH and total dissolved solids (TDS) around the tailings impoundments was considered most likely attributable to the recharge of weakly acidic, low TDS rainwater following the breaking of the drought in 2010.

Groundwater levels in the vicinity of the three TSFs were noted to have risen by more than a metre in all monitoring bores and in some cases have risen by more than ten metres over the prior four years (2007-2011). This is in contrast to the underground bores to the south and the furthest west open cut bores which have maintained near constant (plus or minus 0.5 metre) water levels over the same period. The increasing potentiometric surface in the vicinity of the TSFs was considered likely to be the result of the continued tailings deposition during the prior four years with a corresponding increase in the height of the potentiometric surface in the saturated tailings masses.

13.4.3 Geochemical Waste Rock Characterisation

As part of the numerous mining and technical studies the Company has analysed primary (unweathered) waste rock samples to determine their acid generating capacity, salinity potential and potential toxicity with respect to heavy metals and specific elements. The results generally showed that the primary waste rock from the three main mineralised bodies are low in sulphur (0.11% to 1.58%), with high acid neutralising capacity and a negative net acid-producing capacity. Solubility analyses and leachate tests showed that potentially toxic elements are not mobile at the natural pH of the waste rock and elevated levels are not expected in leachates or pore water.

Supported by a document entitled *Geochemical Assessment of Development Excavation Product from the E-26 Orebody Lift 2 New South Wales* (June 2004), approval was obtained from the NSW Department of Environment and Conservation (DEC) on 24/12/2004 that the material which is to form the waste dumps can be classified as Virgin Excavated Natural Material ('VENM'). The effect of this approval is that the material was considered not to have the potential to lead to acid generation and therefore was suitable (subject to monitoring) for reprocessing into construction material for use offsite. Accordingly, the activity was able to be undertaken within the current bounds of the Company's Environmental Protection Licence EPL 4784 (subject to obtaining any potential development consent that may be required from Parkes Shire Council).

A review of the waste rock and site procedures indicates the Company has an appropriate management plan in place entitled *Sitewide Mineral Waste and Acid Rock Drainage Management Plan*, however several unresolved risks still exist in relation to details of long term geochemical characterisation and acid rock drainage ("ARD") potential. RPM understands that the Company plans to undertake additional geochemical characterisation of caved overburden and removed waste material which will be mined during the remainder of the mine life to determine definitive and long term ARD potential, selective handling and disposal requirements, and suitability for use in capping and rehabilitation of TSFs and waste emplacements. RPM considers this approach suitable for the current mining status and the Project development plans in place.

13.4.4 Land Contamination

RPM's review of the potential contamination risks at the Company's rural properties, particularly due to former agricultural land use practices, noted the need for additional information and action to better define risk levels and management actions required, if any. There is expected to be some farm sheds that may contain asbestos materials and there may be residual impacts from oil, fuel and chemical storage and handling.

RPM notes that a preliminary contamination assessment has been undertaken on the site for the additional areas of disturbance which may be required for future operations. The draft assessment included a review of the current Northparkes Farm Manage, the history of agricultural practices in the proposed disturbance areas, visual inspection of the portions of the site to be disturbed by the proposed extensions to operations, as well as undertaking a database search of the NSW EPA Contaminated Land Record of Notices.

The assessment indicated that the area has been subject to cropping and grazing only and has not supported any sheep dip sites, fuel or chemical storage areas, or machinery workshops/sheds, aside from what has previously been identified on the contaminated site register and included in the current EA. The results of the database search indicated land affected by the proposed disturbance area have no records of notices relating to orders made under Part 3 of the Contaminated Land Management Act 1997. As a result no further assessment was undertaken. RPM notes that no material issues or critical flaws were noted that be inhibit the gaining of any expanded permits, however this needs to be confirmed when the final assessment is undertaken.

13.4.5 Noise and Dust

The Company holds licence agreements with leaseholders of properties owned by the Company which results in a reasonably large buffer zone of farmland owned by NPM surrounds the mine. As such the Project is currently moderately constrained from noise and dust emissions issues. The noise and dust levels generally comply with relevant standards, however isolated instances of noise exceedance at private residences have occurred in the past however these have been resolved.

Dust control is similarly a focus for environmental management. A relatively large area of Project disturbance comprises TSF's, ore stockpiles and waste emplacements which provide a dust risk in high winds. The Company has recently applied a polymer additive to the TSF 1 surface as a dust mitigation trial and periodically provides tailings or water to TSF 2 to wet the surface and minimise dust emissions. RPM considers this appropriate and will help significantly in dust suppression and contamination over the area adjacent to the TSF's.

During the site visit RPM noted that a network of dust monitors is located throughout the Project. In addition a program of attended and unattended noise monitoring is undertaken each year (quarterly) to monitor acoustic conditions while blasting is also accordingly managed and monitored.

A review of the Company's compliance indicated that previous reportable incidents have occurred in relation to dust emissions and exceedance of licence conditions for dust. RPM considers it likely that continued pressure from regulators will seek more effective and durable means of dust mitigation, such as accelerated TSF completion and rehabilitation, however RPM notes that the Company and its environmental management team are determining suitable mitigations against possible risks and impacts. This is highlighted by the planned increased in rehabilitation in 2013, as compared to recent years.

13.4.6 Biodiversity and Species Management

A review of the current threatened flora management procedures has proven to be adequate and compliance with NSW regulatory requirements is satisfactory. In addition the Company currently has vegetation and biodiversity offsets in place in compliance with existing approvals. A successful revegetation program over a number of years has involved strategic planting of 10,000 trees every year across its properties.

RPM notes that a referral was made in March 2013 to the Commonwealth Department of Sustainability, Environment, Populations and Communities (SEWPaC) in association with the current project application for ongoing and expanded mining operations. SEWPaC has advised that a Commonwealth assessment and approval will be required for the proposed development's effects on nationally listed threatened species and communities as well as migratory species under the Commonwealth *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act).

13.4.7 Waste Management

An effective and well-monitored waste management program is in place that is in compliance with regulatory requirements and the NPM waste management plan.

13.5 Compliance Performance

A review of the site management procedures and environmental performance indicated that the Company is in general compliance with NSW State and Commonwealth (Australian) environmental regulations. The Company and its environmental management team are undertaking all key environmental management activities and have responded to compliance matters in consultation with regulatory authorities.

Environmental Incidents Reporting

The Company has implemented a comprehensive safety, environmental and quality incident reporting system. The last publicly available data was for the 2012 year as reported in the 2012 Annual Environmental Management Report to various agencies (AEMR, 2013). **Table 14-3** shows that several incidents have been reported annually in recent years typically related to incomplete monitoring data, dust exceedance although no government fines resulted from the incidents and all incidents were minor. Compliance performance has remained relatively consistent in terms of reportable incidents but the minor fines that occurred prior to 2011 have not continued.

Table 13 2 - Environmental Incidents and Complaints 2011-2012

	2011	2012	2103 (forecast)
General			
Government fines	0	0	
Reportable incidents	5	6	
Legal compliance	Yes	Yes	
ISO 14001 certification	Yes	Yes	
Operations			
Total land clearance (Ha)	145.7	7.44	25
Total land rehabilitation (Ha)	24.8	4.2	15
Community			
Community Complaints	12	10	
Main complaint issue	Traffic/Dust	Traffic/Dust	
Community Consultation			
Committee (CCC) meetings	2	2	2
Community Investment (A\$)	601,300	732,750	525,150

Source: Provided by the Client.

13.6 Social and Economic Factors

A wide range of stakeholders are relevant to the Project encompassing government, industry, and local and regional communities.

As part of its community relations strategy and self-projection as a good corporate citizen, the Company takes considerable effort to engage the community and ensure that its social and community contributions in the region continue to be acknowledged. The Company's community and stakeholder relations status and management program are reviewed regularly to consider potential risks and opportunities, as well as resourcing and costs, in a similar management fashion to other components of the business. The Company has a long standing relationship with the local community and re-invests in social and community focused program. The total investment as well as the forecast for 2013 is shown in **Table 14-3**.

A part of its ongoing community consultation and community awareness, the Company engaged Umwelt to complete a review of the operation. This report completed in February 2012 (*Northparkes Mines Socioeconomic Knowledge Base*) included a recent review of community profile, perceptions, attitudes, and complaints, as well as an assessment of trends in media coverage. The study enhanced the Company's community relations database and encompassed both Parkes and Forbes local government areas.

The main findings of the community consultation included:

- The community ranked most highly the benefits to the local economy and businesses resulting from the Company operating in the local area;
- Company employees and contractors profile: They generally live in the area, give time and money to local charitable organisations, on average have higher qualifications than the general population, are slightly more culturally diverse and have not lived in the local area as long as the average population;
- Community has concerns about housing availability and affordability (RPM notes this is a common issue in regional mining communities in Australia);
- The Company provides significant community support through direct community contributions, in-kind support and indirectly through participation in the community of employees and contractors; and
- Water use was the most important point of interest to residents of Forbes. It was of such importance that it became the highest of all issues when combining Parkes and Forbes communities' attitudes. The Forbes community feedback indicated a greater need to provide further information to a wider extent in that community.

Other common themes reported in the study included general concerns about infrastructure availability and use, perceived skills shortage, a shortage of suitable school education facilities, a shortage of medical facilities, impacts to the community on mine life, driver fatigue and traffic as well as environmental impact concerns.

The community issues indicate a need for ongoing baseline monitoring of community attitudes and trends to ensure that the Company operates within and responds to community expectations as these evolve. Continuation of Company's significant community relations efforts will be important as well as managing effects on neighbouring properties and local water resources.

Although ongoing monitoring and social awareness is recommended, RPM notes that the operation provides well understood contributions to employment and business opportunities at a range of levels as well as benefits to the regional, state and national economies in the form of royalties and taxes (both direct and indirect). As well as various local sponsorship initiatives, the Company runs a significant community support grants program which has featured two calls for grant applications in each year (April, October) each totalling \$40,000, which contribute to the communities' overall ongoing support of the Company's operations.

13.7 Other Environmental Aspects

Other environmental aspects including biodiversity and conservation management including indigenous heritage values, land use compatibility, farm management, and community/stakeholder relations appear well managed and characterised by relatively low risks.

The Company holds an agreement with Wiradjuri elders in relation to indigenous heritage management and RPM understand no issues are present.

13.8 Properties and Access Agreements

Numerous rural and residential properties in the locality are owned by the Company totalling approximately 3,900 Ha in area. The majority of the property includes productive rural properties such as those former farmlands that now hosts the Project. While several farmland properties are actively managed by the Company and have demonstrated excellent agricultural productivity and land management practices, several rural properties outside of the mining lease active mining lands are leased for agricultural land uses. In such cases, the lease agreement conditions provide for continued property access by the Company for a variety of purposes and the inability for the leaseholder to object to various mining activities including tenement applications/renewals and exploration. The leaseholder is required to acknowledge that the activities by the Company on or near the leasehold land may include noise-generating activities (such as drilling and blasting) and that the leaseholder/licensee also agrees to make no claim against the Company in relation to that noise.

13.9 Mine Closure and Rehabilitation Strategy

The Company has a rehabilitation management plan and a mine closure plan and strategy in place. The plans are continuously being updated to include operational changes and requirement as well as any changing regulatory reviews or requirements.

As outlined in the Draft EA report, given the nature of the Company's operational activities there is limited potential for progressive rehabilitation, aside from that required to manage specific environmental aspects (e.g. dust minimisation), remediation efforts in TSF seepage management, and/or specific safety issues on site. This is primarily due the nature of the mining process, which is necessary to restrict access to subsidence areas, the availability of use of material stockpiles and the operational preference for TSFs to remain 'open' for the life of the Project. RPM considers this 'normal' for operations in Australia and similar to other operations.

Revegetation trial areas and techniques are proposed to be established in 2013 using a research approach with experienced practitioners from the University of Queensland's Centre for Mined Land Rehabilitation. RPM understand that the Company undertakes a substantial revegetation program involving planting of 10,000 trees per year, typically along the perimeter of its rural farmland properties and/or where there is potential for effective linkages to be made between remnant vegetation areas to enhance habitat values.

13.9.1 Mine Closure Plans and Financial Provisions

A review of the life of mine plans and CAPEX requirements by RPM indicates that a full provision for restoration and rehabilitation has been raised in respect of areas disturbed by mining activities but not yet restored. The provision is in accordance with the Company's Present Closure Obligations policy. The policy requires a provision to be made for the required costs to close down, remove and rehabilitate the mine site at the end of its operating life, based on the net present value of estimated future costs. The total estimated costs for the mine closure as at 31 December 2012 were \$100,432,517.

For close down and restoration costs, which include the dismantling of infrastructure, removal of residual materials and remediation of disturbed areas, movement sin provisions other than the amortisation of the discount, such as those resulting from changes in the cost estimates, life of operation or discount rates, are capitalised and depreciated over future production.

Under the Present Closure Obligation policy, an amount representing the capitalised portion of present closure obligation costs has been recognised as a non-current asset. This non-current asset is amortised over the life of the mine on a units of production basis. The Present Closure Obligation is reviewed at least annually.

The estimated total mine closure costs at end of mine life, which assumes full development of currently approved facilities at time of planned mine closure (to date, 2029), is known as the Total Projected Cost and is calculated according to management guidelines. As at the time of last review, the Total Projected Cost for orderly mine closure is A\$166,212,831 which is detailed in **Table 12-11**.

The security bonds as required by NSW regulation under mining leases, exploration licences and biodiversity offset strategies currently amount to \$18.4 Million. Tenement bond levels were last confirmed in October 2011 for the latest Mining Operation Plan 2011-2015 (MOP). The actual site rehabilitation liability (disturbed site area) has not significantly changed since that date.

The expected imminent renewals for key tenements are unlikely to materially increase bonds given that the rehabilitation liability status has not significantly changed since the MOP renewal. The key trigger for bond review is a new or changed MOP application. On the basis that there has been limited recent change to disturbed area, the next MOP for 2016-2021 would only be expected to increase bonds around 10 - 20% irrespective of the Company's owner unless a new post-approval MOP proposes a significant increase in surface disturbance area during the life of the MOP.

Three main factors are pertinent to the current Total Projected Cost mine closure estimate:

- The vast majority of site rehabilitation occurs as part of mine closure,
- There is no material change to rehabilitation consent conditions following the approval of the current Part 3A project application, and
- There is no change to rehabilitation requirements for open cut voids and subsided caved areas for reasons of regulatory change nor from outcomes of studies (such as site rehabilitation trials and research) or from risk reviews (such as potential ARD implications).

The potential for increasing regulatory or community pressure for earlier than planned completion and rehabilitation of a TSF would result in a significant mine closure cost item being brought forward, perhaps to within a 5 year horizon. However, such expenditure brought forward for TSF rehabilitation would be essentially a direct subtraction from the mine closure cost estimation (after factoring for discount rate, etc)

The mine closure plan provides for return of the majority of the Project site to productive farmland however, the open cut voids and subsided caved areas will not be reinstated but will be long term “prohibited areas” for which access will be effectively discouraged.

14 MINE RISKS AND OPPORTUNITY ASSESSMENT

Mining is a relatively high risk business when compared to other industrial and commercial operations. Each mine has unique characteristics and responses during mining and processing, which can never be wholly predicted. RPM's review of the Mines indicates mine risk profiles typical of mines at similar levels of resource, mine planning and development in Australia. Until further studies provide greater certainty, RPM notes that it has identified risks and opportunities with the Mines as outlined in *Table 15-1*.

RPM has attempted to classify risks associated with the Mine based on Guidance Note 7 issued by The Stock Exchange of Hong Kong Limited. Risks are ranked as High, Medium or Low, and are determined by assessing the perceived consequence of a risk and its likelihood of occurring using the following definitions:

Consequence of risk:

- **Major:** the factor poses an immediate danger of a failure, which if uncorrected, will have a material effect (>15% to 20%) on the Mine cash flow and performance and could potentially lead to Mine failure;
- **Moderate:** the factor, if uncorrected, could have a significant effect (10% to 15% or 20%) on the Mine cash flow and performance unless mitigated by some corrective action, and
- **Minor:** the factor, if uncorrected, will have little or no effect (<10%) on Mine cash flow and performance.

Likelihood of risk occurring within a 7 year timeframe:

- **Likely:** will probably occur;
- **Possible:** may occur, and
- **Unlikely:** unlikely to occur.

The consequence of a risk and its likelihood of occurring are then combined into an overall risk assessment as shown in *Table 15-1* to determine the overall risk rank.

Table 14 1 Risk Assessment Figure

Likelihood	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

RPM notes that in most instances it is likely that through enacting controls identified through detailed review of the Mine’s operation, existing documentation and additional technical studies, many of the normally encountered Mine risks may be mitigated.

Risk Ranking	Risk Description and Suggested Further Review	Potential Mitigant	Area of Impact
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Geotechnical Cave Stability :

H	The rock mechanics program is in line with industry best practice with geotechnical personnel taking advantage of numerical modeling and rock instrumentation to develop a better understanding of rock behavior. Despite these efforts, it still remains very much an art in that occurrences such as ground weight and premature dilution can not be adequately predicted.	Close monitoring of cave performance and adjustment of draw point management.	Life of Mine financial performance
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Risk Ranking	Risk Description and Suggested Further Review	Potential Mitigant	Area of Impact
Cave Design:			
M	RPM has relied on similar designs between E-48, E-26L1 and E-26L2, and as such has become comfortable designing future mines (E-22) in similar fashion. The high ore columns coupled with mine infrastructure being within the abutment zone of the cave, make it a less than optimal geomechanical design.	Complete Review of the Cave Design based on detailed review of the draw control data.	Production and Ore Reserves
Age of Process Equipment:			
M	The key processing equipment although in good condition is relatively old and requires high sustaining CAPEX. Potential bottlenecks occur in Moldule 2 which needs to be rectified.	Have detailed maintenance schedule in place.	Capital Costs
LOM Scheduling			
M	The Forecast LOM production plant feed is generally dependent on single Cave sources. If cave production is interrupted feed tonnages to the plant will drop to below planned levels.	Find additional sources of via mining studies of current resources or further exploration.	Project production and Revenue
Staff Retention and Succession Planning during Transition			
M	RPM notes that differing management styles will be in place between the Company and Client. Due to the specialised skill sets required for the mining methods loosing staff will result impact the performance of the operation.	Implement Change Management Systems during transition	Operational Performance
E-22 Cave Capital Cost:			
M	The Development Costs for the E-22 Cave have been estimated by RPM based on preliminary designs. The costs may change when detailed design completed.	Completed Detailed Designs	Project Economics

Risk Ranking	Risk Description and Suggested Further Review	Potential Mitigant	Area of Impact
Future Ore Sources and Metal recovery:			
L	Finer grained and harder future ores are forecast from the new caves which may impact the grade-recovery relationships.	Complete additional test work on future ore to ensure consistency and suitable flow sheet.	Metal Recovery
Production Shaft:			
L	Only a single Production Shaft available. If hoisting issues ground stability or mechanical failure occurs production will be interrupted.	Monitoring of ground conditions and regular maintenance of equipment.	Production Capacity
TSF 3 (Rosedale) Design:			
L	RPM has not been supplied with a detailed design of the TSF3	Complete detailed design	Tails Storage Capacity
Licence Renewal:			
L	1 of the 6 Exploration Licences is not current and in the renewal process	Complete Renewal process	operations
Grade estimation:			
L	The controls on mineralisation are well understood however there is always an inherent risk due to the estimation methodology	Complete Reconciliation to review estimation practices	Mineral Resource and Ore Reserve estimates
Water, Power and Transport Contracts:			
L	Several of the consumable and transport contract are in the process of re-negotiation. These negotiation may result in changes to the operating costs	Complete negotiation	Operating costs
Tunnel erosion and leak from TSF 2:			
L	A leak is reported from the Wall of TSF 2.	Continue monitoring and rehabilitation as required	Environmental Bonds
L	Environmental Permits and Approvals		

A1. ANNEXURE A - QUALIFICATIONS AND EXPERIENCE**Jeremy Clark - Operations Manager, Hong Kong, Bsc. with Honours in Applied Geology, Grad Cert Geostatistics, MAIG, MAusimm**

Jeremy has over 12 years of experience working in the mining industry. During this time he has been responsible for the planning, implementation and supervision of various exploration programs, open pit and underground production duties, detailed structural and geological mapping and logging and has a wide range of experience in resource estimation techniques. Jeremy's wide range of experience within various mining operations in Australia and recent experience working in South and North America gives him an excellent practical and theoretical basis for resource estimation of various metalliferous deposits including Iron Ore and extensive experience in reporting resource under the recommendations of the JORC and NI-43-101 reporting codes.

With relevant experience in a wide range of commodity and deposit types, Jeremy meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Jeremy is a member of the Australian Institute of Geoscientists.

Daniel White - P.E. Principal Geological Engineer, B.S. Geosciences, University of Arizona, M.S. Geological Engineering, University of Arizona.

Over 38 years' experience in the minerals industry. Dan has completed block caving related projects at such U.S. mines/prospects as Climax, Henderson, San Manuel, Lakeshore, Questa, Santa Cruz (Casa Grande West) and Golden Sunlight with similar assignments for projects in Indonesia (Freeport DOZ, Newmont Batu Hijau, Utah Cabang Kiri), Philippines (Philex, Pacific Falcon), China (Tan Kuan Yu), Chile (El Teniente, Andina) and Greece (TVX Skouries). He specializes in engineering geology, rock mechanics, geotechnical engineering, mine engineering, planning and execution of projects related to the application of geology to engineering problems.

Bob Dennis, Principal Mining Consultant

Mr Dennis has 30 years involvement in the mining industries of Australia and in Italy. He has worked in operations management, including mining, processing, planning and support services; planned and executed exploration programs from grass roots to feasibility study levels; recruited and developed teams; estimated resources using geostatistical methods and evaluated prospect and mining opportunities.

Specific uranium experience includes ongoing due diligence on a large Siberian uranium resource. Bob has reviewed and made specific recommendations with respect to the geology, geostatistics, hydrology, environmental studies and the interaction between these aspects and the mining and metallurgy

Philippe Baudry - General Manager - China and Mongolia, Bsc. Mineral Exploration and Mining Geology, Assoc Dip Geo science, Grad Cert Geostatistics, MAIG

Philippe is a geologist with over 14 years of experience. He has worked as a consultant geologist for over 6 years first with Resource Evaluations and subsequently with Runge after they acquired the ResEval group in 2008. During this time Philippe has worked extensively in Russia assisting with the development of two large scale copper porphyry Mines from exploration to feasibility level, as well as carrying out due diligence studies on metalliferous Mines throughout Russia. His work in Australia has included resource estimates for BHPB, St Barbara Mines and many other clients both in Australia and overseas on most styles of mineralisation and metals. Philippe furthered his modelling and geostatistic skills in 2008 by completing a Post Graduate Certificate in Geostatistics at Edith Cowan University. Philippe relocated to China in 2008 and has since Mine managed numerous Due Diligences and Independent Technical Reviews for private acquisitions and IPO listings purpose mostly in China and Mongolia.

Prior to working as a consultant Philippe spent 7 years working in the Western Australian Goldfields in various positions from mine geologist in a large scale open cut gold mine through to Senior Underground Geologist. Before this time Philippe worked as a contractor on early stage gold and metal exploration mines in central and northern Australia.

With relevant experience in a wide range of commodity and deposit types, Philippe meets the requirements for Qualified Person for 43-101 reporting, and Competent Person (“CP”) for JORC reporting for most metalliferous Mineral Resources. Philippe is a member of the Australian Institute of Geoscientists.

Andrew Newell - BE, MEngSc, University of Melbourne, PhD, University of Cape Town. Member of the SME, CIMM, AusIMM & IEA as well as a Chartered Professional Engineer, Australasia

Andrew has over 30 years of broad experience in the fields of minerals processing, hydrometallurgy, plant design, process engineering (including equipment selection and design) and metallurgical testwork. He has worked on five iron ore projects, one involving flotation, and is knowledgeable about iron ore processing techniques such as magnetic separation. The experience includes operating and management experience in base-metal concentrators, precious metal leaching facilities as well as diamond processing and base-metal smelting in several countries, including Chile, Peru, South Africa, USA and Australia. Responsible for the design of flotation equipment, concentrators and commissioning of flotation and precious metals leach plants. In addition, Andrew has had experience in process and process plant evaluations, due diligence audits, feasibility studies and metallurgical testwork and program development.

Peter Smith - Environmental Specialist, B.A. Environmental Science/Geomorphology/Land Management, Macquarie University; M.S. Environmental Studies, University of NSW; M.S. of Environmental Law, University of Sydney.

Peter has over thirty years' experience in Australia and overseas in environmental planning and management for mining operations, as well as for industrial and infrastructure developments. Peter's key strengths are in the provision of strategic advice to minerals industry Clients on sustainable environmental and community management, analysis and assessment of the compliance and performance of proposed and existing minerals industry operations and assisting in the development planning and approvals for new minerals industry operations.

Company's Relevant Experience

RungePincockMinarco (RPM) is a premier international consulting and software solutions firm, serving clients from 18 locations around the world.

RPM's consulting services range from pure technical consulting through to strategic corporate advice, undertaking assignments on mining assets covering most commodities and mining methods.

RPM maintains a full time staff of over 200 qualified specialists. This extensive resource base positions RPM perfectly to deliver timely advice and solutions globally.

RPM's trusted advisors typically complete over 200 assignments per year across the disciplines of:

- Mining Engineering;
- Minerals Processing;
- Coal Handling and Preparation;
- Power Generation;
- Environmental Management;
- Geology;
- Contracts Management;
- Mine Management;
- Finance;
- Commercial Negotiations.

RPM was founded in Australia and as a result, has a solid understanding of and is committed to compliance with the codes which regulate Australian corporations and consultants.

Over the past 45 years, RPM has established an international business which has continued to provide clients and those that rely on its work the confidence that can be associated by the use of the relevant Australian codes.

These codes include:

- The Australian Corporation Law;
- The Australian Institute of Company Directors Code of Conduct;
- The Securities Institute of Australia Code of Ethics;
- The Australasian Institute of Mining and Metallurgy Code of Ethics;
- The Australasian Code for Reporting of Exploration Results, Mined Resources and Ore Reserves.

RungePincockMinarco has conducted numerous mining technical due diligence programs and reporting for IPO's and capital raisings over the past six years, with involvement in Mines raising a total of over Billion USD 40 of capital. Some of this and other work is summarised in *Table A1*.

RPM leverages the power of its specialist knowledge to also provide cutting edge mining software technology that is sought after globally for mine scheduling, equipment simulation and financial analysis. RPM software is relied on by mining professionals to understand how to structure their long and short term operations efficiently using best practice methodologies and solutions.

Table A1 - Mining Related IPO and Capital Raising Due Diligence Experience

2012 China Gold Resources International., Ltd; Tibet Jiama Copper-Polymetallic Phase II NI 43-101 HKEx Pre-Feasibility Study. China

2012 China Precious Metal Resources Holdings Co., Ltd Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of an Gold Operation Yunnan Province, China.

2012 Kinetic Mines and Energy., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the IPO of an underground coal asset in Inner Mongolia Province, China.

2012 China Daye Non-Ferrous Metals Mining., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of 4 operating underground copper, lead, zinc assets in Hubei Province, China.

2012 Huili Resources Group., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the IPO of multiple underground nickel, lead, zinc, copper and gold mining assets in Xinjiang and Hami Province, China.

2011 China Polymetallic Limited Mining., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the IPO of a lead zinc silver polymetallic underground mining assets in Yunnan Province, China.

2011 China Precious Metal Resources Holdings Co., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2011 HaoTian Resources Group Limited; Competent Persons Report of Mineral Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support acquisition of and underground coal mines in Xinjiang Autonomous Region, China.

2011 King Stone Energy Group., Ltd; Competent Persons Report of Mineral Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support acquisition of 2 underground coal mines in Shanxi Province, China.

2010 China Precious Metals Holdings Co., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2010 Century Sunshine Group Holdings Limited; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of a serpentinite mining asset in Jiangsu Province, China.

2010 Doxen Energy Group Limited; Independent Technical Review and estimation of Mineral Resources under JORC for inclusion in a HKEx Circular to support the acquisition of a coal mining asset in Xinjiang Autonomous Region, China.

2010 KwongHing International Holdings (Bermuda) Limited; Independent Technical Review for inclusion in a HKEx Circular to support a Very Substantial Acquisition.

2009 Metallurgical Corporation Of China Ltd (“MCC”); Independent Technical Review for inclusion in a Prospectus to support a stock exchange listing on the Hong Kong Stock Exchange.

2009 Nubrand Group Holdings Limited, Guyi Coal Mine; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 China Blue Chemical Limited, Wangji and Dayukou Phosphate Mines; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 Kenfair International (Holdings) Limited, Shengping Coal Mine; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Railway Company Limited, African Copper/Cobalt Assets; Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 KoYo Ecological Agrotech (Group) Limited Sichuan Phosphate; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 Prosperity International Holdings Limited, Guilin Granite Mine; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Primary Resources - Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by China Primary Resources.

2007 China Railway Company Limited, African Copper/Cobalt Assets; Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 Gloucester Coal Limited - Independent Technical Review for Australian Stock Exchange Scheme of Arrangement.

A2. ANNEXURE B - GLOSSARY OF TERMS

The key terms used in this report include:

- **AIG** Australian Institute of Geoscientist
- **ARI** refers to Average Recurrence Interval
- **Au** refers to Gold
- **AUSIMM** stands for Australasian Institute of Mining and Metallurgy
- **Block Caving** refers to the underground mining method employed within the Operation which has a series of undercuts which allow spontaneous caving into Drawbells.
- **Bornite** refers to a brown metallic mineral containing Cu Sulphide
- **Chalcopyrite** refers to a brassy sulphide mineral containing copper and iron.
- **Chalcocite** refers to a gray to black brittle copper sulfide mineral
- **Covellite** refers to a purple mineral consisting of thin sheets of Cu sulphide
- **Client** refers to China Molybdenum Company Limited
- **Concentrate** refers to the Cu and Au Product produced and sold by the Operation
- **Company** means Northparkes Limited
- **Cu** refers to Copper
- **Cu.m/h** refers to refers to cubic meters per hour
- **Cut-Off Grade** ('cog')

Resource cog: is the lowest grade of mineralised material that qualifies as having reasonable economic potential for eventual extraction and supports a geologically justifiable and continuous mineralisation domain.

Economic/Reserve cog: is the lowest grade of mineralised material that qualifies as economically mineable and available in a given deposit after application of modifying factors and economic assessment at given commodity prices. It may be defined on the basis of economic evaluation, or on physical or chemical attributes that define an acceptable product specification.

- **Drawbells** refers the formation of funnel-shaped structures which act as conduits for the broken ore and connect the block to the production level at Drawpoints
- **Drawpoints** refers to the point which allows extraction of Ore from the Drawbells on the Production Level.
- **Deposits** refers to the cluster of mineralised bodies which are contained within the Project.
- **Fault** refers to a slip-surface between two portions of the earth's surface that have moved relative to each other. A fault is a failure surface and is evidence of severe earth stresses.
- **GL** refers to a giga litre
- **g/t** stands for grams per tonne
- **HKEx** stands for Hong Kong Stock Exchange
- **Ha** also **ha** stands for Hectares
- **ITR** stands for Independent Technical Review
- **JORC** stands for Joint Ore Reserves Committee
- **JORC Code** refers to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
- **km** stands for kilometre
- **kt** refers to kilo tonnes

- **ktpa** refers to kilo tonne per annum
- **kt** stands for 000's of tonnes
- **ktpa** stands for 000's tonne per annum
- **KV** refers to kilovolt
- **KWh** refers to kilowatt hours
- **LHD** refers to an articulated loading machine used underground
- **LOM** refers to Life of Mine
- **LOM** plan stands for Life of Mine Plan
- **m** stands for m
- **mm** refers to millimetre
- **mine** production is the total raw production from any particular mine
- **Mineable Coal Seams** refers to a coal seam which has a thickness greater than the minimum mining width, as described by the Chinese Code.
- **Mining rights** means the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
- **MI** stands for mega litre which is equal to one million litres
- **MVA** refers to megavolt ampere
- **MW** refers to megawatt
- **NSR** refers to Net z the ground followed by processing and transport to market.
- **PCBC** refers to a Block Cave Modelling Software
- **PSC** refers to Parkes Shire Council

- **Production Level** refers to a series of drives is then developed beneath the cave.
- **Project** refers to the Northparkes Project contained within the Exploration and Mining Licences
- **Pyrite** refers to a hard, heavy, shiny, yellow mineral, FeS₂ or iron disulfide, generally in cubic crystals.
- **RPM** refers to RungePincockMinarco
- **Mt** stands for mega tonnes which is equal to one million tonnes
- **Mtpa** stands for million tonnes per annum
- **Raw Coal** stands for in-situ coal or run-of-mine material which has not had washability or beneficiation factors applied.
- **Relevant Asset** means the operating underground mine, processing facility, associated mining and administration infrastructure and mining and exploration licences.
- **ROM** stands for run-of-mine, being material as mined before beneficiation or washing
- **t** stands for tonne
- **Troy Oz** equates to 31.103477g
- **tonne** refers to metric tonne
- **tpd** stands for tonnes per day
- **tph** stands for tonnes per hour
- **Undercut Drives** refers to the set of horizontal drive above the production level which is used help propagate spontaneous caving into Drawbells.
- **WAL** refers to Water Access licenses
- **Wmt** stands for Wet metric tonne

- A\$ refers to Australia dollar currency.
- \$ refers to United States dollar currency
- ¥ is the symbol for the Chinese Renminbi Currency Unit
- % refers to a Percentage.

Note: Where the terms Competent Person, Inferred Resources and Measured and Indicated Resources are used in this report, they have the same meaning as in the JORC Code.

A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Mineralisation may be classified as a Measured Mineral Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt, in the opinion of the Competent Person determining the Mineral Resource, that the tonnage and grade of the mineralisation can be estimated to within close limits, and that any variation from the estimate would be unlikely to significantly affect potential economic viability.

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource. Mineralisation may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are such as to allow confident interpretation of the geological framework and to assume continuity of mineralisation. Confidence in the estimate is sufficient to allow the application of technical and economic parameters, and to enable an evaluation of economic viability.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource. The Inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and/or grade continuity to be confidently interpreted. Commonly, it would be reasonable to expect that the majority of Inferred Mineral Resources would upgrade to Indicated Mineral Resources with continued exploration. However, due to the uncertainty of Inferred Mineral Resources, it should not be assumed that such upgrading will always occur. Confidence in the estimate of Inferred Mineral Resources is usually not sufficient to allow the results of the application of technical and economic parameters to be used for detailed planning. For this reason, there is no direct link from an Inferred Resource to any category of Ore Reserves

A3. ANNEXURE C- DATA VERIFICATION CHECKS BY RPM.**Collar checks by RPM**

Hole ID	RPM GPS Readings						Digital Data					
	Latitude			Longitude			Latitude			Longitude		
	D	M	S	D	M	S	D	M	S	D	M	S
E-48D180	-32	55	17.7	148	3	6.5	-32	55	17.7	148	3	6.5
GD617	-32	55	14.6	148	4	1.4	-32	55	14.6	148	4	1.3
GD733	-32	55	57.4	148	3	41.9	-32	55	57.4	148	3	41.9
GD749	-32	55	49.0	148	4	13.1	-32	55	49.0	148	4	13.1
GD759	-32	56	46.2	148	3	42.2	-32	56	46.2	148	3	42.1

Drill Collar Survey Checks**Hole ID's Electronic Survey Checks**

E-26D484	E-26D539	E-48D150	E-48D154	E-48D169	E-48D174	E-48D187	E-48D193	E-48D228	BZD11
E-48D149	E-48D152	E-48D158	E-48D160	E-48D183	E-48D217	E-48D226	E-26D477	E-26D491	E-26D542
BZD18	BZD24	BZD25	BZD35	BZD39	BZD43	BZD44	BZD56	BZD62	BZD9

Hole ID's Hard Copy Checks

E-26D127	E-26D128	E-48D86	E-48D19W2	E-22D271	E-22D274
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Downhole Surveys MultiShot Checks**Hole ID's Multishot Survey Checks**

BZD11	BZD18	BZD24	BZD25	BZD35	BZD39	BZD43	BZD44	BZD56	BZD62
BZD9	E-22D12	E-22D177	E-22D18	E-22D20	E-22D211	E-22D212	E-22D213	E-22D216	E-22D219
E-22D36	E-22D56	E-22D61	E-22D71	E-22P187	E-26D484	E-48D228	E-26D190	GD710	GRP476

Hole ID's Hard Copy Survey Checks

E-26D127	E-26D128	E-48D86	E-48D19W2	E-22D271	E-22D274
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Geological Logging Holes Checked

E-26D127	E-26D128	E-26PDH3	E-48D86	E-48D19W2	E-22D271	E-22D274	E-26P70
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Holes Checked from Hard Copy Bulk Density Records

GD738	GD735	BZD9	BZD4	BZD30	BZD29	E-48D158	E-48D157	E-48D176
E-48D158	E-48D157	E-48D176	E-26D497	E-48D200	BZD11	E-26D497	E-48D200	BZD11

Holes Checked from Hard Copy Assay Certificates

E-26D127	E-26D128	E-26PDH1	E-26PDH3	E-48D86	E-48D19W2	E-22D271	E-22D274
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A4. ANNEXURE E- DATA VERIFICATION CHECKS BY RPM.

Bore Holes and Radiation Licences

Instrument ID	Date Issued/		Description
	Approved	Expiry	
Groundwater bores licences NSW Office of Water (Water Act 1912):			Northparkes zone 3 groundwater entitlements (Upper Lachlan Alluvium) Total abstraction allowance 9,422 ML
70BL228240	27/06/2007	27/06/2012	Bore Licence
Bore Licence 80BL244990	16/07/2008	Perpetuity	Bore Licence
Bore Licence 80BL244991	16/07/2008	Perpetuity	Bore Licence
Bore Licence 80BL244992	16/07/2008	Perpetuity	Bore Licence
Bore Licence 80BL245449	18/01/2010	17/01/2015	Bore Licence
Bore Licence 80BL245450	18/01/2010	17/01/2015	Bore Licence
Bore Licence 80BL620201	9/09/2011	Perpetuity	Bore Licence
Bore Licence 80BL620202	9/09/2011	Perpetuity	Bore Licence
Bore Licence 80BL620200	7/09/2011	Perpetuity	Bore Licence
Bore Licence 80BL620203	9/09/2011	Perpetuity	Bore Licence

Instrument ID	Date Issued/		Description
	Approved	Expiry	
70BL229198			
70BL231904			534 Mega Litres
70BL227404	26/07/2004	Perpetuity	1,728 Mega Litres
70BL231225			
70BL018172			600 Mega Litres
70BL019719			
70BL227405			1,110 Mega Litres
70BL015166			
70BL231013			700 Mega Litres
70BL226740			500 Mega Litres
70BL226550			1,600 Mega Litres
70BL230929			
70BL226584			1,050 Mega Litres
Water supply works water use approval	27/05/2008	26/05/2013	
No. 70CA613802	14/09/2012	13/09/2015	Bore approval: Mining/Irrigation. Upper Lachlan Alluvial Groundwater Source - Zone 3 Mgmt Zone
Radiation			
RL 23959	Undated letter	21/05/2015	Radiation Licence Certificate issued by NSW EPA
RL 43053	Undated letter	6/02/2014	Radiation Licence Certificate issued by NSW EPA for portable XRF analyser
RL 43056	Undated letter	6/02/2014	Radiation Licence Certificate issued by NSW EPA for portable XRF analyser

Current Environmental Approvals and Operational Permits.

Instrument ID	Date Issued/		Description
	Approved	Expiry	
			Planning Consents and Environmental Protection Licence
DC 06-0026 (Original)	28/02/2007	21/12/2025	Initial approval until 31/12/2018 but extended by Modifications 1 & 2 approvals
Modification 1	6/10/2009		
Modification 2	28/10/2009		
Environment Protection Licence EPL 4784	13/10/2000	current	Licensee North Mining Limited, Sumitomo Metal mining Oceana Pty Ltd & SC Mineral Resources Pty Ltd. Last licence variation issued on 19/10/2012; Anniversary date 30th May. Last annual return lodged 20/07/2012 for period 30/05/2011 to 29/05/2012.
Commonwealth EPBC Act Referral ref. no. 2013/6788 (15/3/2013 Referral Date)			Determination of Controlled Action (requiring Commonwealth approval) on 21 May 2013 in relation to threatened species and communities as well as migratory (bird) species. An initial referral dated 29/11/2012 (ref: 2012/6651) for major mine expansion to 30Mtpa was withdrawn on 21/12/2012.
Parkes Shire Council DA 11092	31/01/2012	31/01/2017	Eastern Nomad application for training centre Part Lot 41 DP 1120299
Forbes Shire Council DA 2009/0057	19/03/2009	19/03/2014	Water Pipeline
Parkes Shire Council approval for HMV access Bogan Rd.	20/07/2010		High Mass limit vehicle access from NPM to Goonumbla rail siding using Bogan Rd

Instrument ID	Date Issued/		Description
	Approved	Expiry	
Other Licences			
Mining Operations Plan 2011-2015	7/01/2011	30/06/2015	DTIRIS- DRE approval re ML 1247, ML 1367, ML 1641
Dept of Lands Licence 2008-018	9/04/2008	8/04/2018	Licence for use of Imagery Data
WorkCover Dangerous Goods Licence NDG029083	Notified 25/08/2012	27/06/2013	Covers storage of diesel, LPG, reagents and other chemicals
WorkCover NSW Store Licence XSTR100146	Notified 10/12/2012	26/11/2017	Explosives & SSDS storage (5 year licence)
Forests NSW Occupation Permit No. HD48307	24/09/2009	31/12/2014	Forestry Commission of NSW OP for installation at Limestone State Forest re ML1641 signed 12/01/2009
Refrigerant Trading Authority Certificate - Authorisation No. AU16791	n/a	30/03/2011	Commonwealth Govt which was Dept of Environment and Water Resources

Water and Groundwater Licences

WAL 21466	9/02/2012	Continuing	50 share units of High security water from Lachlan regulated river
WAL 21471	9/02/2012	Continuing	200 share units of High security water from Lachlan regulated river
WAL 7866	9/02/2012	Continuing	495 share units of High security water from Lachlan regulated river
WAL 1698	6/03/2012	Continuing	486 share units of High security water from Lachlan regulated river
WAL 9995	9/02/2012	Continuing	260 share units of High security water from Lachlan regulated river. Nominated works approval no. 70CA603028
WAL 8241 (details not accessible)	13/06/2008	Continuing	2,976 share units

A5. ANNEXURE F- DATA VERIFICATION CHECKS BY RPM.

Module 1 Flotation Circuit Details

Circuit/Equipment	Capacity (tph)	Other
Flash Rougher	120	
<i>Feed Rate (% of UF)</i>	53	30
<i>Residence Time (min)</i>		~1
<i>Percent Solids (%)</i>		22
<i>Copper Stage Recovery (%)</i>		30
Tank Cell	280	
<i>Volume (cu.m)</i>		NS
<i>Volumetric Flow (cu.m/h)</i>		274
<i>Residence Time (min)</i>		NS
<i>Percent Solids (%)</i>		37.4
<i>Copper Stage Recovery (%)</i>		70.93
Roughers (conventional)	273	
<i>Volume (cu.m)</i>	89	17
<i>Volumetric Flow (cu.m/h)</i>		557
<i>Residence Time (min)</i>	1.6	8.5
<i>Percent Solids (%)</i>		37.5
<i>Air holdup (%)</i>		11.5
<i>Copper Stage Recovery (%)</i>		74.44
Scavengers (conventional)	273	
<i>Volume (cu.m)</i>		13.5
<i>Volumetric Flow (cu.m/h)</i>		600
<i>Residence Time (min)</i>	1.3	NS
<i>Percent Solids (%)</i>		35.4
<i>Air holdup (%)</i>		5.5
<i>Copper Stage Recovery (%)</i>		19.27
Cleaners (Jameson)	19.6	
<i>Volume (cu.m)</i>		NS
<i>Volumetric Flow (cu.m/h)</i>		77
<i>Residence Time (min)</i>	—	8.9
<i>Percent Solids (%)</i>		22.1
<i>Copper Stage Recovery (%)</i>		81.41

Circuit/Equipment	Capacity (tph)	Other
Cleaner-Scavengers		
(conventional)	11.9	
<i>Volume (cu.m)</i>		8.5
<i>Volumetric Flow (cu.m/h)</i>		70
<i>Residence Time (min)</i>	—	18
<i>Percent Solids (%)</i>		15.4
<i>Air holdup (%)</i>		NS
<i>Copper Stage Recovery (%)</i>		92.92
Re-cleaners (Jameson)	7.1	
<i>Volume (cu.m)</i>		NS
<i>Volumetric Flow (cu.m/h)</i>		19
<i>Residence Time (min)</i>	—	7.1
<i>Percent Solids (%)</i>		30.8
<i>Copper Stage Recovery (%)</i>		27.75

Module 2 Flotation Circuit Details

Circuit/Equipment	Capacity (tph)	Other
Flash Rougher	320	
<i>Feed Rate (% of UF)</i>	108.9	33
<i>Residence Time (min)</i>		~1
<i>Percent Solids (%)</i>		22
<i>Copper Stage Recovery (%)</i>		30
Tank Cell	NS	
<i>Volume (cu.m)</i>		NS
<i>Volumetric Flow (cu.m/h)</i>		NS
<i>Residence Time (min)</i>		NS
<i>Percent Solids (%)</i>		NS
<i>Copper Stage Recovery (%)</i>		NS
Roughers (conventional)	437	
<i>Volume (cu.m)</i>		113
<i>Volumetric Flow (cu.m/h)</i>		800
<i>Residence Time (min)</i>	7.5	8.4
<i>Percent Solids (%)</i>		40.7
<i>Air holdup (%)</i>		11.5
<i>Copper Stage Recovery (%)</i>		87.86

Circuit/Equipment	Capacity (tph)	Other
Scavengers (conventional)	431	
<i>Volume (cu.m)</i>		113
<i>Volumetric Flow (cu.m/h)</i>		824
<i>Residence Time (min)</i>	7.8	8.4
<i>Percent Solids (%)</i>		39.4
<i>Air holdup (%)</i>		5.5
<i>Copper Stage Recovery (%)</i>		44.66
Cleaners (Jameson)	29.41	
<i>Volume (cu.m)</i>		NS
<i>Volumetric Flow (cu.m/h)</i>		116
<i>Residence Time (min)</i>	—	8.9
<i>Percent Solids (%)</i>		22.1
<i>Copper Stage Recovery (%)</i>		69.38
Cleaner-Scavengers (conventional)	22.1	
<i>Volume (cu.m)</i>		8.5
<i>Volumetric Flow (cu.m/h)</i>		109
<i>Residence Time (min)</i>	—	18
<i>Percent Solids (%)</i>		18
<i>Air holdup (%)</i>		NS
<i>Copper Stage Recovery (%)</i>		95.99
Re-cleaners (Jameson)	9.6	
<i>Volume (cu.m)</i>		NS
<i>Volumetric Flow (cu.m/h)</i>		36
<i>Residence Time (min)</i>	—	7.1
<i>Percent Solids (%)</i>		22.9
<i>Copper Stage Recovery (%)</i>		19.8

END OF REPORT



Appraise - Assist - Advise

Private and Confidential



Valuation Report

**For China Molybdenum Co., Ltd.
Valuation of the Mine (as defined herein)
as at 30th June 2013**

Censere Reference :A00083-1-r1

8th November 2013

Censere (Far East) Limited

3/F, Tower 2, Tern Centre

251 Queen's Road Central

Hong Kong

Tel (852) 2511 2011 Fax (852) 2511 2005

Appraise - Assist - Advise

Letter of Transmittal

Our reference: A00083-1-r1

8th November 2013

The Directors

China Molybdenum Co., Ltd.

North of Yihe,

Huamei Shan Road, Chengdong New District,

Luanchuan County, Luoyang City,

Henan Province, The People's Republic of China

Dear Sirs/ Madams,

Re: Northparkes Copper and Gold Mine, New South Wales, Australia

In accordance with your instructions, we have undertaken an investigation and analysis to determine the Fair Market Value of Northparkes copper and gold mine located in New South Wales, Australia (the "Mine"). Our date of valuation is 30th June 2013 ("Valuation Date") and our report which follows is dated 8th November 2013 ("Report Date").

The purpose of our investigation is to determine the value of the Mine for acquisition purposes in accordance with Chapter 18 of the Hong Kong Listing Rules ("Chapter 18"). In that regard, we have been engaged as Competent Evaluator and have adopted VALMIN Code in arriving at our assessment.

China Molybdenum Co., Ltd. ("CMOC" or the "Company", Stock Code: 3993.HK) is a company listed in Hong Kong, which is the world's fourth-largest molybdenum and second-largest tungsten concentrate producer.

The Company announced on 30th July 2013 that on 26th July 2013, an agreement (the "Agreement") was entered into with the Vendor to acquire the Mine in New South Wales owned by the joint venture established between the Vendor, SC Mineral Resources Pty Ltd and Sumitomo Metal Mining Oceania Pty Ltd ("Northparkes Joint Venture"). The Mine is located in New South Wales, Australia and primarily produce copper and gold. The Company plans to acquire 80% interest of the Northparkes Joint Venture for a consideration of USD 820 million.

This valuation has been undertaken on a Fair Market Value basis. For the purposes of this exercise, Fair Market Value is defined as the estimated amount of money or the cash equivalent of some other consideration, determined by the expert in accordance with the provisions of the VALMIN Code, for which the mineral asset should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.

For this assignment, we have not carried out any work in the nature of a feasibility study nor are we required to express a viability opinion on any proposed transaction. We have not verified or confirmed information provided to us and have assumed that all such information is accurate and is not subject to material error or omission.

Based on the investigation and analysis outlined in the report which follows, we are of the opinion that the Fair Market Value of the Mine as at 30th June 2013 is in the range of approximately AUD 1.13 billion to AUD 1.35 billion or USD 1.04 billion to USD 1.24 billion. The midpoint value for the Mine is approximately AUD 1.23 billion or USD 1.13 billion.

80% of the value of the Mine ranges from approximately AUD 0.90 billion to AUD 1.08 billion or USD 0.83 billion to USD 0.99 billion, with a mid point of AUD 0.99 billion or USD 0.90 billion.

This value includes the mining asset only and does not include the value of the land, farms, or residential properties which form part of the proposed transaction and the value of which is covered under a separate report.

The following pages outline the factors considered and methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully
For and on behalf of
Censere (Far East) Limited

Brett Shadbolt
Chief Executive Officer

CREDENTIALS

Censere is a specialist valuation and advisory firm head quartered in Singapore with twelve offices throughout Asia Pacific. Offices are located at Auckland, Bangkok, Beijing, Hong Kong, Kuala Lumpur, Maldives, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo. Censere was established in 2002 and offers comprehensive technical asset, intellectual property and business valuation and advisory services to major corporates and leading SME's in the Asia Pacific region. This engagement has been principally undertaken by Brett Shadbolt, Chief Executive Officer of Censere Group.

Brett Shadbolt is the Chief Executive Officer and Founder of Censere Group. He has over 28 years of dedicated valuation and advisory experience and has a MSc in Global Finance jointly conferred by NYU Stern and HKUST. Brett is a Professional Member of Royal Institute of Chartered Surveyors, Registered Business Valuer (HK), Member of the Hong Kong Securities Institute and Professional Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Brett has conducted numerous valuations for companies such as Advanced Micro Devices (AMD), Cafe de Coral, China.com Corporation, ExxonMobil, Keppel Corporation, Quam, Shanghai Tonva, Singapore Airlines and Tencent. He has written numerous articles about valuation and financial due diligence in emerging markets and is a regular speaker at conferences on the same topics.

Competent Evaluator & Responsibilities

Mr. Shadbolt meets the requirements as a Competent Evaluator of Chapter 18 of Hong Kong Listing Rules on Hong Kong Stock Exchange, having relevant education, qualifications, experience, professional expertise and holding appropriate licenses.

As evidenced by Mr. Shadbolt's signature to this report, he certifies that, to the best of his knowledge and belief the following is true:

- having at least 10 years of relevant and recent General Mining;
- having at least 5 years of relevant and recent experience in the valuation of Mineral or Securities;
- holding appropriate licenses;
- is a professional member of the Australasian Institute of Mining and Metallurgy;
- is independent of any economic or beneficial interest in the project;
- received a fixed fee for the project, independent of the valuation result;
- assumes overall responsibility for the valuation report.

DEFINITIONS AND GLOSSARY

For the purpose of this report, the following terms have, where appropriate, the following meanings:

“%”	per cent
“Assets Sale and Purchase Agreement” or “Agreement”	the asset sale and purchase agreement effective date 26th July 2013 entered into between the Vendor, the Purchaser and the Company in relation to the Proposed Acquisition (as defined herein)
“AUD”	Australian dollar, the lawful currency of Australia
“AusIMM”	The Australasian Institute of Mining and Metallurgy
“CAPM”	Capital Asset Pricing Model
“CAPEX” or “Capital Cost”	capital expenditure / spending
“Cash Flow”	the actual or estimated movement of money by way of income and outgoings during the life of a project
“Chapter 18”	the Chapter 18 of the Hong Kong Listing Rules
“China”, the “PRC” or the “People’s Republic of China”	Mainland China, excluding, for the avoidance of doubt, Hong Kong and Macau
“Comparable Companies”	comparable listed companies
“Competence/Competent”	it means having relevant education, qualifications, experience, professional expertise and holding appropriate licenses (where required) so as to have a reputation that gives authority to statements made in relation to particular matters
“Consideration”	the consideration of USD 820 million which shall be satisfied by the Company to the Vendor for the purchase of the Sale Interest pursuant to the Agreement

“CMOC” or the “Company”	China Molybdenum Co., Ltd., a joint stock company established in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange (Stock Code: 3993.HK) and the Shanghai Stock Exchange (Stock Code: 603993), respectively.
“D/E ratio”	debt-to-equity ratio
“DCF”	discounted cash flow
“Fair Market Value”	it is the amount of money (or the cash equivalent of some other consideration) determined by the expert in accordance with the provisions of the VALMIN Code for which the mineral or petroleum asset or security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.
“Group”	Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange” or “HKSE”	The Stock Exchange of Hong Kong Limited

“Independent and Independence”	it means that the expert and/or specialists must be able to satisfy any relevant legal tests of independence and must be, and be perceived to be, willing and able to undertake an impartial assessment or valuation and to prepare an independent expert report that is free of bias. To this end, the expert and/or specialists and their immediate families may not have a significant pecuniary or beneficial interest in: (a) the commissioning entity; or (b) the owners or promoters (or parties associated with them) of any of the mineral or petroleum assets or securities that are the subjects of the technical assessment/valuation to be prepared; or (c) the offerer and target companies in the case of takeover situations, or in (d) any of the mineral or petroleum assets or securities that are the subjects of the technical assessment/valuation; or (e) the outcome of the technical assessment/valuation
“Indicated Resource”	that part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence
“Inferred Resource”	that part of a mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence, sampling and assumed but not verified geological and/or grade continuity
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time
“Management”	Management of the Company and/or Group

“Material/Materiality”	it means that: (a) the contents and conclusions of a report; (b) any contributing assessment, calculation or the like; and (c) data and information are of such importance that their inclusion or omission from a technical assessment or valuation may result in a reader of the report reaching a different conclusion than would otherwise be the case
“Measured Resource”	that part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence
“Mine”	copper and gold mine located in New South Wales, Australia that is operating by Northparkes Joint Venture (as defined herein)
“Mineral Assets”	mineral assets or the equivalent as defined in either CIMVAL, the SAMVAL Code, or the VALMIN Code
“Mt”	million metric tonnes
“Northparkes Joint Venture”	the unincorporated joint venture established between the Vendor, SMM (as defined herein) and SCM (as defined herein) in respect of the Mine
“NPV”	net present value
“OPEX” or “Operating Costs”	all expenses occurring periodically, which are necessary to produce net income
“Possible Reserves”	those quantities of petroleum which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves (as defined herein)

“Pre-feasibility Study”	a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, for underground mining, or the pit configuration, for an open pit, has been established and an effective method of mineral processing has been determined. It includes a financial analysis based on realistically assumed or reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are enough for a competent person, acting reasonably, to determine if all or part of the mineral Resource may be classified as an mineral Reserve
“Present Value”	the current monetary value. It is the discounted value of aggregate future cashflows
“Pro Rata”	an equal amount, according to the fraction held by each
“Probable Reserves”	the economically mineable part of an Indicated, and in some circumstances, a Measured Resource
“Proved Reserves”	the economically mineable part of a Measured Resource
“Proposed Acquisition”	the proposed acquisition of the Sale Interest by the Company from the Vendor pursuant to Asset Sale and Purchase Agreement
“Purchaser”	CMOC Mining Pty Limited, a company incorporated in Australia with limited liability and indirect wholly-owned subsidiary of the Company
“Report Date”	8th November 2013
“Reserve”	the economically mineable part of a Measured, and/or Indicated Resource, taking into account diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments to a minimum of a Pre-feasibility Study must have been carried out. Mineral reserves are sub-divided in order of increasing confidence into Probable Reserves and Proved Reserves

“Resource”	a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for their eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured Resources, as defined in the JORC Code
“Risk”	the chance of an event occurring that will have an impact on objectives. A risk may be quantifiable in terms of the likelihood of loss, less than expected returns or an undesirable outcome
“Sale Interest”	Vendor’s 80% interest of Northparkes Joint Venture, its right to manage the Northparkes Joint Venture, its interests in certain freehold properties associated with Northparkes Joint Venture and various other rights and assets
“Sensitivity Analysis”	a series of calculation in a financial appraisal or forecast involving one or more variables which are modified in turn to show the differing results
“SG&A”	selling, general & administrative expenses
“Share(s)”	share(s) of RMB0.20 each in the share capital of the Company
“SCM”	SC Mineral Resources Pty Ltd, a company incorporated in Australia
“SMM”	Sumitomo Metal Mining Oceania Pty Ltd, a company incorporated in Australia

“Technical Report”	The independent technical review and competent person’s report on the Mine prepared by RungePincockMinarco dated 8 November 2013
“Technical Value”	an assessment of a mineral or petroleum asset’s future net economic benefit at the Valuation Date (as defined herein) under a set of assumptions deemed most appropriate by an expert or specialist, excluding any premium or discount to account for such factors as market or strategic considerations
“Tons”	metric tonnes
“Transparency/Transparent”	it means “easily seen through, clear and unmistakable, free from affectation and disguise.” For the purposes of the VALMIN Code, these qualities must apply to the data and information used as the basis of a valuation or a technical assessment, including the assessment of resources/reserves, mining, processing and marketing issues, the valuation approach adopted and the methodology or methodologies used, all of which must be clearly set out in the report
“USD” or “US\$”	US Dollar, the lawful currency of United States of America
“VALMIN Code”	the Code for the technical assessment and valuation of mineral and petroleum assets and securities for independent expert reports (2005 edition), as prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association as amended from time to time
“Valuation Date”	30th June 2013
“Vendor” or “North Mining”	North Mining Limited, a company incorporated in the Australia with limited liability
“WACC”	Weighted average cost of capital
“WGC”	World Gold Council

PREAMBLE**Instructions**

Censere has been instructed by China Molybdenum Co., Ltd. (“CMOC” or the “Company”) to undertake an independent valuation of the Northparkes copper and gold mine (the “Mine”) that is operated by Northparkes Joint Venture and located in New South Wales, Australia as at Valuation Date. The Valuation Date is 30th June 2013 and the Report Date is 8th November 2013.

Introduction

The Company announced on 30th July 2013 that on 26th July 2013, assets sale and purchase agreement (the “Agreement”) was entered into with the Vendor to acquire the Mine in New South Wales owned by Northparkes Joint Venture.

The Mine is a high quality, copper-gold block caving underground operation in Goonumbla, situated 27 kilometres north west of the town of Parkes in Central West New South Wales, Australia. In 2012, Northparkes produced 5.65 million tonnes of ore for a total of 54 thousand tonnes of contained copper in concentrate and 72 thousand ounces of gold (100% basis). Northparkes Joint Venture has been operating since 1993 and has a remaining life in excess of 20 years.

The Company planned to acquire 80% interest of Northparkes Joint Venture for a consideration of USD 820 million.

In order to proceed with the Proposed Acquisition, the Company is required to obtain the consent of shareholders and is preparing a circular for their consideration.

This report outlines the information and assumptions upon which the valuation of the Mine is based, the valuation model applied and the conclusions reached.

Purpose of Valuation

This valuation report has been prepared for the Management of the Company. Censere understands that the valuation may be incorporated into the Company’s circular for public disclosure purpose.

Basis of Valuation

We have conducted the valuation on a Fair Market Value basis. With reference to the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005 edition), as prepared by the VALMIN Committee in Australia (“VALMIN Code”), Fair Market Value is the estimated amount of money or the cash equivalent of some other consideration, determined by the Expert in accordance with the provisions of the VALMIN Code, for which the Mineral Asset should change hands on Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.

The Fair Market Value comprises a Technical Value plus or minus, in some cases, a premium or discount to account for such factors as market, strategic considerations or special circumstances. However, it should be recognised that some Assets, such as Exploration Areas may not have a Technical Value.

Our valuation has been carried out in accordance with the Chapter 18 of the Hong Kong Listing Rules (the “Chapter 18”) and the VALMIN Code prepared by the VALMIN Committee in Australia.

VALMIN Code contains four main requirements:

- Materiality;
- Competence;
- Independence; and
- Transparency.

Material/Materiality means that: (a) the contents and conclusions of a Report; (b) any contributing assessment, calculation or the like; and (c) data and information are of such importance that their inclusion or omission from a Technical Assessment or Valuation may result in a reader of the Report reaching a different conclusion than would otherwise be the case.

Competence/Competent means having relevant education, qualifications, experience, professional expertise and holding appropriate licenses (where required) so as to have a reputation that gives authority to statements made in relation to particular matters.

Independent and Independence means that the Expert and/or Specialists must be able to satisfy any relevant legal tests of Independence and must be, and be perceived to be, willing and able to undertake an impartial assessment or valuation and to prepare an Independent Expert Report that is free of bias. To this end, the Expert and/or Specialists and their immediate families may not have a significant pecuniary or beneficial interest in: (a) the Commissioning Entity; or (b) the owners or promoters (or parties associated with them) of any of the Mineral or Petroleum Assets or Securities that are the subjects of the Technical Assessment/Valuation to be prepared; or (c) the offerer and target companies in the case of takeover situations, or in (d) any of the Mineral or Petroleum Assets or Securities that are the subjects of the Technical Assessment/Valuation; or (e) the outcome of the Technical Assessment/ Valuation.

Transparency/Transparent means “easily seen through, clear and unmistakable, free from affectation and disguise.” For the purposes of the VALMIN Code, these qualities must apply to the data and information used as the basis of a Valuation or a Technical Assessment, including the assessment of resources/reserves, mining, processing and marketing issues, the valuation approach adopted and the methodology or methodologies used, all of which must be clearly set out in the Report.

Inspection of the Mine was carried out on 10th September 2013 to obtain relevant information for the valuation.

For this assignment, we have not carried out any work in the nature of a feasibility study nor are we required to express a viability opinion on any proposed transaction. We have relied on information provided by the Company in arriving at our opinion. We have assumed that the information provided to us is accurate and not subject to material error or omission. Verification of the building permits of the mining project has not been undertaken, however, we have assumed them to be in order.

Our valuation is only an indicative quantum at which interests in it might be reasonably be expected to be sold at the valuation dates, and may be different from the actual transacted price.

Statement of Independence

We confirm that we have no present or contemplated interest in the assets which are the subject of the valuation and are acting independent of all parties. Further, our fees are agreed on a lump sum basis and are not contingent on the outcome.

Limitation of Circulation

This valuation report has been prepared solely for CMOC and is not intended for any legal or court proceedings, general circulation, publication or reproduction in any form without our prior written consent. We will assume no responsibility or liability for any losses incurred by you or any third party as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein. Censere understands that the valuation may be incorporated into the Company's circular for public disclosure purpose and have given a letter of consent for the inclusion of the valuation report in to the circular.

INDUSTRY ANALYSIS**Introduction on Copper**

Copper is a malleable and ductile metal with very high thermal and high electrical conductivity. It is the second most electrically conductive metal behind silver. Therefore, Copper is a major industrial metal used. It varies in colour from reddish-orange to reddish-brown. Refined copper is used in many industries, such as:

1. Building and construction industry which includes building wire, power cable and air conditioning tube.
2. Electrical and electronic appliances industry – which includes telecommunication cables, semiconductors and motors for heavy appliances.
3. Industrial machinery and equipment – which includes equipment and machinery, industrial valves and fittings.
4. Transportation equipment – which includes the automotive, marine and aerospace sectors.
5. Consumer and general products – which includes electrical appliances and coinage.

Copper is also alloyed with other metals. Bronze is an alloy of tin and copper. It is hard and durable, hence it was widely used in the past. Bronze Age was named after this alloy. Brass is an alloy of zinc and copper. It is used extensively in marine applications because of its high corrosion resistance.

Production Process

Mining: There are commonly three kinds of copper mining operations including surface (open-pit) mining, sub-surface (underground) mining, as well as In-situ leaching (ISL), also called solution mining. These three types are major methods adopted by mining companies.

Surface mining

Ores are dug or blasted from the surface, and then the ore will be delivered to processing plant. The depth of mining is usually up to 1,000 meters.



Underground mining

Machines for shaft sinking, de-watering, ventilation, geo-technical support and ore handling are needed. Room and pillar mining is one of the common underground mining technique.



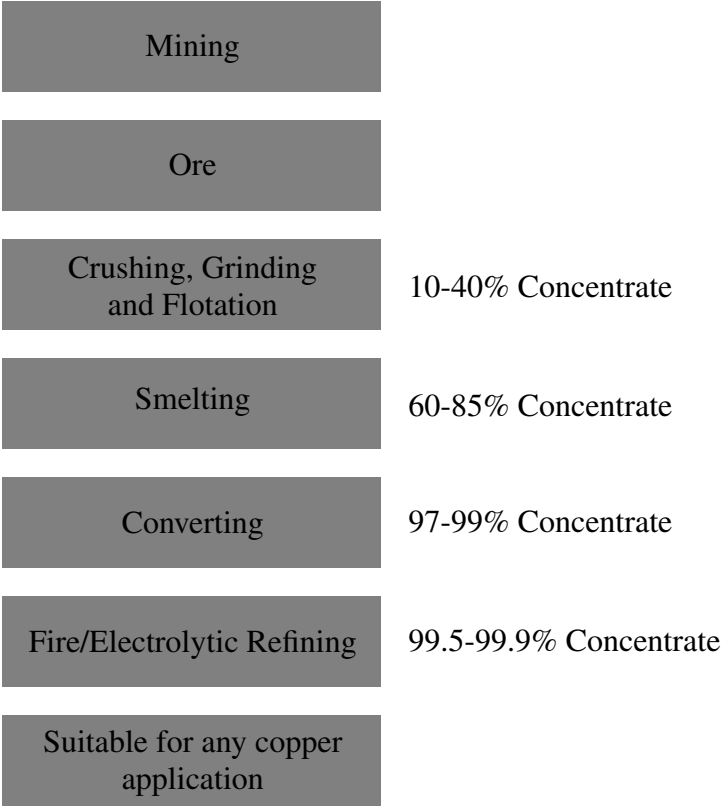
Solution mining

The process involves drilling of holes into the ore deposit, or using explosive or hydraulic fracturing. Leaching solution is then pumped into the deposit. The solution bearing the dissolved ore content is then pumped back to the surface and processed.



Block cave mining, which is a form of highly-productive and low-cost underground mining, is also becoming increasingly common. In this method deep copper deposits are carefully collapsed under their own weight. According to the International Copper Association of Australia (ICAA), this technique is expected to become the most widespread form of copper mining by 2020. Northparkes has used block caving in the Mine for more than 15 years. Today many major mining companies such as Rio Tinto, Freeport McMoran, Codelco and others already use this method in some of their other mines or have potential projects that will use this method in the near future.

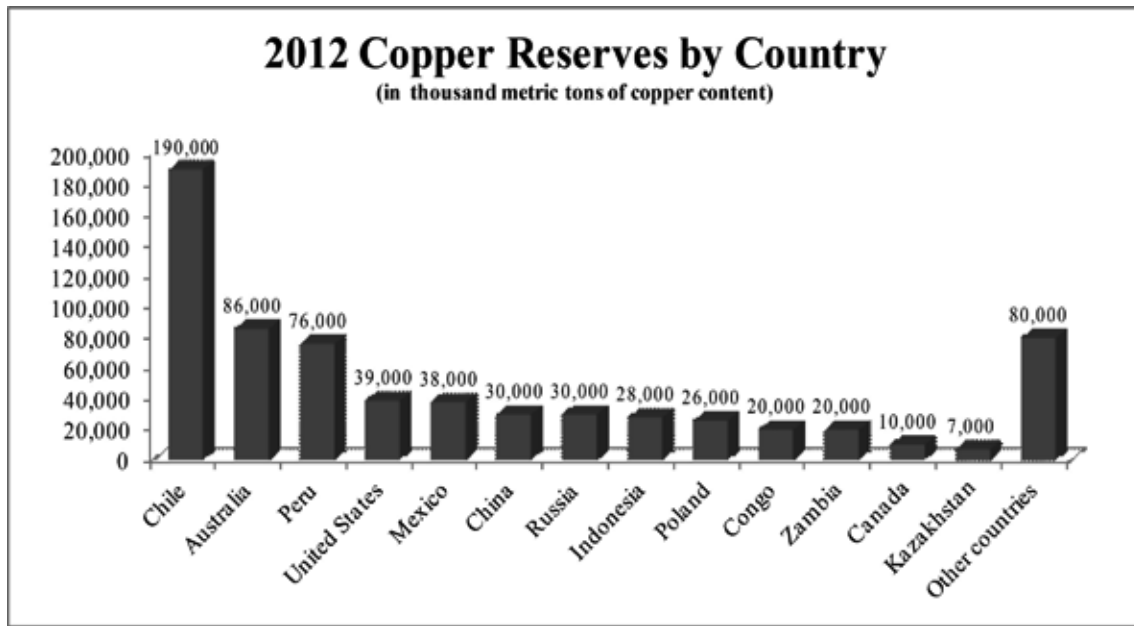
Extraction: Copper ore minerals are normally classified as either oxides or sulphides. Copper sulphide minerals such as chalcopyrite (CuFeS_2), bornite (Cu_5FeS_4) and chalcocite (Cu_2S) which account for nearly 80% of the global copper mine production, are generally extracted through conventional pyrometallurgical extraction process. In contrast, copper oxide minerals can be recovered through the solvent extraction/ electrowinning (“SxEw”) process.



Source: British Geological Survey

Global Copper Reserves and Resources

According to the USGS report, global copper reserves amounted to 680 million tons in 2012 which implies a current reserves-to-production ratio of 33 years. The following graph shows global copper reserves as at the end of 2012 by country.



Source: USGS

Based on U.S. Geological Survey (“USGS”), Chile (28%), Australia (13%) and Peru (11%) represented 52% of the estimated global copper reserves in 2012. The top 10 countries accounted for 83% of the global copper reserves in 2012.

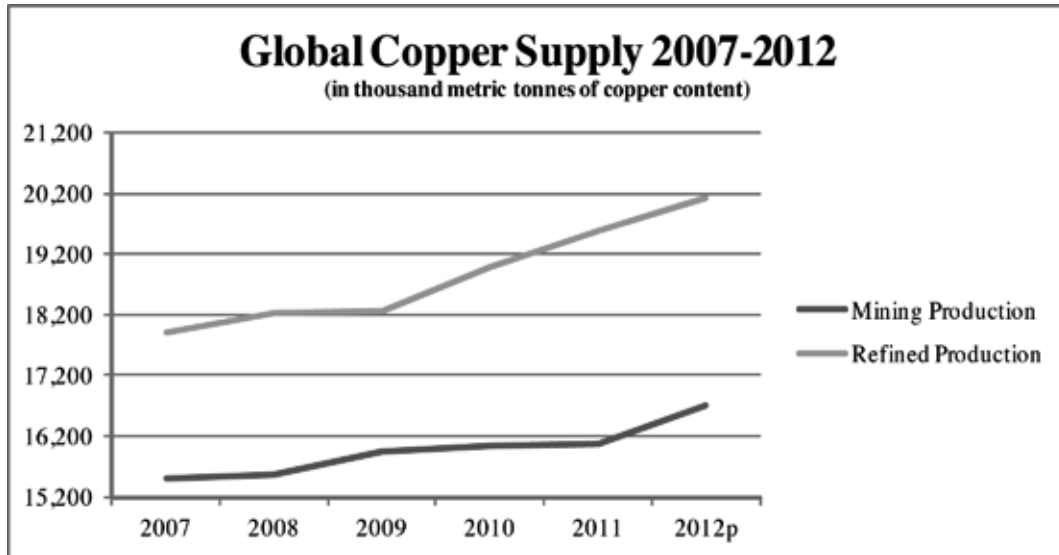
Global Supply of Copper

Historical Mine Production

The global copper mine production, the operations of which range from conventional milling, flotation techniques to leaching of ores, has grown by 237 thousand metric tonnes every year from 15,516 thousand metric tonnes in 2007 to 16,701 thousand metric tonnes in 2012, a CAGR of 1.48%. The growth is mainly driven by the high rate of growth in Zambia, China and Peru while DR Congo has also contributed to this exponential supply growth with a CAGR of close to 30% in the last 12 years.

Historical Refined Production

Global refined copper, which includes mining production and recycled production, has mainly come from blister copper or copper anode from concentrates consumed at smelters, SxEw copper cathode from mines, as well as concentrate leach and scrap. Refined production has grown from 17,903 thousand metric tonnes in 2007 to 20,114 thousand metric tonnes in 2012, which is equivalent to a CAGR of 2.36%. The graph below illustrates the historical mining production and refined production from 2007 to 2012.



Source: ICSG

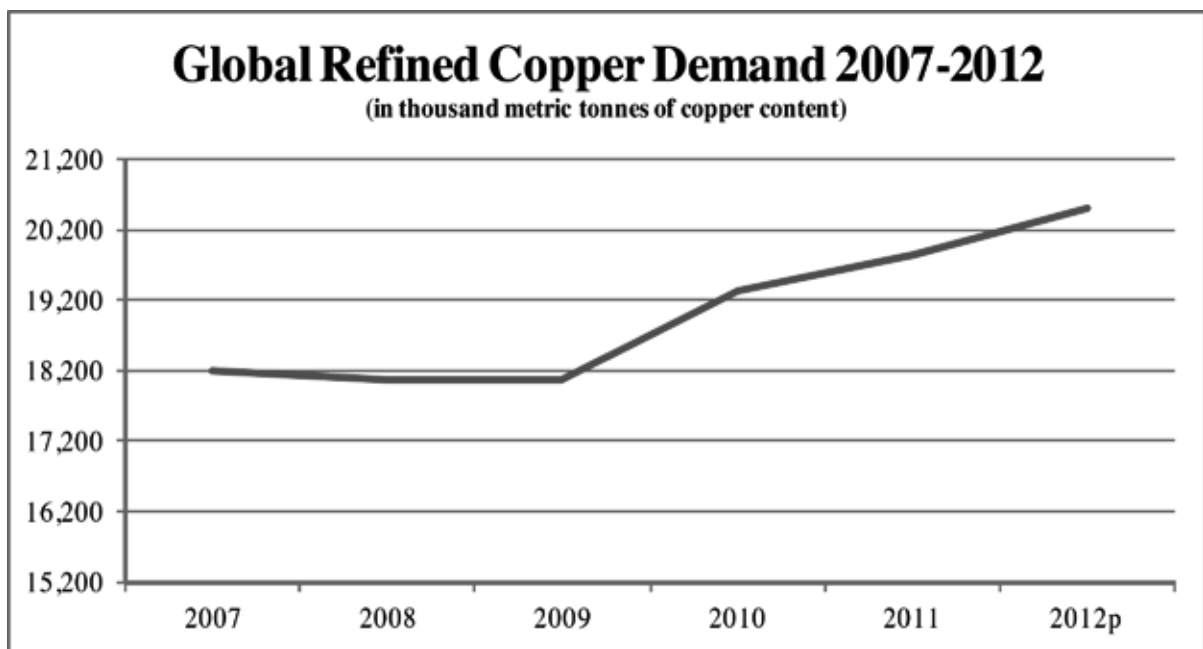
Supply Disruptions

It should be noted that recent supply disruptions such as the halt in production for Freeport-McMoRan's Grasberg copper mine in Indonesia and Rio Tinto's Bingham Canyon copper mine in Utah has resulted in reduced copper supply in the near term. As such, the market price is expected to remain tight for 2013.

Global Demand of Copper

Historical Refined Copper Demand

The global demand for refined copper has grown by a CAGR of 2.42% from 18,196 thousand metric tonnes in 2007 to 20,551 thousand metric tonnes in 2012. The demand growth of the commodity has definitely been increasing especially after the slight drop experienced in the aftermath of the 2008 financial crisis. Demand growth was mainly driven by a significant increase in China's and India's copper demand because of rapid economic growth and urbanization. In contrast, demand was slightly decreased in North America, Europe and Japan. Below is a diagram of the historical demand for refined copper from 2007 to 2012.



Source: ICSG

Forecast Copper Supply and Demand

According to Wood Mackenzie, base case mine output is expected to increase from 16.2Mt in 2012 to 20.9Mt by 2016, an increase of 29%. However, there have been a number of disruptions at various mines including Bingham Canyon and Grasberg, which highlight the ongoing risk to the outlook for copper supply. Beyond 2016, the base case mine output is projected to decline due to reserve depletion to reach 15.6Mt by 2025 and 12.8Mt by 2030. This implies that the base case production capability is expected the supply to decrease at an average rate of approximately 1% per annum over the projected period from 2012 to 2030.

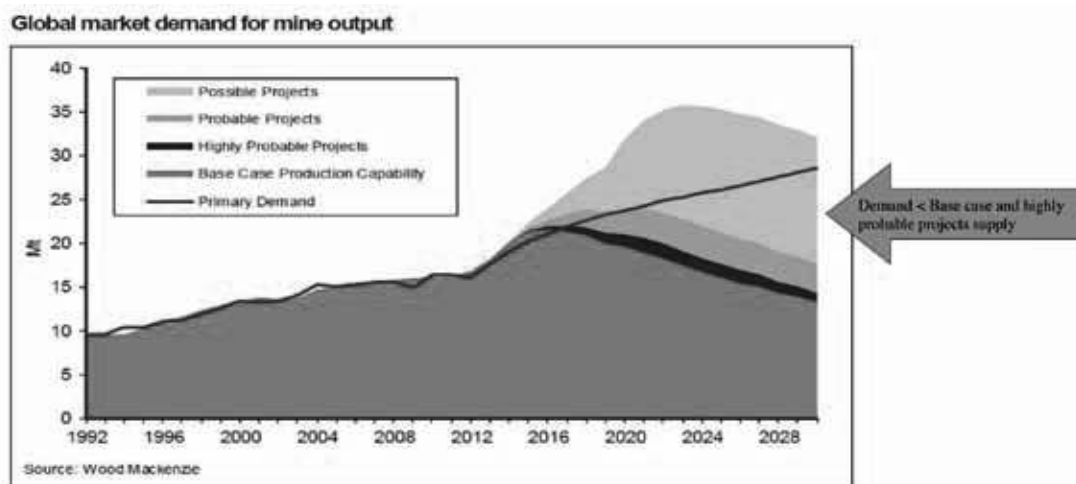
Wood Mackenzie expects that the copper demand will increase from 15.5Mt in 2012 to 20.5 Mt by 2016. From 2017, it is expected that 21.2 Mt of copper will be in demand before reaching 25.3 Mt by 2025 and 27.7 Mt by 2030. Demand is expected to be driven by industrial production growth and on-going urbanisation in emerging markets, as well as a continued economic recovery in Europe and the United States.

The table and graph below illustrate the forecast requirement for mine production from a market demand perspective. The demand is required is then map against the the base case and potential extra output from the ‘highly probable’, ‘probable’ and ‘possible’ projects over the forecast period.

	2012	2013	2014	2015	2016	2017	2018	2020	2025	2030
Demand For Mine Output	15,519	17,053	18,588	19,659	20,490	21,223	21,929	23,023	25,319	27,712
Base Case Mine Output *	16,246	17,589	19,447	20,701	20,911	20,684	20,259	18,966	15,561	12,832
Imbalance	(728)	(536)	(859)	(1,042)	(421)	539	1,670	4,057	9,758	14,880
Met By Highly Probable projects (100%)	0	7	64	158	420	731	944	1,464	1,571	1,062
Imbalance	(728)	(543)	(923)	(1,200)	(841)	(193)	726	2,593	8,187	13,818
Met by Probable projects **	0	16	53	243	513	903	1,376	1,988	2,894	3,143
Imbalance	(728)	(559)	(976)	(1,442)	(1,353)	(1,096)	(650)	605	5,293	10,675
Available from other Probable & Poss ible projects	0	0	0	628	1,474	2,750	4,170	8,894	14,734	14,648

* Recovered copper basis – excludes any Production Adjustment
 ** 70% brownfield probable + 50% greenfield probable + mine-life extensions

Source: Wood Mackenzie

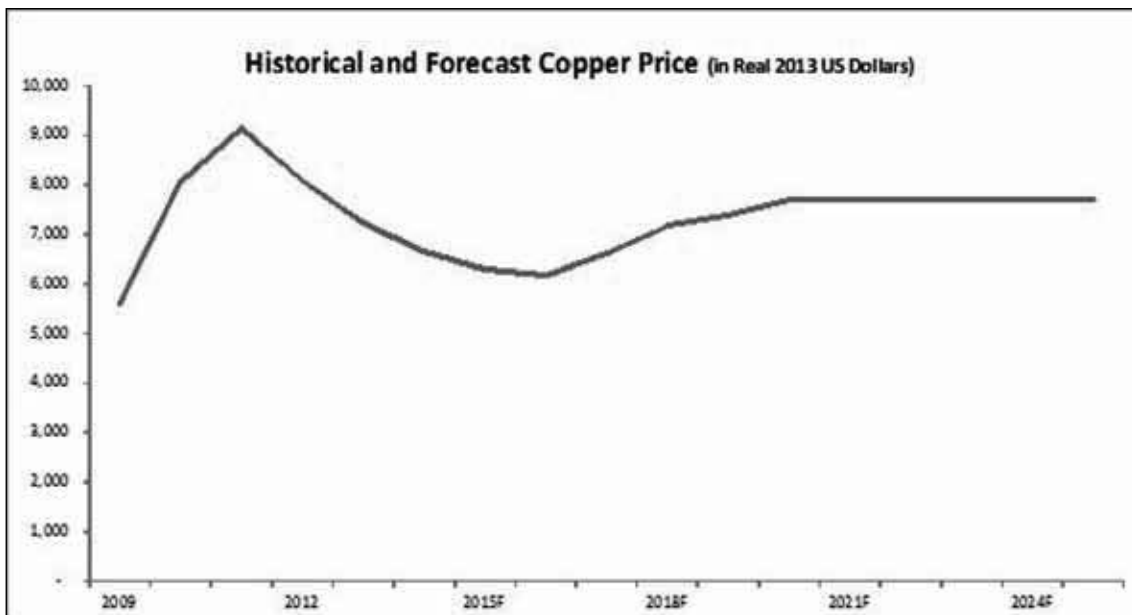


Source: Wood Mackenzie

As shown in the table and graph above, Wood Mackenzie estimates that the market for mined copper was in surplus during 2012 with primary supply exceeding primary demand (i.e. from the physical market, as shown by the red line) by about 726kt. However, the International Copper Study Group shows a deficit of 421,000 tons for 2012 and this difference is typical in estimates as this represents only 10-18 days of consumption and it is difficult to estimated precisely even on a historical basis. It is expected that metal from base case mines under construction and those projects currently in the ‘highly probable’ category will keep the market in surplus until 2017 at which, the market will require projects in the ‘probable’ and ‘possible’ category to supply the shortfall. Such shortfall will need is expected to be satisfied either by the reactivation of closed mines, new discoveries at currently producing mines, incremental expansions, mine life extensions or the development of greenfield projects, many of which may require high capital and potentially could be at the high end of the cost curve.

Global Copper Price

Historical and Forecast Copper Price



Source: WoodMacKenzie

The copper price has increased dramatically from US\$5,619 (in 2013 US\$) per metric tonne to US\$8,084 (in 2013 US\$) per metric tonne between 2009 and 2012. According to WoodMacKenzie, it is expected that the copper price will decrease to US\$7,232 (in 2013 US\$) per metric tonne in 2013 and reaching a price of US\$6,173 (in 2013 US\$) per metric tonne in 2016. The copper price is expected to increase in 2017 at a price of US\$ US\$6,614 before achieving a long term price forecast of US\$7,716 (in 2013 US\$) per metric tonne from 2020 onwards.

Introduction to Gold

Gold is a malleable, ductile and soft transition metal that is largely non-reactive. Gold can be rolled thin enough to allow light to pass through. It is the only metal with a shiny metallic yellow colour. As gold remains shiny after exposure to air, water and other chemicals, it has been primarily used as jewellery and currency for its ability to store value. Gold is mixed with other metals to produce alloys of different colours in jewellery, for example white gold is an alloy of gold, silver, palladium, nickel and copper, while yellow, green and red golds are alloys of gold, copper and silver in different proportions respectively.

Gold is also a good conductor of heat and electricity, therefore it is an important raw ingredient for making electrical connectors and printed circuit boards. Historically, physical gold was also used to support the gold standard used by numerous countries where their paper notes can be exchanged for a certain amount of gold. Although gold was no longer used to back national currencies, it has been a popular investment asset during weak economic confidence or during periods of high expected inflation.

Gold is used in many industrial aspects, such as:

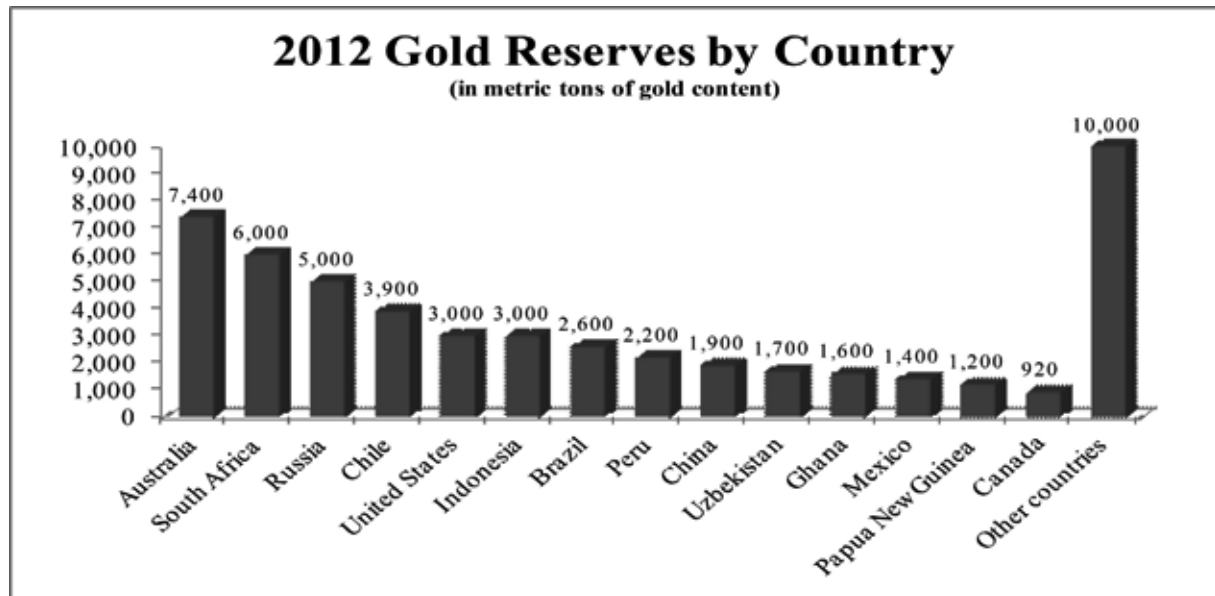
1. Fabrication of jewellery
2. Production of electronic appliances
3. Production of dental products

Production Process

Gold mining operations are similar to copper mining operations where mainly surface (open-pit) mining and sub-surface (underground) mining are used.

Global Gold Reserves and Resources

According to the USGS report, global gold mine reserves amounted to 51,820 tons in 2012. The following graph shows global gold mine reserves as at the end of 2012 by country.



In 2012, Australia (14%), South Africa (12%) and Russia (10%) represented 35% of the estimated global gold reserves. The top 10 countries accounted for 71% of the global gold reserves in 2012. Gold mines are relatively not as concentrated as the copper mines.

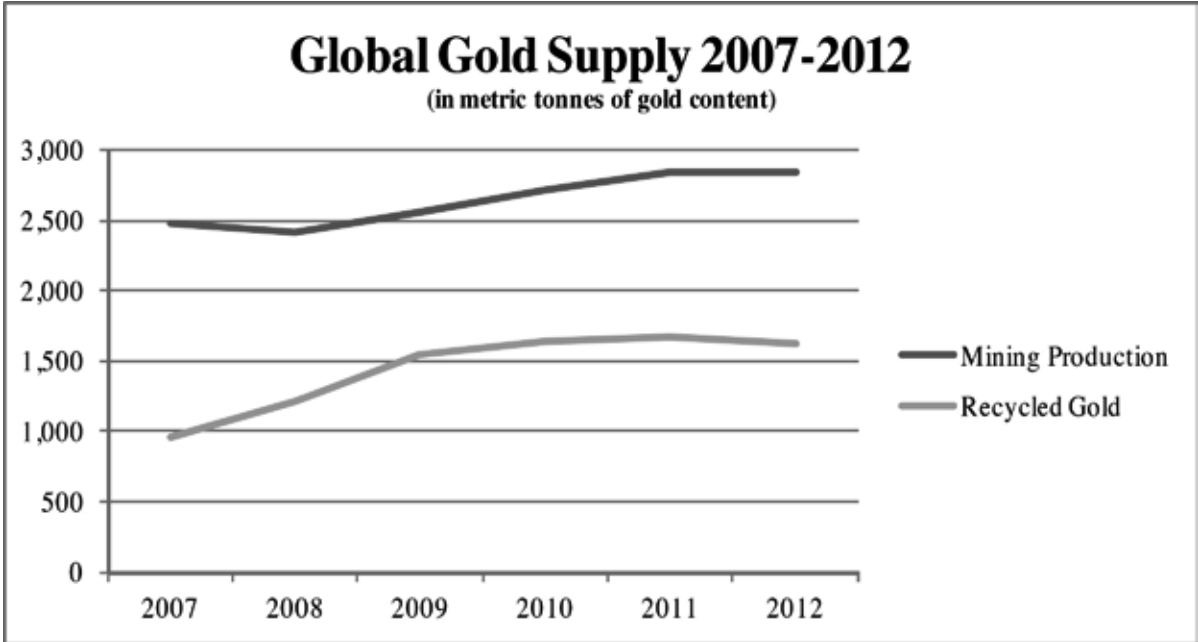
Global Supply of Gold

Historical Mine Production

There are several hundred gold mines in the whole world and gold is nearly produced in every continent. Global gold mine production has grown by 74 metric tonnes per year from 2,476 metric tonnes in 2007 to 2,848 metric tonnes in 2012, which is equivalent to a CAGR of 2.84%. The overall level of global mine production in the last five years remained relatively stable because new mines are developed only to replace old mines that have stopped production. Therefore, the expansion on global mine production is limited.

Historical Recycled Gold Supply

In the recycling of gold, it is extracted, melted down, re-refined and reused. Because of the inelasticity of mine production, the recycling of gold provides an alternative source of readily available gold supply. Recycled gold supply has grown by 134 metric tonnes per year from 956 metric tonnes in 2007 to 1,669 metric tonnes in 2012, which is equivalent to a CAGR of 11.20%. Below is a diagram of the historical mining production and recycled gold from 2007 to 2012.

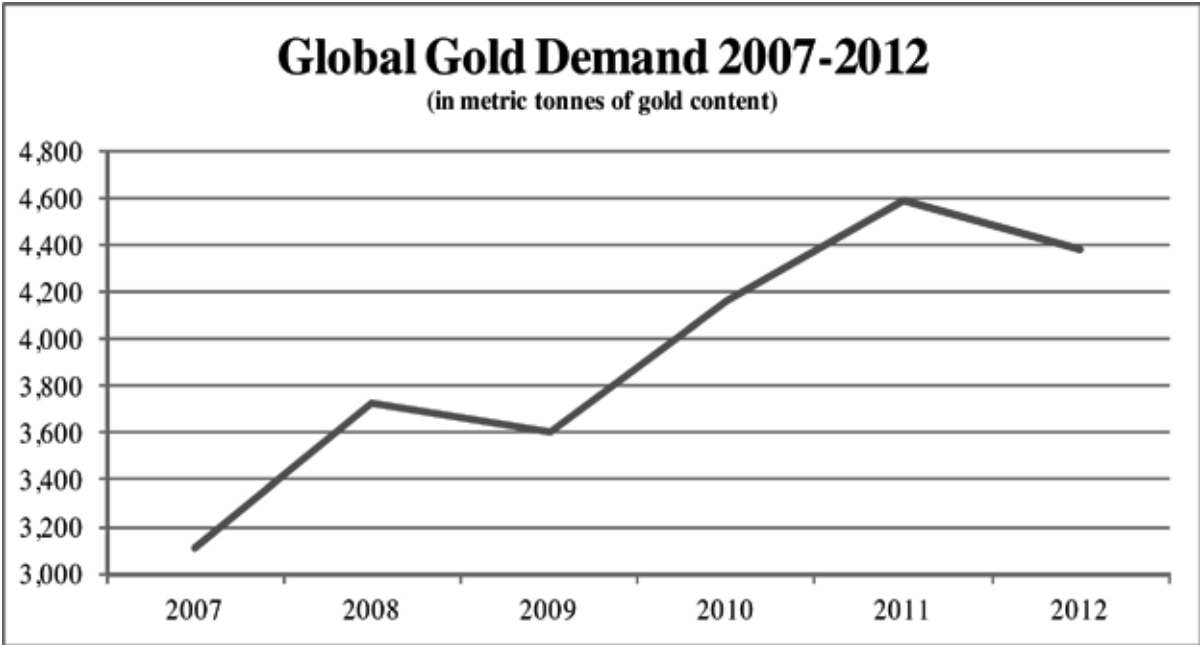


Source: WGC

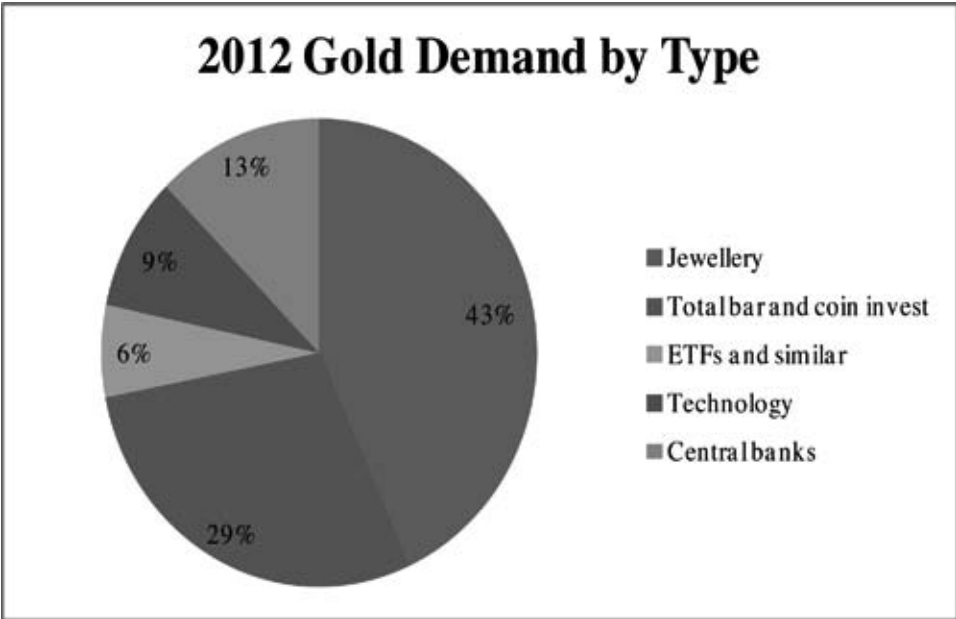
Global Demand for Gold

Historical Gold Demand

The global demand for gold has grown by a CAGR of 7.13% from 3,106 metric tonnes to 4,383 metric tonnes between 2007 to 2012. Jewellery accounted for 43% of the global gold demand. The following graph shows the historical gold demand from 2007 to 2012.



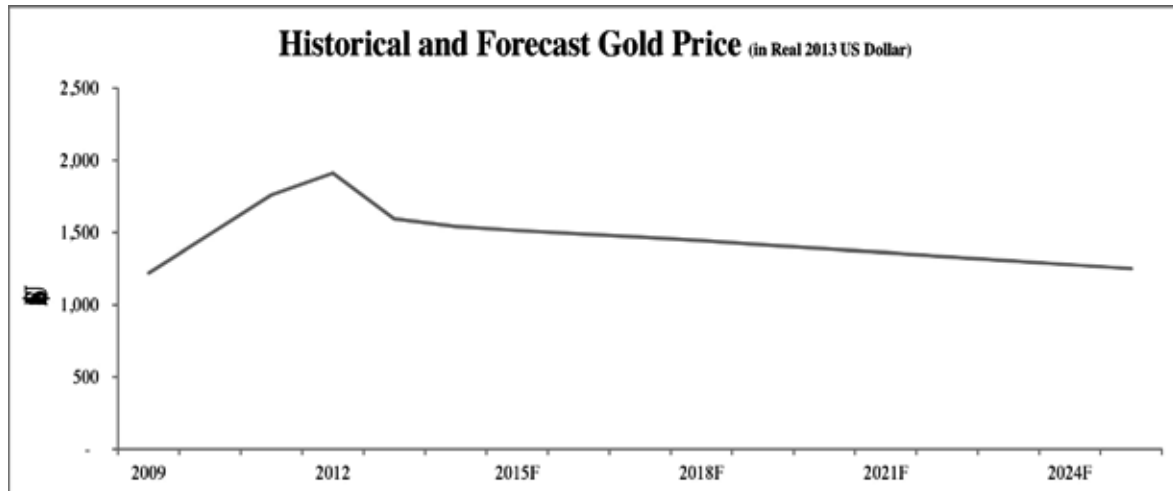
Source: WGC



Source: WGC

Global Gold Price

Historical and Forecast Gold Price



Source: World Bank and IMF

The gold price has increased dramatically from US\$ 1,222 (in 2013 US\$) per ounce to US\$ 1,912 (in 2005 US\$) per ounce between 2009 and 2012. According to World Bank and IMF estimates, gold prices is expected to move downward to US\$ 1,595 (in 2013 US\$) per ounce in 2013. Gold prices is expected to remain at the range of US\$ 1,500 (in 2013 US\$) to US\$ 1,400 (in 2013 US\$) per ounce between 2014 to 2025.

SOURCES OF INFORMATION

In preparing our opinion, we have received and reviewed information from the Management and have held discussion with them. We have relied to a considerable extent on such information in arriving at our opinion; including, but not limited to, the following:

- Announcement made by the Company in relation to the Proposed Acquisition dated 30th July 2013;
- Technical Report on the Mine prepared by RungePincockMinarco dated 8 November 2013 (“Technical Report”);
- Management accounts of Joint Venture as at 30th June 2013;
- Financial forecast of the Mine provided by Management;

- Discussions with the following technical personnel
 - o Mr. Jeremy Clark – Manager of RungePincockMinarco; and
- All other information and representations provided by Management.

In addition, we have made reference to and relied upon other information such as:

- Australia market premium from “International Cost of Capital Report 2013” from Ibbotson Associates, Inc.;
- Chapter 18 of the Hong Kong Listing Rules (the “Chapter 18”);
- Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005 edition), as prepared by the VALMIN Committee in Australia (“VALMIN Code”);
- Historical financial information of the comparable listed companies (“Comparable companies”) from Bloomberg;
- The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time (“JORC Code”);
- Gold price forecast by World Bank;
- Copper price forecast by WoodMacKenzie
- Australia Producer Price Index from Australia Bureau of Statistics;
- Inflation forecast by International Monetary Fund; and
- Exchange rate provided by Capital IQ.

KEY CAVEATS AND ASSUMPTIONS

In preparing our assessment, we have made the following key limitations and assumptions in our valuation model and these apply throughout unless otherwise stated:

- The mining and production schedules accurately reflect the Mine' operating status;
- The time period between production and sales are reasonably short;
- Forecasts for the CAPEX, working capital investment throughout the mining schedules have been provided. The Company is solely responsible for the contents and estimation, as well as the assumptions in the forecast. Censere has not performed any work in the nature of an audit of the information provided to us;
- The Mine shall have sufficient financial liquidity to achieve the financial forecast and projections;
- Tenements relating to the mine operation have not been verified;
- There are no other liabilities including any contingent liabilities or unusual contractual obligations or substantial commitments which would have a material effect on the value of the Mine;
- There will be no material change in the existing political, legal or regulatory (including changes in legislation, laws or regulations, government policies or rules), fiscal, market or economic conditions in Australia, China and Hong Kong;
- There will be no material change in inflation, interest rate or exchange rates from those prevailing as at the date of valuation;
- There will be no material change in the bases or rates of taxation or duties in Australia, China and Hong Kong;
- Operation of the project will not be severely interrupted by any force majeure event or unforeseeable factors or any unforeseeable reasons that are beyond the control the Management, including but not limited to the occurrence of natural disasters or catastrophes, epidemics or serious accidents; and
- Other assumptions specific to a particular valuation approach or certain observations and conclusions are outlined in the ensuing sections of the report.

Any deviation from the above key limitations and assumptions may significantly vary the valuation of the Mine. Our valuation is largely based on information provided by the Group and the Group is solely responsible for their contents and accuracy. We have also considered the information in the Technical Report and the specialist who contributed to the findings in the Technical Report have each consented to matters based on their information in the form and context in which it appears in the Technical Report.

For this exercise, we have considered published market data and other public information relating to comparable companies. We are not responsible as to their content and accuracy in deriving parameters.

Our modelling methodology for the valuation of the mine is based on forecast metal prices from independent sources with no speculative trading position or other biases such as the World Bank, IMF, or Wood Mackenzie. Our models uses nominal dollars as a basis, which is based on constant real dollar forecasts from these sources (Wood Mackenzie for Copper, World Bank for gold) with inflation used to escalate it into nominal forecast prices. Inflation rate is based on IMF forecasts as per above. We are comfortable in our price forecast, as our near term prices are in range of the current year actual price range of US\$6,638/ton (US\$3.01/lb) to US\$8,243/ton (US\$3.74/lb) for copper (average 2013 YTD US\$7,368/t or US\$3.34/lb) and US\$1,192/oz to US\$1,694/oz for gold (YTD 2013 average US\$1,447/oz).

STANDARD LIMITING CONDITIONS

- No structural survey or engineering tests were made and no responsibility is assumed for the soundness of the building and structures or the condition of the services;
- We have assumed that the conditions and uses of the land and the buildings are the same as the existing state at the relevant date;
- We shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation, with reference to the property described herein, unless prior arrangements have been made;
- Our report is for the use of the party to whom it is addressed and no responsibility is accepted from any third party for the whole or any part of the contents of our report.

THE MINE

Background

The Company announced on 30th July 2013 that on 26th July 2013, assets sale and purchase agreement (the “Agreement”) was entered into with the Vendor to acquire the Mine in New South Wales owned by Northparkes Joint Venture.

The Mine is a high quality, copper-gold block caving underground operation in Goonumbla, situated 27 kilometres north west of the town of Parkes in Central West New South Wales, Australia. In 2012, the Mine produced 5.65 million tonnes of ore for a total of 54 thousand tonnes of contained copper in concentrate and 72 thousand ounces of gold (100% basis). The Mine has been operating since 1993 and has a remaining life in excess of 20 years.

The Company planned to acquire 80% interest of Northparkes Joint Venture for a consideration of USD 820 million. In order to proceed with the Proposed Acquisition, the Company is required to obtain the consent of shareholders and will be preparing a circular for their consideration.

Site Location and surrounding environment

The Mine is located in New South Wales, Australia and primarily produce copper and gold.

The Mine is located about 27 km to the north west of the town of Parkes in Central West New South Wales. The copper and gold can be transported by road train to the Goonumbla rail siding approximately 13 kilometres from the mine which can be shipped overseas via Port Kembla.

Inspection of the Mine was carried out on 10th September 2013 and discussions had been conducted with the Management and the technical expert. The site inspection is limited to above-ground facilities.

Please refer to the map and photographs of the site in Appendix 1 and Appendix 2 respectively.

History

The Mine was first approved in November 1992 for development, 15 years after the first discovery was made, based on open cut mining of E22 and E27 and underground mining of E26 with the 64.1Mt of reserves estimated.

In October 1993, the construction of the first underground block cave mine, E26 lift 1, in Australia's commenced with its productivity peaked in 2000, reaching over 50,000t per employee. In 2004, the second block cave mine, E26 Lift 2 was commissioned. In 2006, the third major block cave mine, E48 commenced construction and extended the life of the Mine's operations until 2024.

Historically Northparkes has been one of the biggest copper producing mines in Australia, which is ranked fourth in total copper production in 2012.

Project	Operator	2012 Copper Production (kt)
Olympic Dam	BHP Billiton	166
Mount Isa	Glencore Xstrata	143
Prominent Hill	OZ Minerals	102
Northparkes	Rio Tinto (80%), Sumitomo (20%)	54
Nifty	Aditya Birla	47
Cadia-Ridgeway	Newcrest Mining	45
Ernest Henry	Glencore Xstrata	34
Mount Lyell	Sterlite Industries	23
Osborne	Inova	12

Source: company filings.

Copper and Gold Reserve & Resources

The below tables show the estimated copper and gold Reserves and Resources by JORC classification according to the Technical Report.

Ore Reserves

JORC Ore Reserves estimate as at 30th June 2013 within the Project area.

JORC Classification	Quantity Mt	Cu %	Au g/t	Cu Kt	Au KOz
Proven	8.2	0.39	0.24	32.0	63.3
Probable	99.3	0.64	0.3	635.5	957.8
Total	107.5	0.62	0.29	666.5	1,002.3

Source: RungePincockMinarco

Note: Figures reported are rounded which may result in small tabulation errors. Ore Reserves have been estimated under the 2004 Edition of the JORC Code.

Mineral Resources

JORC Mineral Resources as at 30th June 2013 at a Cut Off of 0.4% Cu within the Project area.

JORC Classification	Quantity Mt	Cu %	Au g/t	Cu Kt	Au KOz
Measured	289.7	0.59	0.19	1,721	1,753
Indicated	181.3	0.52	0.14	944	798
Inferred	0.7	0.46	0.09	3	2
Total	471.7	0.57	0.17	2,668	2,554

Source: RungePincockMinarco

Note: Mineral Resources are exclusive of Ore Reserves. Sum of respective components may not equal totals due to rounding. Mineral Resources have been estimated under the 2004 Edition of the JORC Code.

Mining Schedule

For the mining schedule of the Reserves, the following table indicate the amount of copper and gold expected to be extracted for the respective years.

Units	H2 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tonnes (x1000)	3.175	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Cu Grade (%)	0.99	1.01	0.96	0.91	0.78	0.65	0.58	0.56	0.54	0.55	0.49
Au Grade (g/t)	0.43	0.41	0.36	0.33	0.28	0.21	0.17	0.23	0.14	0.19	0.28

Units	2024	2025	2026	2027	2028	2029	2030	Total
Tonnes (x1000)	6.4	6.4	6.4	6.4	6.4	6.4	2.06	107.64
Cu Grade (%)	0.52	0.53	0.54	0.50	0.43	0.36	0.30	0.62
Au Grade (g/t)	0.38	0.39	0.40	0.36	0.30	0.23	0.14	0.29

Tenement

Based on the Technical Report, the licenses held by Northparkes Joint Venture as well as their approval status are shown as the table below:

Tenement	Expiry Date	Type	Area (hectare)	Status
EL5323	17 July 2013	Exploration Licence	21,840	Renewal pending
EL5800	8 January 2015	Exploration Licence	12,070	—
EL5801	7 January 2014	Exploration Licence	49,550	—
ML1247	26 November 2033	Mining Lease	1,629.6	—
ML1367	26 November 2033	Mining Lease	826.2	—
ML1641	25 March 2031	Mining Lease	26.4	—

The Company has recently attained approval for its application for renewal on the mining license ML1247 & ML1367 while they have also applied for a renewal on the exploration license EL5323. According to the Technical Report, the renewal process is standard in Australia and it is not unreasonable for the operation of the Mine to continue as planned.

VALUATION METHODOLOGY

Valuation Methodology

The valuation method we adopted to arrive at our opinion of value is the Discounted Cash Flow method. The reason to use this method is that we would like to capture the cash flow of future periods throughout the mining schedule of respective copper and gold mine and is also a fundamental approach to valuing a operating mine that is widely used within the mining industry.

Discounted Cash Flow Method

The DCF method involves projecting a series of periodic cash flows to an operating property. An discount rate is then applied to the cash flow series to arrive at a present value of the income-producing real estate.

$$DCF = \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \dots + \frac{CF_n}{(1+r)^n}$$

where :

CF = cash flow

r = discount rate

To use discounted cash flow valuation to value the Mine, it is necessary to:

- Measure the riskiness of the Mine, and estimate a discount rate based on the riskiness of the assets and time value of money; and
- Estimate expected cash flows on the Mine for the life of the Mine' operations.

Comparative Method

Under the Comparative Method, the value of an asset is compared to the values assessed by the market for similar or comparable assets. We have used the Comparative Method for reference purpose.

Valuation Considerations

We have externally inspected the Mine. We note that all above-ground facilities are in good operating condition and have been regularly maintained and progressively upgraded. The site is clean, largely free of dust and well managed. However, no land and environmental survey has been made and we are unable to report as to whether the property is free from contamination or other environmental issues.

Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the Group, including but not limited to the Technical Report and are therefore only approximations.

We have also considered the information in the Technical Report and the specialist who contributed to the findings in the Technical Report have each consented to matters based on their information in the form and context in which it appears in the Technical Report.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

Sensitivity Analysis

Sensitivity analysis shows how sensitive the valuation results are to changes in a model's inputs. This analysis allows us to test the validity of the assumptions and critical variables and examine their sensitivities to different market scenarios.

Movements in the valuation results are assessed according to changes in several critical variables which are as follows:

- Changes in the copper and gold prices;
- Changes in the amount of output;
- Discount rate used;

- FX rates;
- Changes in operating costs; and
- Changes in capex.

To estimate the selling price of gold and copper, we have referred to the prices of copper and gold price projected by World Bank Group and escalated the prices based on IMF global inflation rate.

Assumptions

The valuation is subject to the following assumptions:

- The time period between production and sales are reasonably short;
- Working capital forecast is based on the following percentages indicated by the Comparable Companies

Item	Percentages
Accounts receivables	4.5% of the revenue
Accounts Payables	10.4% of the operating expenses
Inventory	13.6% of the operating expenses

- Insignificant environmental cost, mining license fee & land use fee;
- The SG&A structure of the Mine remain the same;
- The operating cost is escalated at Australia inflation rate;
- Royalties rate is based on North South Wales Trade and Investment department;
- The capital expenditure is escalated based on Australia producer price index;
- Exchange rate between USD and AUD is based on Capital IQ; and
- Income tax rate is based on Australia corporate tax rate.

Discounted Cash Flow Valuation

Net Cash Flow

Cash flow refers to flow or movement of cash into or out of the asset. The DCF method is based on periodic net cash flow discounted by the discount rate. Net cash flow is defined as cash inflows minus cash outflows.

Net Cash Flow = EBIT – Tax + Depreciation & Amortization – Working Capital Additions - CAPEX
where

EBIT = Sales revenue – Cost of Goods Sold – total operating expense

Cash Inflows

Sales revenue is solely contributed by income generated from the sale of copper and gold. The revenue expected from the sale of Inferred Resources are not included as it is not Chapter 18 compliant.

Cash Outflows

Cash outflows include OPEX (included D&A), SG&A and taxation. Other costs like environment cost, related license & land use fees are assumed to insignificant.

Discount Rate

To discount the future cash flows to their present value, we have used the annual discount rate calculated from WACC. The discount rate reflects the riskiness of the project or the expected rate of return for the investment.

Present Value of Net Cash Flow

Present value of net cash flow can be calculated by summing up periodic net cash flows multiplied by the respective present value factor.

VALUATION OF THE MINE

Valuation of the Mine – Northparkes Copper and Gold Mines

Parameters

Based on our findings and conclusions presented in previous sections, we have adopted the following key parameters for the purpose of our valuation of the Mine.

Parameters	unit	Amount
Amount of ore mined (Reserves and Resources) that are mined till 2030	000 tons	206,835
Amount of Copper Reserves, Measure Resources and Indicated Resources that are mined till 2030	000 tons	1,773
Amount of Gold Reserves, Measure Resources and Indicated Resources that are mined till 2030	000 Oz	2,064
Expected average copper price from Valuation Date till 2030	USD/ lbs	4.62
Expected average gold price from Valuation Date till 2030	USD/ Oz	1,852
Projected period		Till 2030 extended to 2050 by annuity
NSW royalty rate	%	4%
Exchange rate	USD/AUD	0.9
Australia corporate tax rate	%	30
Global long term inflation rate	%	3.5%
Australia inflation rate	%	2.4%
Australia producer price index	%	4.7%

Cash inflows

Prices of Copper and Gold

According to the Management, the revenue will be mainly generated from the sale of copper and gold. The prices of the copper and gold are based on projection by Wood Mackenzie and World Bank respectively with an escalation rate based on IMF inflation rate for the projected period till 2030.

Quantity of Copper and Gold Reserves and Resources

For the amount of Reserves and Resources, based on the Technical Report, the amount of reserves and resources are as follows:

JORC Ore Reserves estimate as at 30th June 2013 within the Project area.

JORC Classification	Quantity Mt	Cu %	Au g/t	Cu Kt	Au KOz
Proven	8.2	0.39	0.24	32.0	63.3
Probable	99.3	0.64	0.30	635.5	957.8
Total	107.5	0.62	0.29	666.5	1,002.3

Note: Figures reported are rounded which may result in small tabulation errors. Ore Reserves have been estimated under the 2004 Edition of the JORC Code.

JORC Mineral Resources as at 30th June 2013 at a Cut Off of 0.4% Cu within the Project area.

JORC Classification	Quantity Mt	Cu %	Au g/t	Cu Kt	Au KOz
Measured	289.7	0.59	0.19	1,721	1,753
Indicated	181.3	0.52	0.14	944	798
Inferred	0.7	0.46	0.09	3	2
Total	471.7	0.57	0.17	2,668	2,554

Note: Mineral Resources are exclusive of Ore Reserves. Sum of respective components may not equal totals due to rounding. Mineral Resources have been estimated under the 2004 Edition of the JORC Code.

During the projected period till 2030, approximately 1.8 million metric tons of copper and 2.1 million ounces of gold (both resources and reserves) have been extracted. For the mining of the Reserves, it is based on the mining schedule as estimated in the Technical Report and for the mining of the Minerals Resources, we have assumed that the extraction commenced in July 2015 with an extraction rate of 6.4 million metric tonnes of ore per annum.

In performing our valuation, we have not included the amount of Inferred Resources to be in compliance with Chapter 18. Accordingly, the total amount of revenue expected to be generated from the Mine for the projected period is approximately AUD17.8 billion.

Cash outflows

Capital Cost / CAPEX

The expected capital expenditure for the mining of Reserves are mainly for 5 main purposes namely, (1) underground mine development, (2) processing of minerals, (3) treatment of tailings, (4) office equipment to support general and administrative work and (5) mine closure. The expected capital expenditure for mining of Reserves is as follows:

AUD000	Amount
Underground mine development	734,311
Processing of minerals	231,019
Treatment of tailings	177,346
General and Administrative	11,903
Closure	<u>343,333</u>
 Total	 <u><u>1,497,911</u></u>

For the expected capital expenditure required for mining of Resources, we note that in the Technical Report section 7.4, approximately AUD2.2 billion is required and we have accordingly assumed that about AUD127 million per annum is expected to be incurred and escalated the capex based on Australia Producer Price Index. Accordingly, the expected capital expenditure for the mining of the Measured Resources and Indicated Resources is approximately AUD3.5 billion.

As such, the total capital expenditure expected to be incurred for the Mine is approximately AUD5.0 billion.

Operating Cost / OPEX

Operating expenses are paid on a periodic basis throughout the mining schedule. Operating expenses mainly comprises of general & administrative expenses, milling cost, depreciation and asset management cost (maintenance). The projection for the expected operating cost for the mining of Reserves which are as follows:

AUD000	Amount
Milling cost/logistics	939,045
Mining cost	618,267
Carbon tax	74,409
Asset management	582,182
G&A expenses	697,472
Royalties	199,391
Treatment and refining charges	303,812
Marketing and realization costs	175,534
Exploration expense	96,611
Depreciation and amortisation	<u>1,833,890</u>
 Total	 <u><u>5,520,612</u></u>

Based on the above table, we computed the amount of operating cost (excluding depreciation) per ton of ore mined and have computed the operating cost (excluding depreciation) required for mining of Measured Resources and Indicated Resources. Accordingly, the operating expenses (excluding depreciation) for mining of Measured Resources and Indicated Resources are approximately AUD3.4 billion for the projected period.

Further details of the operating expenditure can be found in Appendix 3.

Discount rate

To discount the future cash flows to their present value, we have used an annual discount rate of 14.6% for the Mine. The discount rate reflects the riskiness of the project or the rate of return of the investment. Please refer to Appendix 4 for details of computation of the discount rate.

Annuity value

To estimate value of the potential resources that may be extractable after FY2030, we have estimated an annuity value at the end of FY2030. As mentioned above, there are approximately 1.5 million ton of copper and 1.4 million ounces of gold that may be potential extractable after FY2030. This indicates that the life of mine can be extended by another 20 years based on the extractable rate of 71 thousand metric tons of copper and 68 thousand ounces of gold per annum. The annuity value measures the current value of a set of cash flows in the future, given a specified rate of return or discount rate and the formula is as follows:

$$\text{Value} = CF_{n+1} [1 - (1+r)^{-n} / r]$$

where CF_{n+1} = normalised cash flow 1 year after n
 r = required rate of return. i.e. discount rate
 n = 20

Present Value of Net Cash Flow (NPV)

With net cash flows multiplied by the present value factor for each period, we can derive the present value of net cash flow in each year as at the Valuation Date. The Fair Market Value is determined by summation of all present value of net cash flow during the projected period and the annuity value. Further details of the Fair Market Value can be found in Appendix 6.

Adjustment for Marketability Discount and Riskier Investment

According to the International Glossary of Business Valuation Terms, marketability means the relative ease and promptness with which a security or commodity may be sold when desired, at a representative current price, without material concession in price merely because of the necessity of the sale. Investors will price in a discount for the additional costs and risks of liquidation when valuing equity in privately held companies. For this exercise, we are of the opinion that an appropriate marketability discount for the purpose of this valuation is 0%, applied directly to the valuation of the Mine. This is an operating mine that has been in operation for many years and has been profitable. We believe that this asset could be listed with relative ease by itself in most markets in the world and hence we concluded on a 0% marketability discount.

Concluded Value

For purposes stated herein and subject to the limitations and assumptions set out in this report, we are of the opinion that the Fair Market Value of the Mine as at 30th June 2013 were in range of approximately AUD 1.13 billion to AUD 1.35 billion or USD 1.03 billion to USD 1.24 billion. The midpoint value for the Mine is approximately AUD 1.1 billion or USD 1.0 billion. 80% of the value of the Mine is approximately AUD 0.99 billion or USD 0.90 billion.

Scenarios/Sensitivity Analysis

Pursuant to Chapter 18, several scenarios have been assumed to evaluate the variability of Fair Market Value of the Mine. The parameters that are being evaluated are as follows:

- Changes in the copper and gold prices;
- Changes in the amount of output;
- Discount rate used;
- FX rate changes;
- Changes in operating costs; and
- Changes in capex.

Copper and Gold prices

We have computed the value of the Mine after allowing for 15% increase (decrease) in metal prices with the other parameters remain the same. The table below summarizes our findings.

	Expected average prices till 2030 (Cu/Au)	Value of Mine (AUD 000)
No change	USD (4.62/ 1,852)	1,233,813
+15%	USD (5.31/ 2,129)	1,853,693
-15%	USD (3.93 / 1,574)	613,933

Expected output sold

We have also performed output sensitivity analysis by allowing for 15% increase (decrease) in total minerals extracted during the projected period with the other parameters remain the same. The valuation for each case is computed and presented in the following table.

	Amount (Cu/Au)	Value of Mine (AUD 000)
No change	1,773 kmt / 2,064 koz	1,233,813
+15%	2,039 kmt / 2,373 koz	1,620,408
-15%	1,507 kmt / 1,754 koz	847,218

Discount rate

We have also performed sensitivity analysis by allowing for 5% increase (decrease) in discount rate with the other parameters remain the same. The valuation for each case is computed and presented in the following table.

	Discount rate	Value of Mine (AUD 000)
No change	14.6%	1,233,813
+5%	19.6%	828,602
-5%	9.6%	2,073,679

FX rate

Below we have conducted a sensitivity analysis by allowing for 15% increase (decrease) in foreign exchange rate with the other parameters remain the same. The valuation for each case is computed and presented in the following table.

	FX rates (USD/AUD)	Value of Mine (AUD 000)
No change	0.92	1,233,813
+15%	1.05	725,436
-15%	0.78	1,921,618

Operating cost

Below is the sensitivity analysis we conducted by allowing for 15% increase (decrease) in the operating cost (excluding depreciation and amortisation) with the other parameters remain the same. The valuation for each case is computed and presented in the following table.

	Operating cost (till 2030) (AUD 000)	Value of Mine (AUD 000)
No change	11,948,910	1,233,813
+15%	12,938,011	993,513
-15%	10,959,808	1,474,113

Capex

Below is the sensitivity analysis we conducted by allowing for 15% increase (decrease) in the capital expenditure with the other parameters remain the same. The valuation for each case is computed and presented in the following table.

	Capex (till 2030) (AUD 000)	Value of Mine (AUD 000)
No change	4,252,477	1,233,813
+15%	5,753,351	1,013,790
-15%	4,252,477	1,453,837

We have also considered the valuation of Project based on earning multiples of the comparable listed companies and comparable transactions. We note that the multiples based valuation is an appropriate approach where the future cash flows of a project or company are expected to be stable for the foreseeable future. In the case of the Project, the projected future cash flows fluctuate on a year on year basis and decline overtime due to the reduction of the reserves. As such, reference on the valuation based on the market multiples are limited. The following are the valuation of the Project based on the multiples:

Valuation multiples (AUD '000)

EV/EBITDA Multiple	1,226,449
EV/EBIT Multiple	1,619,058
P/S Multiple	745,336
Transaction value/Sales	808,324
Transaction value/EBITDA	1,727,594
Transaction value/EBIT	<u>1,892,743</u>
Average	<u><u>1,336,584</u></u>

Further details of the market multiples for the valuation of the Project is found in Appendix 7.

We further note that the Company had conduct its own valuation analysis and for illustrative purpose, we have included the results of the indicative valuation of the Project based on dollars per pound of resources as follows. As this is a project with a large resource base, a resource based multiple is applied to the total reserves/resources in order to reflect the value more accurately.

	reserves	resources
Amount of Copper Reserves/Resources (<i>kt</i>)	666.5	2,668.0
Amount of Copper from Ag (<i>kt</i>)	32.5	83.6
Amount of Copper from Au (<i>kt</i>)	<u>203.8</u>	<u>524.2</u>
Amount of Copper equivalent (<i>kt</i>)	902.8	3,275.8
Amount of Copper equivalent (<i>lbs</i>)	1,990.3	7,221.8
Value per pound of resources	<u>\$0.150</u>	<u>\$0.150</u>
Indicative market value of resources (<i>US\$mil</i>)	<u>\$298.55</u>	<u>\$1,083.28</u>
Total (<i>US\$mil</i>)	\$1,381.8	
80% Value (<i>US\$mil</i>)	\$1,105.5	

STATEMENT OF VALUE

For purposes stated herein and subject to the limitations and assumptions set out in this report, we are of the opinion that the Fair Market Value of the Mine as at 30th June 2013 is in the range of approximately AUD 1.13 billion to AUD 1.35 billion or USD 1.04 billion to USD 1.24 billion. The midpoint value for the Mine is approximately AUD 1.23 billion or USD 1.13 billion.

80% of the value of the Mine ranges from approximately AUD 0.90 billion to AUD 1.08 billion or USD 0.83 billion to USD 0.99 billion, with a mid point of AUD 0.99 billion or USD 0.90 billion.

This value includes the mining asset only and does not include the value of the land, farms, or residential properties which form part of the proposed transaction and the value of which is covered under a separate report.

KEY RISK FACTORS

The Mine is subject to both specific risks to its business activities and risks of a general nature. Individually, or in combination, these might adversely affect the future operating and financial performance of the Mine. This section describes some, but not all, of the risks which may be associated with the Mine's operation.

Exploration, development and production

Potential investors should understand that mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards. There is no assurance that exploration of the mineral interests of the Mine will result in the discovery of an economically viable mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably mined.

The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing & exporting of minerals, and environmental protection. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced.

The cost of the capital & operating expenditure, resources & reserves estimates of the Mine described in the above section are based on certain estimates and assumptions with respect to the method and timing of exploration and/or production. By their nature, these estimates and assumptions are subject to significant uncertainties and accordingly, the actual costs may materially differ from these estimates and assumptions.

Accordingly, no assurance can be given that the cost estimates, resources and reserves estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect viability of the Mine or its operation. Whilst the exploration, development and production program outlines the current intentions with regard to the project, the actual expenditure and exploration and production work undertaken will depend on the results generated. The priority of the prospects and accordingly expenditure, may be redirected as results are obtained and therefore actual expenditure may differ materially from budgeted expenditure.

In addition there are always geotechnical risks associated with mining operations. Rock behaviour can be unpredictable as highlighted in Runge's technical report. Block caving is especially vulnerable to these risks as ground movement can render production areas inaccessible. Larger openings that have collapsed are very difficult to return to service with no guarantee that the impacted area would not collapse again. In addition the success of the block caving mining is dependent on a product produced to be sufficiently fine for easy extraction from underground once the undercutting is completed. Since ground conditions are different from one area to the next, there is a risk that performance and extraction rates of the mine may be negatively impacted.

Fluctuation in copper and gold prices

The profitability and the value of the copper and gold reserves depend upon the prices of the minerals. The contract prices it may receive in the future for copper and gold depend upon factors beyond our control, including the following:

- The domestic and foreign supply and demand for copper and gold;
- The quantity and quality of copper and gold available from competitors;
- Adverse weather, climatic or other natural conditions, including natural disasters;
- Domestic and foreign economic conditions, including economic slowdowns;
- Legislative, regulatory and judicial developments or environmental regulatory changes that would adversely affect the industry; and
- The proximity to, capacity of and cost of transportation and port facilities.

A substantial or extended decline in the prices it receives for its future copper and gold sales contracts could materially and adversely affect the Mine by decreasing its profitability and the value of its copper and gold reserves.

Performance of Equipment, Technical Personnel and Contractors

There is also a risk that hired contractors (including technical personnel) may under-perform or that equipment may malfunction, either of which may affect the progress of Mine's operation. There may also be high demand for contractors providing other services to the mining industry. Consequently, there is a risk that the Mine may not be able to source all the personnel and equipment required to fulfil its proposed operations.

Disruption to Business Operations

The Mine's operation is subject to a range of operational risks. Such operational risks include equipment failures, IT system failures, external services failure (including energy or water supply), industrial action or disputes and natural disasters. While the Management will endeavour to take appropriate action to mitigate these operational risks or to insure against them, one or more of these risks may have a material adverse impact on the performance of the Mine.

Mining permits

The failure to obtain and renew permits necessary for the mining operations could negatively affect Mine's operation. Mining companies must obtain numerous permits that impose strict regulations on various environmental and operational matters in connection with copper and gold mining. These include permits issued by various federal, state and local agencies and regulatory bodies. The permitting rules, and the interpretations of these rules, are complex, change frequently and are often subject to discretionary interpretations by the regulators, all of which may make compliance more difficult or impractical, and may possibly preclude the continuance of ongoing operations or the development of future mining operations. The public, including non-governmental organizations, anti-mining groups and individuals, have certain statutory rights to comment upon and submit objections to requested permits and environmental impact statements prepared in connection with applicable regulatory processes, and otherwise engage in the permitting process, including bringing citizens' lawsuits to challenge the issuance of permits, the validity of environmental impact statements or performance of mining activities. Accordingly, required permits may not be issued or renewed in a timely fashion or at all, or permits issued or renewed may be conditioned in a manner that may restrict the ability to efficiently and economically conduct its mining activities, any of which would materially reduce its production, cash flow and profitability.

Changes in the legal and regulatory environment

The conduct of the copper and gold mining businesses is subject to various laws and regulations administered by federal, state and local governmental agencies in the Australia. These laws and regulations may change, sometimes dramatically, as a result of political, economic or social events or in response to significant events. Certain recent developments may cause changes in the legal and regulatory environment in which the Mine operates and may impact the results or increase its costs or liabilities. Such legal and regulatory environment changes may include changes in; the processes for obtaining or renewing permits; costs associated with providing healthcare benefits to employees; health and safety standards; accounting standards; taxation requirements and competition laws.

Economic Conditions

The performance of the Mine may be influenced by the general condition of the global economy. Changes in interest rates, employment rates, exchange rates, inflation, consumer spending, access to debt and capital markets and government fiscal, monetary and regulatory policies may affect customer's sentiment and may result in the reduction of demand for copper and gold which will have an adverse effect on the Mine's financial performance and growth.

EXCLUSIONS AND LIMITATION OF LIABILITY

All work has been performed in accordance with and subject to our Standard Conditions of Engagement, a copy of which has been previously provided. For your reference, we highlight some of the more pertinent points:

- We have used due skill and care in the provision of the services set out in this report;
- We shall not under any circumstances be liable for damages or for losses that are not direct result of breach of contract or negligence on our part in respect of services provided in connection with or arising out of the engagement set out in this letter (or any variation or addition thereto) or for any consequential losses or loss of profits of whatsoever nature, and in any event, the liability of Censere, its related companies, partners, directors and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed the fees paid specifically for the work in question which allegedly entailed a breach of contract or negligence on our part;

- The exercise was based largely upon information provided by and on behalf of the Management of the Company. We assume no responsibility and make no representation with respect to the accuracy or completeness of any information provided by management or nominated representatives of the management of the Company;
- In no event shall Censere, its related companies, partners, directors and staff be liable for any loss, damage, cost or expense arising in any form or in connection with the fraudulent acts or omissions, or any mis-representations or any default on the part of the directors, employees or agents of the management of the Company and its subsidiaries;
- Without derogating from the aforesaid provisions, we shall not under any circumstances whatsoever be liable to any third party whether or not they are shown a copy of any work that we have done pursuant to the terms of our engagement and whether or not we have consented to such work being shown to them, save and except where we specifically agreed in writing to accept such liability;
- Except as a result of our own negligence or wilful default, in the event that we find ourselves subject to a claim or incur legal costs from another party as a result of false or misrepresented information provided by Management in connection with this engagement, any claim established against us and the cost we necessarily incur in defending it would form part of the expenses we would look to recover from the management of the Company.

APPENDIX 1- LOCATION SITE



Source: Technical Report

APPENDIX 2 – PHOTOGRAPHS

Northparkes Copper and Gold Mine site



Underground Mining Operation



Underground Mining Tunnels



Underground Mining Operation



Mine Entrance



Mining Equipment



Minerals Sample

APPENDIX 3 – FINANCIAL FORECAST OF THE MINE

Financial Forecast of the Mine

(AUD'000)	Forecast																	
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Revenue	278,342	543,076	728,889	935,673	933,359	937,951	949,985	1,020,568	1,011,748	1,057,556	1,064,941	1,177,117	1,240,924	1,305,842	1,280,459	1,222,543	1,174,065	984,324
Operating expenses	112,779	208,462	309,352	413,536	405,493	397,685	400,330	410,476	431,105	445,019	432,887	457,546	475,071	491,488	491,040	485,348	439,651	291,208
EBITDA	165,563	334,614	419,537	522,136	527,865	540,265	549,655	610,092	580,644	612,537	632,054	719,572	765,853	814,353	789,418	737,195	734,415	693,116
Depreciation	41,526	94,238	137,687	192,873	204,584	210,589	228,121	201,802	275,984	316,305	321,528	325,974	358,328	412,763	449,205	488,560	326,406	263,961
EBIT	124,037	240,376	281,850	329,264	323,282	329,677	321,534	408,290	304,660	296,232	310,526	393,598	407,525	401,590	340,213	248,635	408,009	429,155
Interest expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit before income tax	124,037	240,376	281,850	329,264	323,282	329,677	321,534	408,290	304,660	296,232	310,526	393,598	407,525	401,590	340,213	248,635	408,009	429,155
Income tax expense	37,211	72,113	84,555	98,779	96,984	98,903	96,460	122,487	91,398	88,870	93,158	118,079	122,258	120,477	102,064	74,590	122,403	128,746
Net Profit (NP)	86,826	168,263	197,295	230,485	226,297	230,774	225,074	285,803	213,262	207,362	217,368	275,519	285,268	281,113	238,149	174,044	285,606	300,408

Financial Forecast of the Reserves

(AUD'000)	Forecast																	
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Revenue	278,342	543,076	500,223	469,959	423,109	373,522	351,853	379,052	349,427	373,760	358,978	448,273	488,462	527,043	474,402	388,274	310,597	90,635
Operating expenses	112,779	208,462	206,235	206,768	202,747	198,843	200,165	205,238	215,552	222,509	216,444	228,773	237,535	245,744	245,520	242,674	219,825	70,909
EBITDA	165,563	334,614	293,989	263,191	220,362	174,680	151,689	173,814	133,875	151,251	142,534	219,500	250,926	281,299	228,882	145,600	90,772	19,726
Depreciation	41,526	94,238	94,492	96,874	92,742	83,863	84,491	74,952	95,316	111,788	108,383	124,138	141,048	166,593	166,428	155,164	86,350	15,503
EBIT	124,037	240,376	199,497	166,317	127,621	90,817	67,198	98,862	38,559	39,462	34,151	95,362	109,879	114,706	62,454	(9,564)	4,422	4,223
Interest expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit before income tax	124,037	240,376	199,497	166,317	127,621	90,817	67,198	98,862	38,559	39,462	34,151	95,362	109,879	114,706	62,454	(9,564)	4,422	4,223
Income tax expense	37,211	72,113	59,849	49,895	38,286	27,245	20,159	29,659	11,568	11,839	10,245	28,609	32,964	34,412	18,736	0	2,653	2,534
Net Profit (NP)	86,826	168,263	139,648	116,422	89,334	63,572	47,038	69,203	26,991	27,624	23,906	66,753	76,915	80,294	43,718	(9,564)	1,769	1,689

Financial Forecast of the Resources

(AUD'000)	Forecast																	
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Revenue	-	-	228,666	465,714	510,250	564,428	598,131	641,516	662,321	683,796	705,963	728,844	752,462	778,799	806,057	834,269	863,468	893,689
Operating expenses	-	-	103,117	206,768	202,747	198,843	200,165	205,238	215,552	222,509	216,444	228,773	237,535	245,744	245,520	242,674	219,825	220,300
EBITDA	0	0	125,548	258,946	307,503	365,586	397,966	436,279	446,769	461,287	489,520	500,072	514,927	533,054	560,536	591,595	643,643	673,390
Depreciation	0	0	43,195	95,999	111,842	126,726	143,630	126,850	180,667	204,517	213,145	201,836	217,280	246,170	282,778	333,396	240,056	248,458
EBIT	0	0	82,354	162,947	195,661	238,860	254,336	309,428	266,101	256,770	276,375	298,236	297,647	286,884	277,759	258,199	403,587	424,932
Interest expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit before income tax	0	0	82,354	162,947	195,661	238,860	254,336	309,428	266,101	256,770	276,375	298,236	297,647	286,884	277,759	258,199	403,587	424,932
In come tax expense	0	0	24,706	48,884	58,698	71,658	76,301	92,828	79,830	77,031	82,912	89,471	89,294	86,065	83,328	77,460	121,076	127,480
Net Profit (NP)	0	0	57,647	114,063	136,963	167,202	178,035	216,600	186,271	179,739	193,462	208,765	208,353	200,819	194,431	180,739	282,511	297,452

APPENDIX 4 – DERIVATION OF DISCOUNT RATE**Discount Rate**

The income approach requires the application of an appropriate discount rate that reflects the inherent risks relating to the cash flows. The discount rate for future Cash Flows to the Mine are the return on investments required by investors.

Weighted Average Cost of Capital

It is the weighted cost of debt and equity funded capital and is the appropriate rate to discount the future cash flows to the Project. The formula for calculating WACC is:

$$\text{WACC} = K_e * W_e + K_d * (1-t) * W_d$$

where:

K_e = Cost of equity

K_d = Cost of debt

W_e = Equity weight (value of equity divided by invested capital)

W_d = Debt weight (value of debt divided by invested capital)

t = Effective tax rate

Capital Structure

As discussed with the Management, the expected debt-to-equity ratio for the Mine is 60% equity and 40% debt.

Cost of Equity

The return of equity is the minimum acceptable return on investments required by shareholders. The capital asset pricing model (“CAPM”) is a model which indicates what should be the expected or required rate of return on risky assets. CAPM characterizes the relationship between a common stock’s expected return and risk as:

$$K_e = R_f + \beta * [R_m - R_f] + \varepsilon$$

where:

K_e	=	cost of equity
R_f	=	risk-free rate of return
β	=	beta on firm that measures the co-movement of that firm’s returns with those of the overall market
R_m	=	expected return of the overall market
ε	=	epsilon, a measure of project or company specific risk which cannot be quantified directly

Risk Free Rate of Return

Risk-free rate of Australia of 3.81% is derived from Australia Government’s 10-year sovereign bond equivalence referent yield as at Valuation Date (Source: Bloomberg).

Overall Market Risk

The required rate of return for Australia is 11.13% (Source: International Cost of Capital Report 2013 by Morning Star).

Beta

Beta is derived by taking the unlevered betas of the comparable listed companies and then re-levering by the optimal debt-equity ratio and tax rate. Please refer to Appendix 5 for a description of the comparable companies. The unlevered and relevered beta 1.25 and 1.84 respectively. The comparable company beta factors are as follows:

Comparable Listed Companies	Bloomberg Ticker	Equity Ratio %	Loan Ratio %	Cost of Debt		Cost of Debt
				before Tax %	1 -Tax Rate %	After Tax %
1 Evolution Mining Limited	EVN AU	75%	25%	7.26%	70%	5.08%
2 Sandfire Resources NL	SFR AU	76%	24%	5.90%	70%	4.13%
3 OZ Minerals	OZL AU	100%	0%	0.00%	76%	0.00%
4 PanAust Limited	PNA AU	91%	9%	3.86%	75%	2.88%
5 Regis Resources Limited	RRL AU	98%	2%	4.16%	91%	3.80%
6 Aditya Birla Minerals Limited	ABY AU	100%	1%	5.56%	70%	3.89%
Average		90%	10%	4.46%	75%	3.30%

Expected Capital Structure

60% 40%

Comparable Listed Companies		Market		Tax Rate	30-Jun-13 Beta Unlevered
		30-Jun-13 Beta Levered	D(%) / E(%) Ratio		
1 Evolution Mining Limited	EVN AU	1.23	33%	30%	1.00
2 Sandfire Resources NL	SFR AU	1.36	32%	30%	1.11
3 OZ Minerals	OZL AU	1.40	0%	24%	1.40
4 PanAust Limited	PNA AU	1.60	9%	25%	1.49
5 Regis Resources Limited	RRL AU	0.96	2%	9%	0.94
6 Aditya Birla Minerals Limited	ABY AU	1.56	1%	30%	1.55
Average		1.35	13%	25%	1.25
Expected D/E ratio & Tax Rate			67%	30.0%	1.25

Epsilon

We estimate epsilon to be 5% as the specific risk premium on smaller size and higher risk, such as those in relation to business operation and quality of earnings associated with the Comparable Companies.

Derived Cost of Equity

Based on inputs discussed above in this section, cost of equity for the Mine are derived as follows:

K_e	=	$R_f + \beta [R_m - R_f] + \varepsilon$
	=	3.81% + 1.84 (11.13% - 3.81%) + 5%
	=	22.2%

Cost of Debt

The pre-tax cost of debt of 4.46% is expected lending rate of the mine operation indicated by the Comparable Companies.

Tax Rate

The income tax rate applicable to companies in Australia is expected to be 30%.

Derived WACC

Based on these inputs, WACC are computed as follows:

WACC	=	$K_e * W_e + K_d * (1 - t) * W_d$
	=	22.2% * 60% + 4.46% * (1 - 25%) * 40%
	=	14.6% (rounded)

APPENDIX 5 – COMPARABLE COMPANIES

	Company	Bloomberg Ticker	Country	Description
1	Evolution Mining Limited	EVN AU	ASX	Evolution Mining Limited (Evolution), formerly Catalpa Resources Limited, is a gold producer in Australia. The Company owns and operates four gold mines in Queensland and Western Australia and focuses in the development of fifth gold-silvercopper project in Queensland. Evolution's projects include the Edna May Gold Mine, the Cracow Gold Mine, the Pajingo Gold Mine, the Mt Rawdon Gold Mine and the Mt Carlton gold, silver, copper development project.
2	Sandfire Resources NL	SFR AU	ASX	Sandfire Resources NL (Sandfire) is an Australia-based company. The Company is principally engaged in the exploration and evaluation of mineral tenements in Australia and overseas, development and construction of the DeGrussa Copper-Gold Project in Western Australia and production and sale of direct shipping ore (DSO) and gold laterite ore from the Group's DeGrussa Copper-Gold open Pit operation. It operates the DeGrussa Mine, a copper-gold mine located in the Bryah Basin mineral province of Western Australia, approximately 900 kilometers north-east of Perth and 150 kilometers north of Meekatharra.
3	OZ Minerals	OZL AU	ASX	OZ Minerals Limited is an Australia-based company engaged in the mining of copper, gold and silver, undertaking exploration activities and development of mining projects. Its segments include Prominent Hill Mine, which generates revenue from the sale of concentrate products containing copper, gold and silver to customers in Asia and Europe, and Other operations include the Consolidated Entity's Group Office (which includes all corporate expenses that cannot be directly attributed to the operation of the Consolidated Entity's operating segment), investment in Toro, other investments in equity securities and exploration projects including Carrapateena. The Company operates in the Prominent Hill Mine, a copper-gold mine located in the Gawler Craton of South Australia, approximately 650 kilometres north-west of Adelaide and 130 kilometres south-east of Coober Pedy.

4	PanAust Limited	PNA AU	ASX	<p>PanAust Limited (PanAust) operates in the mining and mineral exploration industry. The Company operates in two segments: other and PanAust Asia. Other include Corporate and PanAust South America. The principal activities of the Company consisted of production and sale of copper-gold concentrate from the Phu Kham Copper-Gold Operation, Laos; construction and development of the Ban Houayxai Gold-Silver Project, Laos; site development work for the Phu Kham Upgrade Project, and exploration and evaluation of projects in Laos, Thailand and Chile.</p>
5	Regis Resources Limited	RRL AU	ASX	<p>Regis Resources Limited is principally engaged in the production of gold from the Moolart Well gold mine, construction of the Garden Well gold mine and exploration, evaluation and development of gold projects in the Eastern Goldfields of Western Australia. The Company operates in two segments: Duketon Gold Project (being the Moolart Well Gold Mine) and the Garden Well Gold Project. The Company's Duketon Gold project is located in the Laverton region 350 kilometers north-northeast of Kalgoorlie in Western Australia.</p>
6	Aditya Birla Minerals Limited	ABY AU	ASX	<p>Aditya Birla Minerals Limited (ABY) is a copper mining company in Australia with operations in Western Australia and Queensland. The Company is engaged in exploration, mining, processing and marketing of copper metal. ABY operates in two segments: copper mining segment, which includes activities associated with mining and production of copper, and exploration and evaluation segment, which includes activities associated with the determination and assessment of the existence of commercial economic reserves. ABY conducts copper mining and exploration activities at the Nifty Copper Operations and the Mt Gordon Copper Operations.</p>

Source: Bloomberg/Reuters

APPENDIX 6 – VALUATION OF THE MINE

(AUD'000)	Forecast FY																	Normalised year	
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029		FY2030
Revenue	278,342	543,076	728,889	935,673	933,359	937,951	949,985	1,020,568	1,011,748	1,057,556	1,064,941	1,177,117	1,240,924	1,305,842	1,280,459	1,222,543	1,174,065	984,324	984,324
Expected FCFE																			
EBIT	124,037	240,376	281,850	329,264	323,282	329,677	321,534	408,290	304,660	296,232	310,526	393,598	407,525	401,590	340,213	248,635	408,009	429,155	429,155
Less: Tax Expenses 30%	37,211	72,113	84,555	98,779	96,984	98,903	96,400	122,487	91,398	88,870	93,158	118,079	122,258	120,477	102,064	74,590	122,403	128,746	128,746
Add: Depreciation and amortisation	41,526	94,238	137,687	192,873	204,584	210,589	228,121	201,802	275,984	316,305	321,528	325,974	358,328	412,763	449,205	488,560	326,406	263,961	263,961
Less: Capital Expenditure	101,975	195,183	179,792	201,524	235,588	303,820	380,162	382,938	302,087	293,854	266,631	263,750	283,526	282,873	288,343	289,505	245,095	506,269	263,961
Less: Working capital additions	27,327	(794)	12,855	14,266	13	148	1,175	2,638	2,605	3,759	111	5,925	4,424	5,137	6	(1,519)	(8,736)	(15,135)	7,430
Expected FCFE	(950)	68,112	142,336	207,567	195,281	137,395	71,858	102,029	184,554	226,055	272,154	331,817	355,646	405,867	399,006	374,619	375,653	73,234	292,978

Discount Rate	Variance Analysis	Adjusted Discount Rate	DCF as at 30 June 13	A	B	C=A+B	D	E=C-D
					PV of the annuity value of the normalised year as at 30 June 13*	Total Enterprise Value	Outstanding Debt as at 30 June 13	Enterprise Value - Debt
	-1%	13.6%	1,131,629		213,431	1,345,060		1,345,060
14.6%	0%	14.6%	1,052,473		172,862	1,225,335	0	1,225,335
	1%	15.6%	981,077		140,514	1,121,591		1,121,591
Discount Rate	Variance Analysis	Adjusted Discount Rate	Marketability Discount Rate for the Mine	F	G=E* (1-F)	H	I=G+H	
				Enterprise Value	Adjusted for Marketability Discount	Cash & Cash Equivalents as at 30th June 13	Fair Market Value as at 30th June 2013 (AUD 000)	
	-1%	13.6%			1,345,060		1,353,538	
14.6%	0%	14.6%	0%		1,225,335	8,478	1,233,813	
	1%	15.6%			1,121,591		1,130,069	

* Assuming that the Project will be completed when the resources are all extracted which are estimated to be in 2050

APPENDIX 7 – MARKET MULTIPLES OF THE COMPARABLES

Comparable Companies

Company	Reporting Currency	Selected Data					
		EBITDA	TIM Net			EV/EBIT	TTM P/S
			EBIT	Sales Per	EV/EBITDA		
Local \$	Local \$	Local \$	share Local \$	Multiple	Multiple	Multiple	
1 Evolution Mining Limited	AUD	229.73	88.34	0.85	3.35	8.71	1.08
2 Sand fire Resurces NL	AUD	283.46	157.61	3.31	4.02	7.23	1.81
3 OZ Minerals	AUD	320.80	165.90	3.21	2.06	3.99	1.36
4 PanAust Limited	AUD	356.52	257.95	1.31	4.36	6.03	1.75
5 Regis Resources Limited	AUD	99.69	75.33	0.39	Outlier	Outlier	Outlier
6 Aditya Birla Minerals Limited	AUD	49.57	-14.95	1.60	Outlier	NA	0.24
				Median=	3.68	6.63	1.36

Comparable transactions

No.	Date of announcement	Acquirer	Target	Type of mine owned	Transaction				
					value (USD mil)	Status	TV/ Revenue	TV/EBIT	TV/EBITDA
1	21-08-13	Shanxi Donghui Coking Chemicals	Inova Resources Ltd	Diversified metals (copper, gold, molybdenum, rhenium and uranium)	114	In progress	1.47	NA	NA
2	28-11-12	First Quantum Minerals Ltd	Inmet Mining Corp	Copper	3,976	Completed	3.8	9.6	7.47
3	12-06-11	KGHM Polska Miedz SA	KGHM International Ltd	Copper	2,279	Completed	1.9	14.2	7.82
4	09-04-13	Shenzhen Zhongjin Lingnan Nonfemet Co Ltd	Perilya Ltd	Diversified metals (copper, gold and silver)	115	In progress	0.8	5.9	2.91
5	12-11-12	General Nice Development Ltd	Palabora Mining Co. Ltd	Copper	355	Completed	0.66	2.95	2.19
					Median		1.47	NA	NA

Source: Bloomberg/Company website/Reuters

Substantially all of the operations of the Business are based in Australia and the Business is required to comply with a range of laws and regulations including exploration, exploitation, production safety, environmental protection and taxation. The laws and regulations concerning the Business and its operations in Australia mainly include the following:

LEGAL SYSTEM

Australia is a federation comprising six states and two self-governing territories, each of which has a legislative, an executive and judicial arm of government. The Australian Commonwealth Government has limited legislative, executive and judicial authority in relation to certain matters as prescribed in Australia's Constitution. These powers include areas such as corporations, taxation, foreign affairs, foreign investment and trade.

The State and Territory governments have broad legislative powers under their respective constitutions. Areas such as mining, roads and traffic, property, health and safety and criminal law are regulated primarily by laws at the State or Territory level, and there are considerable variations between the laws of each State or Territory in that regard.

Australia has a common law system, which is based on the British system. The states and territories have their own judicial systems and courts. Federal Courts deal with federal matters and the High Court of Australia hears appeals in relation to federal, state and territory matters.

OVERVIEW OF THE MINING LAW REGIME IN NEW SOUTH WALES

General

Mining in the State of New South Wales ("NSW") is mainly regulated by the Mining Act 1992 (NSW) ("**Mining Act**"), and administered by the Department of Trade and Investment ("**Department**"), chiefly through the Director-General of the Department with key decisions being reserved for the Minister of the Department. Mineral resources in NSW are mostly owned by the NSW Government and all exploration and mining activity for minerals (whether publicly or privately owned) in NSW require a valid authorisation to be held. There are essentially four types of authorisations:

- exploration licence;
- assessment lease;
- mining lease; and
- mineral claim.

In deciding whether or not to grant an authorisation, the Minister must take into account the need to conserve and protect the environment and features of Aboriginal, architectural, archaeological, historical or geological interests in or on the land. The Minister may cause studies such as an environment impact study to be carried out as the Minister considers necessary to enable this decision to be made.

Any mineral that is lawfully mined becomes the property of the person by or on behalf of whom it is mined at the time the material from which it is recovered is severed from the land from which it is mined.

The holder of an authorisation must pay an annual rental fee and an administrative fee in addition to any royalties payable to NSW.

A government inspector under the Mining Act has the right to enter premises for determining whether there has been compliance with or a contravention of the Mining Act or the regulations or any authorisation, direction, notice or requirement issued or made under the Mining Act.

Regulation of exploration

To prospect in a defined exploration area for particular minerals, the proponent must obtain either an exploration licence or assessment lease (“**Prospecting Title**”).

An exploration licence permits the holder to explore for minerals specified in the exploration licence. A special class of exploration licences called “low impact exploration licences” exist for activities which are unlikely to have a significant impact on native title and prospecting operations are limited to those decided by the Minister. Before this type of exploration licence is granted, notice must be served on registered native title bodies corporate, and registered native title claimants and representative Aboriginal/Torres Strait Islander bodies (at least 4 months prior).

Similarly, an assessment lease allows the holder to prospect and recover minerals in the course of assessing the commercial viability of commercial mining. An assessment lease is designed to allow retention rights over an area in which a significant mineral deposit has been identified but in respect of which mining is not commercially viable in the short term, but could be viable in the long-term.

The Minister may impose conditions when granting a Prospecting Title. The Prospecting Title is likely to contain strict conditions which are designed to minimise the effects of exploration on the environment and ensure rehabilitation of disturbed areas. Holders of Prospecting Titles are also subject to exploration reporting requirements.

A Prospecting Title entitles the holder to carry out works on, or to remove samples from, land for the purpose of testing the mineral bearing qualities of the land but does not necessarily permit mining activities. The holder of a Prospecting Title may not exercise any of the rights conferred on it by the Prospecting Title:

- within 200 metres of a dwelling-house that is the principal place of residence of the person occupying it;
- within 50 metres of any garden; or
- on land on which there is any significant improvement,

unless the land in question is owned by the Prospecting Title holder or if the owner or occupier provides written consent.

The Minister has the discretion to set the term of a Prospecting Title, up to a maximum term of 5 years. The term of an exploration licence for a private mineral owner licence is 2 years. A Prospecting Title may be renewed for a further term of up to 5 years (at the Minister's discretion) upon application.

Regulation of mining production

The principal production tenement in NSW is a mining lease. However, the Director-General may grant mineral claim permits for small-scale prospecting and mining with a maximum term of 5 years.

A mining lease gives the holder the right to prospect, carry out such primary treatment operations (such as crushing, sizing, grading, washing and leaching) and carry out any mining purpose. A mining purpose is defined by reference to:

- certain types of mining infrastructure construction and maintenance;
- activities associated with mineral extract and mineral beneficiation such as removal, stockpiling, management or deposition of overburden, ore or tailings;
- storage of fuel, machinery, timber or equipment for mining operations; and
- generation and transmission of electricity for use in mining operations.

The Minister may impose any conditions on the mining lease. Among these conditions, the holder of the lease must not suspend mining operations in the mining area otherwise than in accordance with the written consent of the Minister.

A mining lease has a term the Minister determines, being a period that does not exceed 21 years, except with the Premier of NSW's agreement. A mining lease may be renewed for up to a further term of up to 21 years (at the Minister's discretion) upon application.

Renewal of mining authorisations

The renewal regime in New South Wales is predictable and transparent and the authorities would generally first allow an applicant the opportunity to resolve any issues with renewal applications before deciding whether to grant or refuse an application. Under the Mining Act, where an application for renewal has been submitted, the authorization continues to have effect (notwithstanding that the relevant expiry date has passed) until such time as the renewal application has been dealt with by the authorities.

Rehabilitation and environment management

It is usual for there to be a requirement to include provisions to regulate the environmental management and rehabilitation of the site and require bonds to secure payment for any rehabilitation required for the site when the mine ceases to operate. These conditions can include:

- a requirement to submit a Mining Operations Plan prior to the commencement of any operations and to provide an annual environmental management report; and
- a requirement that rehabilitation, levelling, regressing, reforestation or contouring of such part of the land adversely affected by prospecting or mining operation be undertaken.

Taxation

The Australian States have the right to impose and administer mineral and petroleum royalties whereas the Australian Commonwealth government imposes and administers income taxes, and other taxes, including the mineral resources rent tax (“MRRT”)

State mineral royalties

Under the Mining Act, royalties are payable to the State of NSW on all publicly and privately owned minerals recovered by the holder of a mining lease. An exhaustive list of what constitutes a ‘mineral’ is set out in the regulations to the Mining Act and this includes (among others) coal, copper, gold, silver, iron minerals and nickel.

In general, for minerals other than coal (including for copper and gold), the base rate of royalties is 4% of the value of the mineral recovered. Where royalties are collected on minerals not owned by the State of NSW, the Mining Act requires that 7/8th or 87.5% of the royalty collected is paid to the private mineral owner.

Commonwealth mineral resources rent tax

From 1 July 2012, the Australian Government introduced the MRRT which applies to certain profits of entities from coal and iron ore extracted in Australia. However, the MRRT does not currently apply in relation to copper and gold. The rate of tax is 30% on profits which exceed a certain threshold, although a 25% extraction allowance is granted and this reduces the effective tax rate to 22.5%. Any State Government royalties that are paid in relation to the mining activity can be credited against the MRRT. The MRRT is in addition to corporate tax that all companies with permanent operations in Australia are required to pay.

On 18 September 2013, a new Australian Federal government was appointed. That new government has publicly stated that the MRRT should be abolished.

Other taxes

Additionally, companies engaged in mining activities are subject to the general taxes and duties as other businesses in Australia including goods and services tax, stamp duty, local government fees, income tax (including capital gains tax). Stamp duty in NSW is payable on (among other things) the transfer of assets in NSW and is calculated at the rate of up to 5.5% on the greater of the consideration for the transfer and the market value of the dutiable property. Dutiable property includes but is not limited to land, goodwill, goods, statutory licences and mining tenements.

Native Title

Common law Native Title rights and interests are recognised and protected in accordance with the Native Title Act 1993 (Cth) (“NTA”). In order for Native Title rights to be recognised over a specified area, the claimants must prove that their spiritual and cultural connection with the land has not been interrupted at any time. Interruptions to connection can include the grant of land title or the passing of laws which are inconsistent with the claimed native title rights.

Native Title may be validly extinguished at common law by any act inconsistent with the existence of Native Title, if done prior to the commencement of the Racial Discrimination Act 1975 (Cth) (on 31 October 1975). Native Title may also be validly extinguished prior to 1 January 1994 (and for some acts prior to 23 December 1996) under the NTA. Acts which extinguish Native Title include the grant of freehold estates, particular leases and certain acts consisting of the construction or establishment of public works.

The NTA provides a legislative framework under which certain acts by the Commonwealth may be validated or valid to the extent that they affect Native Title. In the same manner, the Native Title Act 1994 (NSW) provides a legislative framework under which certain acts by the State of New South Wales may be validated or valid to the extent that they affect Native Title.

Specific procedures in the NTA and where relevant, the Native Title Act 1994 (NSW) must be followed to ensure the validity of the grant or renewal of a mining tenement (known as the future act procedures).

The grant or renewal of any resource tenement is likely to be treated by the State of New South Wales as an act which could affect native title if native title has not been extinguished in relation to the relevant land. This means that the grant or renewal of any mining lease, exploration licence, prospecting licence, or other resource tenement may be subject to the NTA ‘future act’ procedures. These procedures require public notification of the ‘future act’ which can result in the requirement for a resource tenement applicant to negotiate or consult with the persons claiming to have native title rights. In relation to a mining lease, any agreement reached will typically involve payment of monetary or other compensation to the native title holders for impacts on native title rights and interests as a result of the grant of the mining tenement or any activities carried out by the holder of the tenement. Such agreements can also provide for other matters such as Aboriginal heritage protection, employment opportunities and ongoing consultation with native title claimants.

Cultural and heritage protection

Aboriginal cultural heritage

Aboriginal cultural heritage is a related, but independent issue to that of native title. Aboriginal cultural heritage legislation is primarily concerned with the recognition and protection of places and objects which are of particular importance to Aboriginal people by virtue of their culture, spiritual beliefs or ancestral history. Aboriginal cultural heritage may still exist on a piece of land for which native title has been extinguished.

Aboriginal cultural heritage legislation does not operate in a manner so as to vest property rights in interested Aboriginal parties, rather it seeks to protect Aboriginal cultural heritage. The National Parks and Wildlife Act 1974 (NSW) is the primary piece of legislation that seeks to protect Aboriginal heritage in NSW. The Aboriginal and Torres Strait Islander Heritage Protection Act (1984) (Cth) provides for the protection and preservation of declared Aboriginal sites at the Commonwealth level but is commonly only utilised in limited circumstances, such as where the Commonwealth is of the opinion that places or objects have not been adequately protected under State laws.

Obligations in respect of Aboriginal heritage in New South Wales may involve public notification of activities, conduct of cultural heritage surveys, development of cultural heritage management plans and obtaining Aboriginal heritage impact permits.

The Heritage Act 1977 (NSW) is the primary piece of legislation in New South Wales which seeks to protect all places or objects with heritage significance. Places or objects that receive specific protection are listed on the State Heritage Register following an assessment of their heritage significance. Approval is required if a person proposes to take an action which damages or destroys a heritage item or place listed on the State Heritage Register.

The Commonwealth Environment Protection and Biodiversity Conservation Act 1999 (Cth) (“**EPBC Act**”) also protects three other types of heritage:

- the World Heritage values of a declared World Heritage property;
- the National Heritage values of a National Heritage place; and
- places listed on the Commonwealth Heritage List or on Commonwealth land.

A property included in a World Heritage List is a ‘declared World Heritage property’. It is an offence if a person takes an action which will result in a significant impact on the world heritage values of a property.

If an area or place of cultural heritage is listed on either the National or Commonwealth Heritage List, then it is protected under the EPBC Act. This means that referral to the Commonwealth Minister responsible for the EPBC Act (“**Environment Minister**”) should be undertaken before taking an action that is likely to have a significant impact on the heritage values of the site (for example, activities associated with mining and exploration). The Environment Minister may decide that approval is required and impose obligations that apply in respect of actions undertaken pursuant to any approval that may be granted.

Development consent and environmental approval

State approval

The Environmental Planning and Assessment Act 1979 (NSW) (“**EP Act**”), is the primary legislation regulating land use in NSW. A mining lease cannot be granted unless valid development consent or equivalent approval is in place in respect of the land. Development on a granted mining lease must be authorised by the EP Act.

The EP Act requires that certain development be approved either by the Local Council, or in respect of State Significant Infrastructure or Major Infrastructure, by the State Minister for Planning. Development requires approval where a Local Environmental Plan (“LEP”) exists over an area under the proposed mine plan or where the proposed development is determined to be of significant scale or impact as to require State assessment.

Additionally, State Environmental Planning Policies (“SEPP”) can impact on the assessment of the activity or development that is being proposed. SEPPs regulate the circumstances in which development consent or State approval is required, in some cases they provide for exemptions to the need to obtain approval. For example, the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (NSW) provides that development consent or a State approval under the EP Act is required for:

- underground mining carried out on any land;
- mining carried out on land where development for agriculture or industry may be carried out without consent;
- mining in any part of a waterway or an estuary in the coastal zone or coastal waters that is not in an environmental conservation zone; and
- mining on land which is reserved as a state conservation area under the National Parks and Wildlife Act 1974 (NSW).

An application for development consent or State approval usually requires the preparation and public display of an Environmental Impact Statement (“EIS”), outlining the environmental impacts of the proposed mining activity (including plans for minimising them, and rehabilitation). The proponent will include in the EIS various statements as to commitments they undertake to comply with, if the project is approved. The public may make submissions regarding the proposal.

In respect of State Significant Infrastructure or Major Infrastructure, the EIS and any submissions will be reviewed by the Department of Planning and Infrastructure, and the Minister of Planning, amongst other things, to assess whether, and on what conditions, approval for mining operations should be granted. If and when development consent or State approval is given, obligations are likely to be imposed on the operator (such as rehabilitation requirements, limits on production and management plan responsibilities and requirements to comply with commitments made).

The decision to grant or refuse a development consent or State approval may be appealed by the applicant or certain third parties.

Commonwealth approval

Referral of a project to the Environment Minister may also be necessary under the EPBC Act to the extent that any activities associated with the project are likely to have a ‘significant impact’ on a matter of national environmental significance. Matters of national environmental significance are listed in the EPBC Act and include specified endangered and threatened animal and plant species, listed migratory species and RAMSAR wetlands.

Upon referral, the Environment Minister will decide if the proposed activities need to be approved under the EPBC Act. If approval is required under the EPBC Act, the development may not be able to commence until such approval is granted.

Usually the materials prepared for State environmental approvals also be prepared in order to comply with EPBC Act requirements.

It is usual for obligations in addition to those imposed at the state level to be imposed under the EPBC Act by the Environment Minister if approval is required.

The decision to grant or refuse an approval under the EPBC Act may be challenged by the applicant or, in certain circumstances, by third parties.

Contamination

Obligations in relation to contamination in NSW arise under the Contaminated Land Management Act 1997 (NSW) (“**CLM Act**”) and the Protection of the Environment Operations Act 1997 (NSW) (“**PEO Act**”). The common law of negligence and nuisance is also relevant.

Under the CLM Act, the Department of Planning and Infrastructure (“**DPI**”) regulates the investigation and remediation of contaminated sites that pose a significant risk of harm to human health or the environment. The CLM Act sets out the role of the DPI and the rights and responsibilities of others.

The key obligations in respect of contamination are:

- if a person/corporation owns contaminated land or has contaminated the land to the extent that it poses a significant risk of harm to human health or any other aspect of the environment, numerous powers of the DPI will be triggered;
- there is a duty to notify the DPI that land is contaminated or notify any pollution incident which may cause material harm to the environment;

- it can be a criminal offence to fail to comply with any order or notice under the CLM Act or the PEO Act, or failing to notify the DPI that land is contaminated or of any pollution incident which may cause material harm to the environment; and
- if pollutants are located on a property, it is an offence to wilfully or negligently cause or contribute to any substance leak, spill or otherwise escape in a manner that harms the environment.

The CLM Act gives the DPI power to order the investigation or remediation of land which is contaminated in such ways to present a significant risk of harm. An order for the investigation or remediation of land is to be firstly directed to the person principally responsible for the contamination. However, if that person cannot be found or is insolvent, the owner of the land, or a person who can dispose of a freehold interest in the land for benefit (including a mortgagee in possession) may be the recipient of an order.

In relation to potential contamination risks, the DPI has the power to issue prevention notices to a person carrying out an activity if it reasonably suspects that an activity has been or is being carried on in an environmentally unsatisfactory manner.

Joint ventures in Australia

Joint ventures in Australia are commonly used as vehicles for joint participation in mineral exploration, development and production projects, which typically require a range of technical, managerial and financial resources to be successfully undertaken.

A joint venture is generally understood to mean an association of persons (either natural persons or corporate entities) formed for the purpose of undertaking a specific venture, typically requiring a wide range of technical, managerial and financial resources.

A variety of legal forms may be used to conduct a joint venture in Australia, including:

- a trust;
- a partnership;
- an unincorporated joint venture; and
- an incorporated joint venture (company).

Unincorporated joint venture

An unincorporated joint venture is an association of persons established under contract pursuant to which the persons undertake a joint commercial activity. An unincorporated joint venture can be partnership or a non-partnership, which depends on the features of the joint venture and the intention of the parties.

For there to be a partnership, there must be a business carried on by persons in common, with a view to profit. Resources joint ventures are distinguished from partnerships in that the participants in the joint venture take the extracted product and sell or otherwise deal with that product individually, rather than pooling the product and selling it in common and distributing any profit according to any agreed proportion.

The joint venture agreement is the key contract which governs the contractual relationship between joint venture participants. Generally a joint venture agreement will have provisions for:

- defining the project which will be the subject of the joint venture;
- giving each joint venture party an entitlement to take in kind a proportion of the output of the joint venture consistent with the “participating interest” in the joint venture;
- payment of project expenses proportionately by the joint venturers;
- appointing a manager / operator to run the project for the venturers;
- resolving disputes; and
- changing a party’s interest in the joint venture.

Features of an unincorporated joint venture

There is no precise definition of “joint venture” under Australian law, however, typically the key features of an unincorporated joint venture (“UJV”) in Australia include:

- **Legal status:** the UJV, being unincorporated, does not have separate legal status;
- **Contractual relationship:** the relationship between the participants to a UJV is essentially contractual, with the terms of the association being fixed by various agreements;

- **Common property management and ownership:** the participants to the UJV usually hold the assets of the relevant mining project as “tenants in common” in specific proportions. These assets usually include the relevant mining titles, as well as the infrastructure, equipment and other assets needed to undertake the particular project. These proportions are often described as “participating interests” or “interests”. Rights and obligations in relation to the ownership, management, use and disposal of these assets are dealt with under the terms of the joint venture agreement. Alternatively, assets such as equipment and service and supply contracts may be held by the manager or operator of the UJV on behalf of the participants to the UJV;
- **Right to take a share of the mine output:** a key feature of a UJV is that it gives a right to each participant to take a proportional share of the output of the relevant mine equal to its participating interest. Each participant is then free to separately market and sell that product. However, the participants typically enter into separate marketing arrangements (for example, the appointment by each participant of a sales agent) to, in effect, jointly market the mine output after they have taken their proportionate shares;
- **Costs and liability:** each participant to a UJV typically must contribute a share of the costs of running the mining project equal to its participating interest in the UJV. Such share is typically contributed by the making of “called sum” payments to the manager or operator of the UJV. In addition, the liability of each participant for all costs, losses and debts of the UJV is typically separate and limited to its participating interest;
- **Divided management:** the management of the UJV is normally divided, with the participants appointing a person to act as the manager or operator of the project. Typically, the manager or operator is appointed as a separate agent for each of the participants and is usually a participant or a corporation related to one or more of the participants. The power to determine certain matters is vested in an operating, management or policy committee, on which typically all participants are represented and entitled to vote in accordance with their participating interest in the joint venture;
- **Assignment restrictions:** the participants agree on procedures to be followed when one of them wishes to assign its participating interest. Typically, a participant is restricted from assigning its participating interest without first obtaining the consent of all the other participants, and furthermore may be required to first offer that interest to the other participants on terms no less favourable than those proposed to be offered to the third party; and
- **Default remedies:** default remedies are usually specified in the joint venture agreement. In addition to common law remedies, these may include loss of voting rights in the joint venture, loss of rights to share in production or output, dilution of the defaulting party’s participating interest, compulsory withdrawal from the UJV or forfeiture of the party’s participating interest in the UJV.

Incorporated joint venture

An incorporated joint venture is established through the incorporation of a company by persons who each subscribe for shares in the company. The joint venture company is a separate legal entity to the shareholders.

Foreign investment regime*Background*

Foreign investment in Australia is regulated principally under Commonwealth legislation including the Foreign Acquisitions and Takeovers Act 1975 (“**FATA**”) and by the Australian Commonwealth Government’s Foreign Investment Policy (“**Policy**”).

The Federal Treasurer is ultimately responsible for all decisions relating to foreign investment and administration of Policy. The Treasurer is advised and assisted by the Foreign Investment Review Board (“**FIRB**”) which administers FATA in accordance with the Policy.

Foreign investment thresholds and FIRB procedure

Under Australia’s foreign investment regime, foreign investors must notify the Australian Federal Treasurer and obtain a statement of no objection (commonly referred to as “**FIRB Approval**”) prior to making particular investments in Australia, including:

- acquiring an interest in urban land, including any interest in a prospecting, exploration, mining or production tenement; or
- acquiring a substantial interest in a corporation or control of an Australian business that is valued at \$248 million or higher (which figure is indexed annually on 1 January).

A ‘substantial interest’ in a corporation will arise if:

- a foreign person (alone or with any associates) is in a position to control 15% of the voting power in the corporation or holds 15% of the issued shares;
- two or more foreign persons (along with any associates) are in a position to control not less than 40% of the voting power in the corporation or hold not less than 40% of the issued shares in the corporation.

In assessing a FIRB Approval application the Government considers a range of criteria including assessing the national interest in the proposed transaction, considering national security, competition, other government policies (including tax), impact of the transaction on the economy and the community and the character of the investor.

Employment and industrial relations in Australia is primarily regulated by three sources, being:

- (a) the employee's individual employment contract;
- (b) minimum terms prescribed by federal and state legislation; and
- (c) minimum terms contained in industrial awards and agreements.

The federal *Fair Work Act 2009* (**FW Act**) is the key statute regulating employment and industrial relations for most Australian employees.

Collective bargaining is at the heart of the FW Act. Individual statutory agreements are not permissible under the FW Act but existing individual agreements made under the previous legislation may continue in force until terminated.

There are numerous instruments that set out the terms and conditions that have been collectively bargained between employers and groups of employees. The key instruments under the FW Act are the modern awards and enterprise bargaining agreements.

Modern awards establish minimum pay and conditions for employees in an occupation or industry.

Enterprise bargaining agreements are negotiated between the employer (or employers in the case of multi-enterprise agreements) on one side and a collective group or groups of employees on the other. If the agreement relates to a genuine new enterprise, it can be made as a "greenfields agreement" with the relevant union or unions. Similarly to the modern awards, enterprise bargaining agreements set out the minimum terms and conditions for employees. However, in contrast to the modern awards (which apply across occupations and industries, regardless of employer), enterprise bargaining agreements only apply to employees who are employed by the particular employer (or employers, in the case of multi-enterprise agreements).

Legislation in each state requires employers to ensure the workplace is safe and healthy for both employees and other people. This includes both physical and mental health and safety. In recent times, health and safety laws have been harmonised across the country, although Victoria and Western Australia are still to opt into the harmonised system. In the event of a breach of this legislation, employers (and individual employees) can be subject to criminal prosecution and exposed to significant monetary penalties.

In addition to an employer's health and safety obligations, state legislation also requires employers to take out compulsory workers' compensation insurance to compensate workers for injuries they sustain during the course of their employment. Workers' compensation schemes vary from state to state, but generally provide for injured workers to receive regular payments to cover loss of earning capacity and the cost of medical expenses and vocational rehabilitation, and, where appropriate, to assist them to rehabilitate and return to work. All employers must have a workers' compensation policy and pay the associated insurance premiums, whether to the appropriate state body or other insurer.

**APPENDIX VIII FEASIBILITY REPORT ON NEW PROJECT FOLLOWING CHANGE
IN USE OF PROCEEDS FROM PREVIOUS FUNDS RAISING ACTIVITY**

The feasibility report on the Proposed Acquisition published on 29 September 2013 is only written in Chinese, with no official English translation. The following English translation is provided solely for reference only. In case of discrepancy between the two versions, the Chinese shall prevail. Please note that since the publication of the feasibility report on 29 September 2013, certain information have been restated and updated including, among others, the reserves and resources of ore and the renewal of the mining permits of Northparkes copper-gold mine ML1247 and ML1367. Please refer to the circular, in particular the sections headed “Letter from the Board”, “Information of the Sale Interest and the Business” and “Information of Northparkes” for details.

DEFINITIONS

Unless the context requires otherwise, the following expressions have the following meanings:

“Company”	China Molybdenum Co., Ltd.*
“CMOC Mining Pty Limited”	a wholly owned subsidiary of the Company established in Australia, acting as the purchaser in the Acquisition
“North Mining Limited”	a wholly owned subsidiary of Rio Tinto Limited, acting as the counterparty in the Acquisition
“Acquisition”	the acquisition of 80% interest in Northparkes Joint Venture and certain associated rights and assets by CMOC Mining Pty Limited from North Mining Limited
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“NDRC”	the National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“MOFCOM”	the Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部)
“SAFE”	the State Administration of Foreign Exchange (國家外匯管理局) and its branch offices
“Issuance”	the public offering of A Share convertible corporate bonds by the Company
“Investment Project”	the project to be invested with the proceeds
“A Shares”	ordinary shares issued to the domestic investors, listed in the Shanghai Stock Exchange, denominated, subscribed and traded in RMB as approved by the CSRC
“Convertible Bonds” or “CB”	convertible corporate bonds
“RMB”	Renminbi yuan

* *For identification purposes only*

**APPENDIX VIII FEASIBILITY REPORT ON NEW PROJECT FOLLOWING CHANGE
IN USE OF PROCEEDS FROM PREVIOUS FUNDS RAISING ACTIVITY**

SECTION I PROPOSAL ON USE OF PROCEEDS FROM FUND RAISING ACTIVITY

No.	Name of project	Investment in project	Amount of investment from proceeds to be raised from the initial public offering of A Shares	Amount of investment from the proceeds to be raised from the Issuance of Convertible Bonds
1	Acquisition of 80% interest in Northparkes Joint Venture held by North Mining Limited and certain associated rights and assets	RMB5.602 billion	RMB0.558 billion	RMB4.9 billion

In accordance with the development needs of the Company, it is proposed to defer the implementation of Clean, Efficient and Resource-utilizing Construction Project for Processing 42,000 Tonnes Per Year of Low-grade and Complex Scheelite Concentrates (「年處理42,000噸低品位複雜白鎢礦清潔高效資源綜合利用建設項目」) and Project of Ammonium Molybdate Production Line with Capacity of 10,000 Tonnes Per Year (「年產10,000噸鉬酸鉍生產線項目」) of the original Investment Project to be funded by the proceeds of the initial public offering of A Shares and to use the net proceeds from the initial public offering of A Shares and the interest thereof of RMB558,146,700 on the project of Acquisition of 80% interest in Northparkes Joint Venture held by North Mining Limited and certain associated rights and assets (「收購North Mining Limited擁有的Northparkes Joint Venture 80%的權益及相關權利和資產」) .

The total proceeds from the Issuance of A Share Convertible Bonds will not be more than RMB4.9 billion and are intended to use on the project of Acquisition of 80% interest in Northparkes Joint Venture held by North Mining Limited and certain associated rights and assets.

If any shortfall incurs in the investment in the aforesaid project and if the actual amount of net proceeds of the Issuance is less than the amount of proceeds proposed to be invested, the Company will make up the shortfall by other means; if the time at which the proceeds are raised does not match the implementation schedule of the project, the Company may utilize other funds for the implementation of the project and replace such funds with the proceeds raised when they are available.

**SECTION II ANALYSIS ON THE FEASIBILITY OF THE PROJECTS TO BE INVESTED
WITH THE PROCEEDS**

I. Basic Information on the Acquisition Target

The target asset of the Acquisition is the 80% interest in Northparkes Joint Venture held by North Mining Limited and certain associated rights and assets, which mainly includes 80% of the equity interest in Northparkes Joint Venture held by North Mining Limited, the management right of North Mining Limited over Northparkes Joint Venture, self-owned properties and assets as well as certain associated rights and assets held by North Mining Limited in Northparkes Joint Venture.

1. Basic Information on Northparkes Joint Venture

Northparkes Joint Venture is an unincorporated joint venture established in 1993. It is owned as to 80% by North Mining Limited, 13.3% by Sumitomo Metal Mining Oceania Pty Limited and 6.7% by SC Mineral Resources Pty Limited. As the manager of Northparkes Joint Venture, North Mining Limited has the management right over Northparkes Joint Venture. North Mining Limited is a wholly owned subsidiary of Rio Tinto Limited. Rio Tinto Limited and its subsidiaries are a leading international mining group. Their principal businesses are exploring, mining, and processing mineral resources. Major products are aluminum, copper, diamonds, thermal and metallurgical coal, uranium, gold, industrial minerals (borax, titanium dioxide and salt) and iron ore.

Northparkes Joint Venture is responsible for the mining of Northparkes copper-gold mine. It is not generating net cash and relies on the capital contribution from the contributing parties of the joint venture for its operating and capital expenditure. North Mining Limited, Sumitomo Metal Mining Oceania Pty Ltd and SC Mineral Resources Pty Ltd contribute relevant assets, share relevant operating costs and capital expenditure in their respective proportions for the joint development in Northparkes copper-gold mine in accordance with the provisions of the Northparkes Joint Venture Cooperation Agreement and share the products of copper concentrates produced based on the proportion provided.

**APPENDIX VIII FEASIBILITY REPORT ON NEW PROJECT FOLLOWING CHANGE
IN USE OF PROCEEDS FROM PREVIOUS FUNDS RAISING ACTIVITY**

2. *Basic Information on the Northparkes Copper-Gold Mine*

Northparkes copper-gold mine is situated 27 kilometres north west of the town of Parkes in Central West New South Wales, Australia. It is one of the four major copper mines in Australia in 2012. Its mining began in 1993 with natural block caving underground operation and has a remaining life of 20 years. In 2012, Northparkes produced 5.65 million tonnes of ore and a total of 54 thousand tonnes of copper metal and 72 thousand ounces of gold (100% basis).

North Mining Limited owns 3 exploration licences and 3 mining permits of Northparkes copper-gold mine, details as follows:

Licence no.	Expiry date	Type of permit	Area of tenement	
			(hectare)	Status of permit
EL 5323	17 July 2013	Exploration	21,840	Renewal pending
EL 5800	8 January 2015	Exploration	—	Authorized
EL 5801	7 January 2014	Exploration	49,550	Authorized
ML 1247	26 November 2012	Mining	1,629.6	Renewal pending
ML 1367	26 November 2012	Mining	826.2	Renewal pending
ML 1641	25 March 2031	Mining	24.42	Authorized

In accordance with the annual report of Rio Tinto Limited, the reserves of Northparkes copper-gold mine prepared under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (December 2004) are as follows:

**Reserves of Northparkes Copper-Gold Mine (100% Basis)
(as at 31 December 2012)**

	Proved Ore Reserve			Probable Ore Reserve			Total Ore Reserve		
	Mt	% Cu	g/t Au	Mt	% Cu	g/t Au	Mt	% Cu	g/t Au
Open pit and stockpiles	8.2	0.40	0.24	—	—	—	8.2	0.40	0.24
Underground				66.0	0.80	0.28	66.0	0.80	0.28

**Resources of Northparkes Copper-Gold Mine
(100% Basis, excluding the reserves above)
(as at 31 December 2012)**

	Measured Resources			Indicated Resources			Inferred Resources			Total Resources		
	Mt	% Cu	g/t Au	Mt	% Cu	g/t Au	Mt	% Cu	g/t Au	Mt	% Cu	g/t Au
Underground	14.0	0.91	0.30	3.7	0.71	0.13	271.0	0.55	0.26	289.0	0.57	0.26

3. *Ownership of the Acquired Subject Assets*

On 2 September 2013, SC Mineral Resources Pty Ltd and Sumitomo Metal Mining Oceania Pty Ltd, the associated parties, issued a statement waiving the pre-emptive rights pursuant to the Northparkes Joint Venture Cooperation Agreement (《Northparkes Joint Venture 合作協議》). As at the date of the issue of this report, there is a clear title to the acquired subject assets and no charges, pledges or other transfer restrictions are attached. The acquired subject assets are not involved in any litigation, arbitration or judicial orders such as attachment or injunction, and are not subject to other situations which would obstruct the transfer of their ownership. Northparkes Copper Gold Mine is not involved in any ownership restrictions or disputes.

4. *Key Financial Figures*

In accordance with the statements of North Mining Limited, as at 31 December 2011 and 2012, the key financial figures of the acquired subject assets under Australian Generally Accepted Accounting Principles are as follows:

RMB 100 million

	As at 31 December 2012	As at 31 December 2011
Net profit before tax	11.56	10.23
Net profit after tax	8.25	7.26
Net assets	24.41	16.16

Note: Australian dollars have been translated into RMB at an exchange rate on the signing day of the acquisition agreement.

5. *Prospects of Northparkes Copper Gold Mine*

Ever since 1993 till now, Northparkes Copper Gold Mine has produced over 800,000 tonnes of copper and 311,850 ounces of gold. As one of the four biggest copper mines of Australia in 2012, Northparkes Copper Gold Mine, well equipped in infrastructure, abundant in the supply for production and livelihood, and rich in labor resources, has contributed considerable profits for Rio Tinto Limited for the past three years.

Northparkes Copper Gold Mine currently employs natural caving method as its production technique, which is a mature, secured and economic underground mining technique. Using this kind of mining technique, Northparkes Copper Gold Mine is expected to sustain a stable annual production and strong advantages in production costs within a relatively long period of time in the future, which can increase income, enhance earnings and contribute cash flows.

Northparkes Copper Gold Mine owns abundant reserves and resources of ore. As at the date of the issue of this report, Northparkes Copper Gold Mine, with 66 million tonnes of ore, can provide mine service till 2030. In addition, there are 289 million tonnes of ore resources in Northparkes Copper Gold Mine which has not been incorporated in mining plans, suggesting potential for large scale expansion in production. At the same time, Northparkes Copper Gold Mine owns the exploration rights over large stretches of land, which promises good prospects for additional resources based on the history of exploration and with more investments in exploration.

Northparkes Copper Gold Mine produces fine copper concentrates with high grade of copper, rich resources of gold and silver with little impurity. Currently, copper concentrates products are mostly sold to large-scale smelting plants in Asia. Before 2016, three major customers will have signed the long term sales contracts, a promising future for sales.

Northparkes Copper Gold Mine is a large scale copper sulphide mine, the same with Sandaozhuang Mine which is a principal business of the Company and Shangfanggou Mine, of which the Company is an associated party. For a long time before it was established as a large scale open-pit mining site, Sandaozhuang Mine had been employing the underground mining method. Judging from resources and geological and storage conditions, Sandaozhuang Mine, with its stripping gradually goes deeper, may also shift to large-scale underground mining. Shangfanggou Mine may also employ large-scale underground natural caving method. Northparkes Copper Gold Mine is one of the mines using underground caving with the best management and the highest degree of automation. After the Acquisition, the mature and advanced underground mine operation and management experiences of Northparkes Copper Gold Mine will bring considerable synergic effects to the Company.

II. Investment in the Acquisition Project

The investment in the acquisition project is comprised of three parts, namely, the agreed price of the acquired subject assets in the Asset Sale and Purchase Agreement (《資產出售及購買協議》), relevant taxes involved in the transaction and working capital input.

1. The Agreed Price in the Asset Sale and Purchase Agreement

The strictly confidential bidding activity started by North Mining Limited includes two stages. After the first stage, each of the bidding parties shall submit a non-binding, guided quotation, and after the second stage, all the shortlisted bidders shall provide their final offer. North Mining Limited entered into negotiation with the shortlisted bidders on the Asset Sale and Purchase Agreement since the second stage till it was officially signed.

After negotiation, the temporary price for the Acquisition agreed upon by the Company and North Mining Limited in the Asset Sale and Purchase Agreement was US\$820 million, subject to the adjustment mechanism of the working capital agreed upon by both parties to ensure that on the transaction completion day, the basic working capital agreed upon by CMOC Mining Pty Limited and North Mining Limited are in place with the subject assets. As at the transaction completion day, 80% of the difference between the actual working capital and the basic working capital agreed upon, if any, shall be the amount of adjustment to be made to the transaction consideration.

2. Relevant Taxes of the Transaction

In accordance with the Tax Law of New South Wales, Australia, the Company shall settle the stamp duty payable for the transfer of dutiable property in connection with the Acquisition, which will be approximately 5.5% of the value of the dutiable property. Such value is to be calculated based on local regulations on tax. Based on the tentative acquisition price of US\$820 million and the dutiable property of the Acquisition, the Company calculates the stamp duty of the transaction under the Tax Law of New South Wales, Australia, which is up to approximately USD42 million.

3. *Working Capital Input*

As forecasted on basis of the operational costs and the capital expenditure plans of the acquired subject assets, while taking into consideration the cycle from production of copper concentrates till loading and transportation as well as the period of debt collection from customers, the turnaround period of the working capital of the acquisition project is usually 3 months. It is expected that after the Acquisition, approximately US\$48 million will be required to serve as working capital for the preliminary stage.

In conclusion, the investment of the project amounted to approximately US\$910 million, which is equivalent to approximately RMB5,602 million at 615.65, being the average of middle rate of US dollar as quoted by State Administration of Foreign Exchange over the past 10 days.

III. Summary of Principal Terms of the Asset Sale and Purchase Agreement which shall be Effective Conditionally

1. *Parties and Date*

Parties of the transaction: the Company, CMOC Mining Pty Limited, a wholly owned subsidiary of the Company, and North Mining Limited.

Date of the agreement: 26 July 2013

2. *Target Assets and Consideration*

Target of the transaction: 80% interest in Northparkes Joint Venture owned by North Mining Limited and the associated rights and assets.

Transaction amount: US\$820 million (subject to the adjustment mechanism of working capital as agreed between the parties).

Price adjustment: subject to the adjustment mechanism of working capital as agreed between the parties which is to ensure that the basic working capital agreed by CMOC Mining Pty Limited and North Mining Limited will be owned by the target assets on the completion date of the transaction. In the event that the actual working capital varies from the agreed basic working capital on the completion date of the transaction, 80% of such difference should be the amount of adjustment to the consideration of the transaction.

3. *Payment of Consideration*

CMOC Mining Pty Limited shall pay a tentative amount of US\$820 million to North Mining Limited on the completion date of the transaction. The parties will pay the final adjusted amount in accordance with the final financial statements on the completion date of the transaction and the daily interests calculated from the completion date of the transaction to the date of payment within 5 working days upon confirmation of the last financial statements on the completion date of the transaction.

The Company shall pay the purchasing price and related fees by its self-owned capital or bank borrowings before receipt of the proceeds. Following the receipt of the proceeds, the Company will use the amount to reimburse its self-owned capital paid or to repay its bank borrowings.

4. *Matters subject to Reporting and Approval*

On 7 August 2013, the NDRC issued the Approval on the Acquisition of the Project of Northparkes Copper Gold Mine in Australia from Rio Tinto by China Molybdenum Co., Ltd. (Fa Gai Wai Zi [2013] No. 1524) (《關於洛陽欒川鉬業股份有限公司收購力拓集團澳大利亞北帕克斯銅金礦項目核准的批覆》(發改外資[2013]1524號)) for approval on the matters of the Acquisition of the Company.

On 4 September 2013, the MOFCOM issued the Enterprise Overseas Investment Certificate (《企業境外投資證書》) to the Company for the approval to the establishment of CMOC Limited (洛陽鉬業控股有限公司), a wholly owned subsidiary of the Company in Hong Kong for the purposes of the transaction.

On 12 September 2013, the Company's registration of foreign exchange in SAFE Luoyang City Branch was completed. The Company is undergoing the antitrust review procedures of MOFCOM.

SECTION III IMPACT ON THE COMPANY'S OPERATION, MANAGEMENT AND FINANCIAL POSITION DUE TO THE ISSUANCE OF A SHARE CONVERTIBLE BONDS

I. Impact on the Company's Operation and Management due to the Issuance of A Share Convertible Bonds

The proceeds from the Issuance of A Share convertible bonds will be used for the acquisition of the 80% interest in Northparkes Joint Venture owned by North Mining Limited and certain associated rights and assets. The completion of the Acquisition will be favorable for the Company's further development in the global market and acceleration of internationalization. The Company shall build up its corporate management abilities of operational services in developed countries by acquiring copper mines in progress, which are of high-quality, low production cost and long mining lives in countries with steady investment environment for the mining industry. The Acquisition supports and enhances the Company's future development and prospect; diversifies sources of profit and operational regions; and allows the Company to learn ideologies of internationalized management by referring to advanced commercial models.

In addition, the Company's portfolio of business will expand to the areas of copper and gold from which cash flow will be obtained immediately from the business of copper upon completion of the transaction. The transaction shall push ahead the establishment and development of the investment portfolio of base, specialty and precious metals, and the diversification of the overall deployment of business of the Company. A material enhancement in the business coverage will be fulfilled and the core competitiveness of the Company shall improve further.

II. Impact on the Company's Financial Position due to the Issuance of A Share Convertible Bonds

1. Increase of the Company's Asset Strength and Provision of Funding to the Company's Business Development

The principal business of the Company has developed rapidly since its establishment, which induces gradually higher requirements to its capital. The aggregate proceeds raised from the convertible bonds amounted to less than RMB4.9 billion, which will provide protection to the funding of the Company for its further development.

2. *Increase of Revenue and Net Profit from Principal Business*

The revenue and net profit from the principal business of the Company will be significantly improved upon the completion of the Acquisition. The risk of the project is relatively low. Moreover, it shall bring good economic benefit. The Company shall further develop its copper and gold business upon completion of the Acquisition, which will advance the diversification of its overall deployment of business. The Company's operating revenue and profitability is expected to increase further with its improved productivity, skills and competitiveness.

3. *Reasonable Utilization of Financial Leverage, Optimization of the Company's Capital Structure and Improvement of the Company's Core Competitiveness*

The Company's aggregate assets as well as liabilities shall increase simultaneously upon completion of its Issuance of A Share convertible bonds. The Company's capital strength shall improve further. It will utilize its financial leverage reasonably and optimize its asset structure.

In conclusion, the Issuance of A share convertible bonds shall increase the Company's resource reserves, enhance its profitability. In addition, the Issuance will optimize the capital structure of the Company, thereby provides protection to its subsequent business development. The feasibility of project to be invested with the proceeds is satisfactory.

The statement on use of proceeds from previous funds raising activity and the verification report are only written in Chinese, with no official English translation. The following English translation is provided solely for reference only. In case of discrepancy between the two versions, the Chinese shall prevail.

Report on the Use of Proceeds from Previous Funds Raising Activity

The board of directors of the Company and all its members warrant that there are no false representations or misleading statements contained in, or material omissions from this announcement, and severally and jointly accept responsibilities for the truthfulness, accuracy and completeness of the contents contained herein.

I. BASIS FOR PREPARATION

The Report on the Use of Proceeds from Previous Funds Raising Activity is prepared pursuant to the Provisions on the Reports on Use of Proceeds from Previous Funds Raising Activity (Zheng Jian Fa Hang Zi [2007] No. 500) (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)) issued by China Securities Regulatory Commission.

II. DETAILS CONCERNING THE AMOUNT, DUE DATE OF PAYMENT AND DEPOSIT OF THE PREVIOUS FUNDS RAISING ACTIVITY

It was confirmed by China Securities Regulatory Commission Zheng Jian Xu Ke [2012] No. 942 that CMOC issued 200,000,000 shares of Renminbi ordinary shares with RMB3 per share (A Share) on 24 September 2012. The payment of shares amounted to RMB600 million, while the actual proceeds from the aforesaid A share received by CMOC amounted to RMB570 million after deducting the aggregate amount of RMB30 million of underwriting fees, referral fees and Internet distribution fees. The net amount of the actual funds raised amounted to RMB558.15 million after deducting other issuing payment.

The total amount of the aforementioned funds was received on 27 September 2012. It was reviewed by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (德勤華永會計師事務所有限公司) (now restructured and renamed as Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥))). An asset review report, De Shi Bao (Yan) Zi (12) No.0057, was issued.

CMOC deposited the aforesaid funds raised into a specialized account in China Construction Bank Corporation Shanghai Wai Gaoqiao Free Trade Zone Branch. The account number is 310101579511050014073. The initial deposited amount amounted to RMB570 million, including the actual funds raised which amounted to RMB558.15 million and other fees of issuance which amounted to RMB11.85 million and is yet to be deducted. The balance on 31 December 2012 amounted to RMB570.46 million, including the net amount of the actual funds raised amounted to RMB558.15 million, the other fees of issuance which amounted to RMB11.85 million and is yet to be deducted as well as the income from interests which amounted to RMB0.46 million which was generated from the raising of funds.

III. COMPARATIVE TABLE OF THE USE OF PROCEEDS FROM PREVIOUS FUND RAISING ACTIVITY

As at 31 December 2012, CMOC had not yet utilized the aforementioned funds.

IV. COMPARATIVE TABLE OF ACTUAL PROFIT FROM INVESTMENT PROJECTS BY PROCEEDS FROM PREVIOUS FUND RAISING ACTIVITY

As at 31 December 2012, CMOC had not yet utilized the aforementioned funds.

V. COMPARISON BETWEEN THE USE OF PROCEEDS FROM PREVIOUS FUND RAISING ACTIVITY AND DISCLOSED INFORMATION IN THE ANNUAL REPORT OF THE COMPANY (AS AT 31 DECEMBER 2012)

The aforesaid use of proceeds of CMOC is consistent with the disclosed information in the Company's annual report.

VI. UNUTILIZED PROCEEDS

As at 31 December 2012, CMOC has not yet used the aforementioned funds.

VII. ONLINE ANNOUNCEMENT ATTACHMENT(S)

The Audit Report of the Report on Use of Proceeds from Previous Fund Raising Activity issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)).

The announcement is hereby given.

The board of directors of China Molybdenum Co., Ltd.

29 September 2013

VERIFICATION REPORT

De Shi Bao (He) Zi (13) No. E0066
(德師報(核)字(13)第E0066號)

29 September 2013

To the Board of Directors of China Molybdenum Co., Ltd.

We have audited the attached report on the use of proceeds from previous funds raising activity of China Molybdenum Co., Ltd. (“CMOC”) as at 31 December 2012 (the “Report on the Use of Proceeds from Previous Funds Raising Activity”).

I. THE BOARD OF DIRECTORS’ RESPONSIBILITY FOR THE REPORT ON THE USE OF PROCEEDS FROM PREVIOUS FUNDS RAISING ACTIVITY

The responsibility of the board of directors of CMOC is to prepare the Report on the Use of Proceeds from Previous Funds Raising Activity pursuant to the Provisions on the Reports on Use of Proceeds from Previous Funds Raising Activity (Zheng Jian Fa Hang Zi [2007] No. 500) (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)) issued by China Securities Regulatory Commission and warrant that the content of the Report on the Use of Proceeds from Previous Funds Raising Activity is true, accurate and complete, and does not contain false and misleading statement or has no material omission.

II. AUDITOR’S RESPONSIBILITY

Our responsibility is to express our opinions to the Report on the Use of Proceeds from Previous Funds Raising Activity based on the implementation of our audition work. We performed our audition work in accordance with the provisions in the Standards on Other Authentication Engagements for Certified Public Accountants of China No. 3101 — Authentication Engagements Other than Audit or Review of Historical Financial Information (《中國註冊會計師其他鑒證業務準則第3101號 — 歷史財務信息審計或審閱以外的鑑證業務》). The standards require us to observe professional ethic standards and reasonably warrant the Report on the Use of Proceeds from Previous Funds Raising Activity does not contain material errors by the planning and implementation of audit.

We have implemented, in our opinion, necessary audit procedures during our audit, which is to obtain evidence of the amount and disclosure in the Report on the Use of Proceeds from Previous Funds Raising Activity. We are of the opinion that our audit has provided a reasonable basis for the audit opinion expressed.

III. AUDIT OPINION

We are of the opinion that the Report on the Use of Proceeds from Previous Funds Raising Activity of CMOC has been prepared in accordance with the Provisions on the Reports on Use of Proceeds from Previous Funds Raising Activity (Zheng Jian Fa Hang Zi [2007] No. 500) issued by China Securities Regulatory Commission. It has reflected the actual use of proceeds from previous funds raising activity of CMOC in all material aspects.

IV. SCOPE OF USE OF THIS REPORT

This report is solely for the purposes of the current application of issuance of convertible corporate bonds of CMOC to China Securities Regulatory Commission. It shall not be used for any other purposes.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, the PRC

Chinese Certified Public Accountants

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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. INFORMATION ON SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the registered share capital of the Company is RMB1,015,234,105 divided into 1,311,156,000 H Shares of RMB0.20 each and 3,765,014,525 A Shares of RMB0.20 each. As at the Latest Practicable Date, all share capital of the Company have been issued and fully paid up.

3. 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 nor 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 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 share	47.19%
CFC	1,726,706,322	Beneficial owner	A share	45.86%
National Council for Social Security Fund of the PRC	20,000,000	Beneficial owner	A share	0.53%
	119,196,000 (L)	Beneficial owner	H share	9.09%
JP Morgan Chase & Co.	70,021,570 (L)	Beneficial owner	H share	5.34%
	4,863,467 (S)	Beneficial owner	H share	0.37%
	63,936,000 (P)	Custodian	H share	4.88%

Note: (L) — Long position; (S) — Short position; (P) — Lending pool

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 2012, 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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged 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 Enlarged Group since 31 December 2012, 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.

4. 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.

5. MATERIAL CHANGES

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up.

6. 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 Listing Rules if each of them was a controlling shareholder of the Company for the purpose of the Listing Rules).

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, as far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Enlarged Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) were entered or to be entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

- (a) the Asset Sale and Purchase Agreement;
- (b) the transitional services agreement between the Purchaser and Rio Tinto Services Limited with an effective date of 26 July 2013; and
- (c) the process deed between the Vendor and the Company with an effective date of 26 July 2013.

9. EXPERTS

- (a) The following sets out the qualifications of the expert which has given its opinion or advice as contained in this circular:

(b) Name	Qualifications
Censere (Far East) Limited	Independent valuer
Deloitte Australia	Chartered Accountants, Australia
Deloitte China	Certified Public Accountants, China
King & Wood Mallesons	Australian legal advisers
Runge Asia Limited (trading as RungePincockMinarco)	Independent technical adviser

- (c) As at the Latest Practicable Date, Deloitte China, Deloitte Australia, Runge Asia Limited, Censere (Far East) Limited and King & Wood Mallesons did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (d) As at the Latest Practicable Date, Deloitte China, Deloitte Australia, Runge Asia Limited, Censere (Far East) Limited and King & Wood Mallesons did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or which were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2012, the date to which the latest published audited financial statements of the Company were made up.
- (e) As at the Latest Practicable Date, Deloitte China, Deloitte Australia, Runge Asia Limited, Censere (Far East) Limited and King & Wood Mallesons had given and had not withdrawn their written consents to the issue of this circular with the inclusion of their letters and references to its name in the form and context in which they were included.
- (f) Save for the letter given by King & Wood Mallesons which was dated 22 October 2013, the letters and recommendations given by Deloitte China, Deloitte Australia, Runge Asia Limited, and Censere (Far East) Limited are given as of the date of this circular for incorporation herein.

10. MISCELLANEOUS

- (a) The Company's registered office is at North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the PRC.
- (b) The joint company secretaries of the Company are Mr. Zhang Xinhui and Ms. Ho Siu Pik (*FCS, FCIS*). Ms. Ho Siu Pik is a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (c) Save as otherwise indicated, the English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are 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) the memorandum and articles of association of the Company;
- (b) the written consents referred to in the paragraph headed "Experts" to this Appendix;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;
- (d) the consolidated audited accounts of the Group for the year ended 31 December 2011 and 31 December 2012;
- (e) the accountants' report of the Business, the text of which is set out in Appendix II to this circular;
- (f) the pro-forma financial information of the Enlarged Group as set out in Appendix IV to this circular;
- (g) the Competent Person's Report, the text of which is set out in Appendix V to this circular;
- (h) the Valuation Report, the text of which is set out in Appendix VI to this circular;
- (i) the Australian legal opinion prepared by King & Wood Mallesons, the legal advisers of the Company as to Australian law; and
- (j) this circular.



洛陽樂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 2013 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2013 first extraordinary general meeting (“EGM”) 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 Monday, 25 November 2013 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 in this notice have the same meanings as those defined in the announcement of the Company dated 30 September 2013.

SPECIAL RESOLUTION

1. “To consider and approve the proposal in respect of the acquisition of 80% interest in Northparkes Joint Venture held by North Mining Limited and certain associated rights and assets by CMOC Mining Pty Limited, a wholly-owned subsidiary of the Company.”

ORDINARY RESOLUTION

2. “To consider and approve the proposal in respect of the change in use of proceeds.”

NOTICE OF 2013 FIRST EXTRAORDINARY GENERAL MEETING

SPECIAL RESOLUTIONS

3. “To consider and approve the proposal in respect of the plan of the issuance of A Share Convertible Bonds:
 1. Type of securities to be issued
 2. Issue size
 3. Par value and issue price
 4. Term
 5. Interest rate
 6. Method and timing of interest payment
 7. Conversion period
 8. Determination and adjustment of the CB Conversion Price
 9. Terms of the downward adjustment to CB Conversion Price
 10. Method for determining the number of Shares for conversion
 11. Terms of redemption
 12. Terms of sale back
 13. Entitlement to dividends of the year of conversion
 14. Method of issuance and target investors
 15. Subscription arrangement for the existing holders of A Shares
 16. CB Holders and CB Holders’ meetings
 17. Use of proceeds
 18. Guarantee
 19. Account for deposit of proceeds
 20. Validity period of this resolution
 21. Matters relating to authorization in connection with the issuance of the Convertible Bonds.”

NOTICE OF 2013 FIRST EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTIONS

4. “To consider and approve the proposal in respect of the statement on the use of proceeds in previous fund raising activity.”
5. “To consider and approve the proposal in respect of the proposed use of proceeds to be raised from the issuance of A Share Convertible Bonds and the feasibility of the new project after changing the use of proceeds raised from previous fund raising activity.”

SPECIAL RESOLUTIONS

6. “To consider and approve the proposal in respect of provision of guarantee by the Company for the domestic and offshore financing for the overseas acquisition.”
7. “To consider and approve the proposal in respect of the proposed appointment of Mr. Yuan Honglin as a non-executive Director and to determine his remuneration.”

CIRCULAR

A circular containing further information in respect of, among other things, the Proposed Acquisition, the change in use of proceeds from A Share Issue, proposed issuance of A Share Convertible Bonds, the statement on use of proceeds from previous fund raising activity, use of proceeds to be raised from the A Share Convertible Bonds and the feasibility of the project, provision of guarantee as well as the proposed appointment of a non-executive Director will be despatched to the Shareholders as soon as practicable.

By Order of the Board
China Molybdenum Co., Ltd.*
Wu Wenjun
Chairman

Luoyang City, Henan Province, the PRC, 10 October 2013

* *For identification purposes only*

NOTICE OF 2013 FIRST EXTRAORDINARY GENERAL MEETING

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 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 “**Listing Rules**”). The results of the poll will be published on the Stock Exchange of Hong Kong Limited and the Company’s websites in accordance with the 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 Tuesday, 5 November 2013 by hand, by post or by fax. The contact details of the office of the Board at the Company’s principal place of business in the PRC 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 behalf at the EGM. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. In case that an appointer 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, 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.
4. In order to determine the list of H Shareholders who will be entitled to attend and vote at the EGM, the H Share register of members of the Company will be closed from Saturday, 26 October 2013 to Monday, 25 November 2013 (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 Friday, 25 October 2013 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 Friday, 25 October 2013.
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.

NOTICE OF 2013 FIRST EXTRAORDINARY GENERAL MEETING

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

8. The address and contact details of the Company's principal place of business and the office of the Board 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
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.



洛陽樂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 2013 SECOND CLASS MEETING OF H SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the 2013 second class meeting of H shareholders of China Molybdenum Co., Ltd.* (the “**Company**”) will be held after the 2013 first extraordinary general meeting and the 2013 second class meeting of A shareholders or any adjournment thereof, on Monday, 25 November 2013 at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions. Unless otherwise defined, capitalized items used in this notice have the same meanings as those defined in the announcement of the Company dated 30 September 2013.

SPECIAL RESOLUTIONS

“To consider and approve the proposal in respect of the plan of the issuance of A Share Convertible Bonds:

1. Type of securities to be issued
2. Issue size
3. Par value and issue price
4. Term
5. Interest rate
6. Method and timing of interest payment
7. Conversion period
8. Determination and adjustment of the CB Conversion Price
9. Terms of the downward adjustment to CB Conversion Price
10. Method for determining the number of Shares for conversion

NOTICE OF 2013 SECOND CLASS MEETING OF H SHAREHOLDERS

11. Terms of redemption
12. Terms of sale back
13. Entitlement to dividend of the year of conversion
14. Method of issuance and target investors
15. Subscription arrangement for the existing holders of A Shares
16. CB Holders and CB Holders' meetings
17. Use of proceeds
18. Guarantee
19. Account for deposit of proceeds
20. Validity period of this resolution
21. Matters relating to authorization in connection with the issuance of the Convertible Bonds.”

By Order of the Board
China Molybdenum Co., Ltd.*
Wu Wenjun
Chairman

Luoyang City, Henan Province, the PRC, 10 October 2013

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 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 “**Listing Rules**”). The results of the poll will be published on the Stock Exchange of Hong Kong Limited and the Company’s websites in accordance with the 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 Tuesday, 5 November 2013 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 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 attorney duly authorised in writing. In case that an appointer 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.

* *For identification purposes only*

NOTICE OF 2013 SECOND CLASS MEETING OF H SHAREHOLDERS

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 Share register of members of the Company will be closed from Saturday, 26 October 2013 to Monday, 25 November 2013 (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 Friday, 25 October 2013 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 Friday, 25 October 2013.
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 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 Class Meeting of H Shareholders.
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 principal place of business and the office of the Board 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
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.