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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)

**ASSETS VALUATION REPORT IN RELATION TO
THE 80% INTEREST IN NORTHPARKES JOINT VENTURE AND
RELEVANT RIGHTS AND ASSETS INVOLVED IN THE PROPOSED
ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS
AND
ADDITION OF RELEVANT AUTHORISATIONS REGARDING THE
ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS**

**I. ASSETS VALUATION REPORT IN RELATION TO THE 80% INTEREST
IN NORTHPARKES JOINT VENTURE AND RELEVANT RIGHTS AND
ASSETS INVOLVED IN THE PROPOSED ISSUANCE OF A SHARE
CONVERTIBLE CORPORATE BONDS**

Reference is made to the announcement of the Company dated 9 October 2013 in relation to the Previous Valuation Report prepared by the Valuer in relation to the Acquisition.

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

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

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

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

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

1. Selection of valuation method

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

2. Valuation assumptions

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

3. Results of valuation applying the asset-based method

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

Unit: AUD (0'000)

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

B. Explanations on differences in valuation of mining rights

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

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

C. Explanations on other difference in valuation

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

D. Valuation results under income approach

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

E. Comprehensive effects of the new valuation

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

4. Opinions of professional intermediaries

In relation to the above-mentioned, Llinks Law Offices, the Company's PRC legal advisers is of the view that:

The basis of price determination for the acquired assets involved in the proposed issuance of A Share Convertible Corporate Bonds was carried out in accordance with the necessary approval procedures and expressly stated in the assets sale and purchase agreement, and the relevant approvals were valid and effective. The new valuation will not have any material adverse effect to the proposed issuance of the A Share Convertible Corporate Bonds.

China Merchants Securities Co., Ltd., the Company's PRC sponsor is of the view that:

The relevant plans and basis of price determination for the Acquisition of target assets which would be financed from the proceeds to be raised from the issuance of A Share Convertible Corporate Bonds have been expressly stipulated in the relevant agreement, and the approval procedures were valid and effective. As compared to the Previous Valuation Report, there are no significant adverse changes to the Company arising from the result of the Valuation Report, the completed Acquisition does not prejudice the interests of the Company and its minority shareholders, and will not have any material adverse effect to the proposed issuance of the A Share Convertible Corporate Bonds.

The Board proposed to submit the Valuation Report to Shareholders for consideration and approval by way of ordinary resolution at a general meeting.

II. ADDITION OF RELEVANT AUTHORISATIONS REGARDING THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS

To facilitate the issuance of A Share Convertible Corporate Bonds, on 28 August 2014, the Board proposed to seek additional authorisations from the Shareholders to approve audited financial statements and valuation reports issued in connection with the proposed issuance of A Shares Convertible Corporate Bonds, with such authorisations to be valid until the conclusion of the 2014 annual general meeting of the Company.

The Board proposes to submit the addition of relevant authorisations to Shareholders for consideration and approval by way of special resolution at general meeting and class meetings.

III. GENERAL

A circular containing, among other things, details of the Valuation Report and the addition of relevant authorisations regarding the issuance of A Share Convertible Corporate Bonds will be despatched to the Shareholders as soon as practicable.

IV. DEFINITIONS

In this announcement, the following terms have the following meanings unless the context otherwise requires:

“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 Share Convertible Corporate Bonds”	convertible corporate bonds in the total amount of not more than RMB4.9 billion which are convertible into new A Shares, proposed to be issued by the Company in the PRC
“AUD”	Australian dollar, the lawful currency of Australia

“Acquisition”	acquisition of assets of North Mining Limited which related to the Business, being North Mining Limited’s 80% interest in 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
“Board”	the board of directors of the Company
“Business”	the mining, product transportation, product sales and related businesses and operations in connection with the Northparkes Joint Venture
“Company”	洛陽欒川鉬業集團股份有限公司 (China Molybdenum Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability, the A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Northparkes”	a copper-gold operation situated in Goonumbla, situated 27 kilometres north west of the town of Parkes in Central West New South Wales, Australia
“Northparkes Joint Venture”	the unincorporated joint venture in relation to Northparkes
“Previous Valuation Report”	the valuation report issued by the Valuer in relation to the Acquisition with the date of valuation at 30 June 2013 (國友大正評報字(2013)第266A號) (Guo You Da Zheng PB Zi (2013) No. 266A)
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency in the PRC
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Shares
“USD”	United States dollar, the lawful currency of the United States of America
“Valuation Report”	the valuation report prepared by the Valuer in respect of the proposed issuance of convertible bonds by China Molybdenum Co., Ltd.* concerning 80% interest in Northparkes Joint Venture and the related rights and assets as of 30 November 2013 (大正海地人評報字(2014)第204A號) (GSH PB Zi (2014) No.204A)

“Valuer”

北京大正海地人資產評估有限公司 (Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd.), formerly known as 北京國友大正資產評估有限公司 (China Faith Appraisers Co., Ltd.)

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

Luoyang City, Henan Province, the People’s Republic of China, 28 August 2014

As at the date of this announcement, the executive Directors are Mr. Li Chaochun, Mr. Li Faben, Mr. Wang Qinxi, Ms. Gu Meifeng and Mr. Wu Wenjun; the non-executive Directors are Messrs. Zhang Yufeng and Yuan Honglin; and the independent non-executive Directors are Messrs. Bai Yanchun, Xu Shan, Cheng Gordon and Xu Xu.

* *For identification purposes only*