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

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

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

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**洛陽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)

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**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**

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A letter from the Board is set out on pages 1 to 23 of this circular.

Notices convening the EGM and the H Shareholders' Class Meeting to be held on Friday, 23 September 2016 together with the relevant forms of proxy and reply slips were despatched to H Shareholders on 8 August 2016. Such forms were also published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinamol.com>). For ease of reference, the notices convening the EGM and the H Shareholders' Class Meeting are set out on pages 99 to 105 of this circular.

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

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## DEFINITIONS

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

“2015 Final Dividend”	the profit distribution proposal of the Company for the year ended 31 December 2015 approved by the Shareholders on 29 June 2016, pursuant to which the Company would distribute a cash dividend of approximately RMB422,179,967.48 or RMB0.25 every 10 Shares (tax inclusive) to Shareholders whose names appeared on the register of members of the Company on 13 July 2016
“A Share(s)”	domestic share(s) with a nominal value of RMB0.20 each issued by the Company which are listed on the SSE and traded in Renminbi (stock code: 603993)
“A Shareholder(s)”	holder(s) of A Share(s)
“A Shareholders’ Class Meeting”	the 2016 second class meeting of A Shareholders to be convened by the Company to consider and, if thought fit, approve, among other things, the Non-public Issuance of A Shares, to 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 PRC on Friday, 23 September 2016 immediately following the conclusion of the EGM
“AAFB”	Anglo American Fosfatos Brasil Limitada, a company incorporated in Brazil
“AANB”	Anglo American Nióbio Brasil Limitada, a company incorporated in Brazil
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting to be convened by the Company to consider and, if though fit, approve, among other things, the Non-public Issuance of A Shares
“Company”	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 PRC with limited liability, the A Shares and H Shares of which are listed on the SSE and the Hong Kong Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

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## DEFINITIONS

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“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Copper and Cobalt Business”	all the business of FMDRC
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“DRC”	the Democratic Republic of Congo
“EGM”	the 2016 third extraordinary general meeting of the Company in to be held at 3:00 p.m. on Friday, 23 September 2016 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, approve, among other things, the Non-public Issuance of A Shares
“FMDRC”	Freeport-McMoRan DRC Holdings Ltd., a Bermuda exempted company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB0.20 each in the share capital of the Company which are listed on the main board of the Hong Kong Stock Exchange and are traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Share(s)
“H Shareholders’ Class Meeting”	the 2016 second H Shareholders’ class meeting of the Company to be held on Friday, 23 September 2016 immediately after the conclusion of the 2016 first extraordinary general meeting, the 2016 second extraordinary general meeting, the 2016 third extraordinary general meeting and the 2016 second A shareholders’ class meeting (and any adjournments thereof) 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, approve, among other things, the Non-public Issuance of A Shares
“HK\$”	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
“Issuance Price”	the issuance price of not less than RMB3.15 per A Share under the Non-public Issuance of A Shares

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## DEFINITIONS

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“Latest Practicable Date”	6 September 2016, 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
“Niobium and Phosphates Businesses”	all the business of AAFB and AANB, including their associated marketing functions
“Non-public Issuance of A Shares”	the proposed issuance of not more than 5,714,285,714 new A Shares (including 5,714,285,714 A Shares) to the subscribers by the Company at the Issuance Price
“PDKC”	Phelps Dodge Katanga Corporation, a Delaware corporation, an indirect wholly owned subsidiary of Freeport-McMoRan Inc., a Delaware corporation
“PRC” or “China”	the People’s Republic of China, which for the purposes of this circular only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Price Determination Date”	20 May 2016
“Purchaser”	CMOC Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Report (revised version)”	Proposal on the Non-public Issuance of A Shares of the Company (Revised Version)
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“SSE”	the Shanghai Stock Exchange of the PRC
“Tenke”	Tenke Fungurume copper-cobalt mine, a resource mining complex located in the southeast region of the DRC
“trading day”	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities
“%”	per cent.

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LETTER FROM THE BOARD

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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:*

Li Chaochun (Chairman)  
Li Faben

*Non-executive Directors:*

Ma Hui (Vice Chairman)  
Yuan Honglin  
Cheng Yunlei

*Independent non-executive Directors:*

Bai Yanchun  
Xu Shan  
Cheng Gordon

*Registered office:*

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

*Principal place of business in Hong Kong:*

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

8 September 2016

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES**

**1. INTRODUCTION**

References are made to the announcements of the Company dated 20 May 2016, 29 June 2016, 8 August 2016 and 17 August 2016, in relation to, among others, the proposed Non-public Issuance of A Shares and the payment of 2015 Final Dividend, and notices of the EGM and the H Shareholders' Class Meeting despatched to H Shareholders on 8 August 2016.

\* For identification purposes only

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## LETTER FROM THE BOARD

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The purpose of this circular is to, among others, provide you with further information in relation to the proposed Non-public Issuance of A Shares, to enable you to make an informed decision on whether to vote for or against the resolutions proposed at the EGM and the H Shareholders' Class Meeting.

### 2. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

#### BACKGROUND

On 20 May 2016, the Board approved the proposed issuance of not more than 5,678,233,438 new A Shares (including 5,678,233,438 A Shares) to not more than ten investors that meet the relevant requirements of the CSRC.

On 8 August 2016, the Board approved, among others, adjustments to the Issuance Price (from RMB3.17 per A Share to not less than RMB3.15 per A Share) and the number of A Shares (from 5,678,233,438 A Shares to 5,714,285,714 A Shares) to be issued under the proposed Non-public Issuance of A Shares to reflect the payment of the 2015 Final Dividend, and the Report (revised version).

The Report (revised version) is prepared in accordance with the requirements of the CSRC. The scope of the Report (revised version) is mainly on the terms of the proposed Non-public Issuance of A Shares, the effects of the Non-public Issuance of A Shares to the financial conditions and operations of the Group, the use of proceeds from the Non-public Issuance of A Shares. All the material information in the Report (revised version) has been disclosed in this circular (including the appendices); and investors can also refer to the Report (revised version) (in Chinese only) on the websites of the SSE, the Hong Kong Stock Exchange and the Company published on 8 August 2016.

#### STRUCTURE OF THE NON-PUBLIC ISSUANCE OF A SHARES

Class of shares to be issued      A Shares with a par value of RMB0.20 each.  
and the nominal value:

Subscribers:                              The new A Shares under the Non-public Issuance of A Shares are proposed to be issued to not more than ten investors, including securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors including domestic institutional investors and individual investors that meet the requirements of the CSRC.

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## LETTER FROM THE BOARD

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A securities investment fund management company subscribing through over two funds managed by it will be regarded as one subscriber. Trust investment companies may only pay the subscription price with their own funds.

None of the controlling shareholders, Directors and their respective associates will participate in the subscription of A Shares in the Non-public Issuance of A shares.

After the Company obtains the approval in respect of the Non-public Issuance of A Shares from the CSRC, the Board and the sponsor (lead underwriter) will decide the ultimate subscribers based on the relevant requirements of Detailed Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》) and the price offered by the subscribers.

All subscribers shall subscribe the new A Shares under the Non-public Issuance of A Shares in cash.

Number of A Shares to  
be issued:

The number of A Shares to be issued under the Non-public Issuance of A Shares will not be more than 5,714,285,714 A Shares (including 5,714,285,714 A Shares). To the extent of the issuance above, the Board and its authorised representative(s) shall determine the number of the A Shares to be issued in accordance with the authorisation granted by the Shareholders at the EGM, the Class Meetings and the relevant requirements of Detailed Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), based on the bid prices offered by the subscribers and after consultation with the sponsor (lead underwriter). Gross proceeds to be raised will not exceed RMB18 billion.

Number of A Shares to be issued will be adjusted according to the gross proceeds to be raised, ex-rights or ex-dividend Issuance Price in cases of ex-rights or ex-dividend matters such as distribution of dividend, dividend payout, and placement of shares, bonus issuance and conversion of capital reserve into share capital during the period from the Price Determinate Date to the date of the completion of the Non-public Issuance of A Shares.



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## LETTER FROM THE BOARD

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An individual subscriber and its persons acting in concert may not subscribe for more than 50% of the total number of new A Shares to be issued.

Method of issuance: Non-public offering. The new A Shares will be issued within 6 months following the approval of the CSRC.

Price Determination Date, Issuance Price and pricing principle: The Price Determination Date is the date of the announcement of the Board's resolutions passed at the eighth extraordinary meeting of the fourth session of the Board in 2016 (i.e., 20 May 2016).

The Issuance Price under the Non-public Issuance of A Shares shall not be less than RMB3.15 per share, which is 90% of the average trading price of A Shares during the twenty (20) trading days preceding the Price Determination Date.

The Issuance Price will be adjusted accordingly in cases of ex-rights or ex-dividend matters such as distribution of dividend, dividend payout and placement of shares, bonus issuance and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of the completion of the Non-public Issuance of A Shares.

After obtaining the relevant approvals, the Board shall determine the final Issuance Price based on the authorisation granted by the Shareholders at the EGM and the Class Meetings, after consultation with the sponsor (lead underwriter), having regard to the price offered by subscribers, following the price priority principle.

Rights attached to the new A Shares: The new A Shares to be issued under the Non-public Issuance of A Shares will rank pari passu with the existing A Shares and H Shares in all respects, provided that the new A Shares to be issued under the Non-public Issuance of A Shares shall be subject to the lock-up period for 12 months from the completion of the issuance of these A Shares.

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## LETTER FROM THE BOARD

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- Conditions for the Non-public Issuance of A Shares:      The Non-public Issuance of A Shares is subject to:
- (1) the approvals by the Shareholders at the EGM and the Class Meetings, respectively;
  - (2) the approval by the CSRC; and
  - (3) the approval(s) by any other relevant regulatory authorities.

For the avoidance of doubt, the Non-public Issuance of A Shares is not conditional to the completion of the acquisitions of the Niobium and Phosphates Businesses and the Copper and Cobalt Business. As at the Latest Practicable Date, the outstanding condition(s) precedent to be satisfied for the (i) acquisition of the Niobium and Phosphates Businesses was the approval from the Shareholders, and the Cathay Fortune Corporation and LMG; and (ii) acquisition of the Copper and Cobalt Business were the (a) antitrust approval in South Africa, (b) Bermuda approval in relation to exchange control; and (c) approval from the Shareholders. As at the Latest Practicable Date, Cathay Fortune Corporation\* (鴻商產業控股集團有限公司) and Luoyang Mining Group Co., Ltd.\* (洛陽礦業集團有限公司), the controlling shareholders of the Company who in aggregate held approximately 63.14% equity interest in the Company, have undertaken to vote in favour of the resolutions to approve the acquisitions of Niobium and Phosphates Businesses and the Copper and Cobalt Business.

- Gross Proceeds from the Non-public Issuance of A Shares:      Gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB18 billion before deduction of the fees and expenses relating to the Non-public Issuance of A Shares.

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## LETTER FROM THE BOARD

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Use of proceeds:

After deducting all applicable costs and expenses in association with the Non-public Issuance of A Shares, net proceeds from the Non-public Issuance of A Shares are proposed to be used to replenish the self-raised funds which were applied by the Company for acquiring the following businesses:

<b>No.</b>	<b>Name of Business</b>	<b>Proceeds to be utilized (RMB in million)</b>
(1)	Niobium and Phosphates Businesses	9,500
(2)	Copper and Cobalt Business	<u>8,500</u>
	Total	<u><u>18,000</u></u>

### **(1) Niobium and Phosphates Businesses**

This acquisition is implemented by the Purchaser, or a company to be incorporated in Brazil by the Company. Upon Completion of this acquisition, the Niobium and Phosphates Businesses will become wholly owned by the Group. Please refer to the circular of the Company in relation to the acquisition of the Niobium And Phosphates Businesses and the feasibility analysis report set out in Appendix III to this circular for further details on the Niobium and Phosphates Businesses.

### **(2) Copper and Cobalt Business**

This acquisition is implemented by the Purchaser. Upon completion of this acquisition, FMDRC will become a wholly owned subsidiary of the Group, and the Group will indirectly own 56% interest in Tenke. Please refer to the circular of the Company in relation to the acquisition of the Copper and Cobalt Business and the feasibility analysis report set out in Appendix III to this circular for further details on the Copper and Cobalt Business.

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## LETTER FROM THE BOARD

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In order to facilitate the completion of the two acquisitions, the Purchaser will satisfy the consideration for the acquisitions of the Niobium and Phosphates Businesses and the Copper and Cobalt Business through the Group's self-raised funds. Proceeds raised from the Non-public Issuance of A Shares will be used to replenish the self-raised funds which were applied by the Company for the two acquisitions.

The acquisitions of the Niobium and Phosphates Businesses and the Copper and Cobalt Business are not dependent on the Non-public Issuance of A Shares. If the Non-public Issuance of A Shares does not complete, the Purchaser will satisfy the consideration for the acquisitions of the Niobium and Phosphates Businesses and the Copper and Cobalt Business through the Group's self-raised funds. The completion of the Non-public Issuance of A Shares is not subject to the completion of the acquisitions of the Niobium and Phosphates Businesses, and the Copper and Cobalt Business.

- Lock-up Arrangement: The new A Shares to be subscribed by the subscribers shall not be transferred within 12 months from the date of the completion of the issuance of the new A Shares and subject to the requirements of the CSRC and the SSE upon expiry.
- Validity Period of the resolution: The resolutions with respect to the Non-public Issuance of A Shares shall be valid for 12 months from the date of consideration and approval at the EGM and the Class Meetings.
- Listing Application: The Company will make an application to the SSE for the granting of the listing of, and permission to deal in, all new A Shares to be issued under the Non-public Issuance of A Shares. Upon expiry of the lock-up period, the new A Shares can be traded on the SSE.
- Arrangement relating to the accumulated undistributed profits of the Company prior to the Non-public Issuance of A Shares: To safeguard the interest of the existing and new Shareholders after completion of the issuance, all the existing and new Shareholders after the issuance will be entitled to the accumulated but undistributed profits of the Company proportionate to their shareholding in the Company after completion of the Non-public Issuance of A Shares.

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## LETTER FROM THE BOARD

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### Effects on the Non-public Issuance of A Shares

Set out below is the effects on the Non-public Issuance of A Shares if either or both of the Niobium and Phosphates Businesses and the Copper and Cobalt Business fail to complete:

If the acquisition of the Niobium and Phosphates Businesses fails to complete, whilst the acquisition of the Copper and Cobalt Business is completed, prior to the completion of the Non-public Issuance of A Shares.

The Non-public Issuance of A Shares will continue to proceed, but the Board, would based on the authority to be granted to them by the Shareholders at the EGM and the Class Meetings, revise the amount of proceeds to be raised under the Non-public Issuance of A Shares, to replenish self-raised funds applied by the Company for acquiring the Copper and Cobalt Business.

If the acquisition of the Copper and Cobalt Business fails to complete, whilst the acquisition of the Niobium and Phosphates Businesses is completed, prior to the completion of the Non-public Issuance of A Shares.

The Non-public Issuance of A Shares will continue to proceed, but the Board, would based on the authority to be granted to them by the Shareholders at the EGM and the Class Meetings, revise the amount of proceeds to be raised under the Non-public Issuance of A Shares to replenish self-raised funds applied by the Company for acquiring the Niobium and Phosphates Businesses.

If both of the acquisitions of the Copper and Cobalt Business and the Niobium and Phosphates Businesses fail to complete, prior to the completion of the Non-public Issuance of A Shares.

The Non-public Issuance of A Shares will not proceed.

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## LETTER FROM THE BOARD

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If the acquisition of the Niobium and Phosphates Businesses fails to complete, whilst the acquisition of the Copper and Cobalt Business is completed, after the completion of the Non-public Issuance of A Shares.

The Board will, in accordance with requirements of the CSRC, seek approval from the Shareholders in relation to the change in the use of proceeds raised initially for the replenishment of the self-raised funds for the acquisition of the Niobium and Phosphates Businesses.

If the acquisition of the Copper and Cobalt Business fails to complete, whilst the acquisition of the Niobium and Phosphates Businesses is completed, after the completion of the Non-public Issuance of A Shares.

The Board will, in accordance with requirements of the CSRC, seek approval from the Shareholders in relation to the change in the use of proceeds raised initially for the replenishment of the self-raised funds for the acquisition of the Copper and Cobalt Business.

If both of the acquisitions of the Copper and Cobalt Business and the Niobium and Phosphates Businesses fail to complete, after the completion of the Non-public Issuance of A Shares.

The Board will, in accordance with requirements of the CSRC, seek approval from the Shareholders in relation to the change in the use of proceeds raised initially for the replenishment of the self-raised funds for the acquisitions of the Copper and Cobalt Business and the Niobium and Phosphates Businesses.

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## LETTER FROM THE BOARD

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### EFFECTS OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE COMPANY'S BUSINESS OPERATIONS AND FINANCIAL POSITIONS

(i) *Changes in the business, the Articles of Association, and shareholding structure, senior management and operating income of the Company*

A. Business and assets of the Company

The proceeds raised from the Non-public Issuance of A Shares after deducting related issuance expenses will be applied mainly in acquiring acquisition projects of niobium and phosphates assets in Brazil and copper and cobalt assets in the DRC. In order to ensure a smooth implementation of the aforesaid projects, the Group will pay the consideration for the acquisitions with self-raised funds to complete the transfer procedures. The self-raised funds of the Company will be replenished upon receipt of the proceeds from the Non-public Issuance of A shares. Upon completion of the projects, the business portfolio of the Company will expand to include niobium and phosphates, and copper and cobalt, thereby enhancing the diversification of business of the Group, generate better returns to Shareholders, and further enhance the Company's core competitiveness and quality resources and reserves.

B. Articles of Association

Upon completion of the Non-public Issuance of A Shares, share capital of the Company will increase accordingly. Therefore, the Company will make corresponding amendments to the Articles of Association according to the share capital and other changes upon the completion of the Non-public Issuance of A Shares.

C. Shareholding structure

Upon the completion of the Non-public Issuance of A Shares, changes will be made to the shareholding structure of the Company. It is expected that the number of A Shares will increase by not more than 5,714,285,714 A shares (inclusive) subject to selling restrictions. The implementation of the Non-public Issuance of A Shares will not result in any changes to the ultimate control of the Company.

D. Senior management of the Company

Upon completion of the Non-public Issuance of A Shares, there will not be any changes to members of the senior management of the Company.

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## LETTER FROM THE BOARD

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E. Business structure

Upon completion of the Non-public Issuance of A Shares, the business structure of the Company will be further diversified, whereby Niobium and Phosphates Businesses and Copper and Cobalt Business will become important compositions of the Group's business and generate sufficient and steady operating profit and cash flow to the Company.

F. Listing conditions

Upon completion of the Non-public Issuance of A Shares, the Company will continue to comply with the listing conditions of the SSE.

(ii) *Changes in the financial position, profitability and cash flow of the Company*

A. Financial position

Upon completion of the Non-public Issuance of A Shares, the total assets and net assets of the Company will increase. The capital strength of the Company will be improved while the gearing ratio of the Company will be further lowered, which are favorable to the lowering of financial risks and enhance the prospects of debt financing of the Company in the future.

B. Influence on the Company's profitability

The implementation of projects financed by proceeds is favorable to the diversification of the business operations of the Company and expansion into the international market. The additions of the Niobium and Phosphates Businesses and the Copper and Cobalt Business will supplement the existing business, introduce new profit centre for growths and strengthen the profitability and competitiveness of the Company as a whole.

C. Influence on the Company's cash flow

The proceeds from the Non-public Issuance of A Shares will significantly increase the cash inflow generated from financing activities of the Company. The acquisitions will also improve the cash flow relating to operating activities of the Company.



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## LETTER FROM THE BOARD

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***(iii) Changes in business and management relationships, connected transactions and business competition between the Company and its controlling shareholder and its associates***

Upon completion of the Non-public Issuance of A Shares, there will not be any material changes to the business and management relationships between the Company and controlling shareholder and their respective associates, nor will there be any involvement in new connected transactions or business competition.

***(iv) Possession of capital or assets of the Company by the controlling shareholder and its associates or provision of guarantee by the Company to the controlling shareholder and its associates upon completion of the issuance***

The Company's capital and assets will not be possessed by de facto controller, controlling shareholder and its associates, and the Company will not provide guarantee to the same, due to the Non-public Issuance of A Shares.

***(v) Effects on the Company's indebtedness***

Upon completion of the Non-public Issuance of A Shares, the scale of net assets of the Company will increase and the gearing ratio will be lowered. While the financial risk tends to decrease, the financial structure of the Company will be further optimised without significantly increasing the Company's liabilities (including contingent liabilities). The Non-public Issuance of A Shares is favorable to reduce the finance costs and increase the solvency of the Company, which is in the interests of all the Shareholders.

***(vi) Effects on the Company's business operation***

The niobium business to be acquired as part of the acquisition of the Niobium and Phosphate Businesses is an important strategic supplement to the Company's existing molybdenum and tungsten businesses. The expansion of production capacity of the Niobium and Phosphates Businesses will be completed upon completion of the acquisition, and after reaching the designated production capacity, the Company will assume the position as the second largest niobium producer in the world. It will further enhance the leading position of the Company in the special alloys area and strengthen the sustainable profitability of the Company. Meanwhile, as the largest niobium producer of the world has more power over pricing, the fluctuation of the cycle of niobium is weaker than those of other non-ferrous metals and it will mitigate the risk relating to industry fluctuation for the Company. The phosphates business to be acquired as part of the acquisition of the Niobium and Phosphates Businesses, its P<sub>2</sub>O<sub>5</sub> ore body is currently the highest grade. In particular, the average grade of phosphates is 12.48% with more than 46 years of mining life. This phosphates business integrates the upstream and downstream businesses, covering exploration of phosphates mines, ore

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## LETTER FROM THE BOARD

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processing and purification for P<sub>2</sub>O<sub>5</sub> concentrates and production of intermediate and finished products. After acquiring an indirect 56% interest in Tenke, the Company will possess the mining right of Tenke. Tenke is a copper and cobalt mining complex with the largest scale and highest ore grade in the world, and with potential for development in the future.

Therefore, upon the completion of the above-mentioned acquisitions, it is more favorable to the Company's further development in the international market and the acceleration of the Company's internationalisation process. Through the implementation of the two acquisitions through proceeds raised from the Non-public Issuance of A Shares: the resources, reserves and production capacity of the Company will further increase; the assets portfolio of the Company will be optimised and the commodity portfolio will become more diversified; the profitability of the principal business will be enhanced and the abilities of resist risks and maintain a sustainable development will be effectively improved.

*(vii) Effects on the Company's financial positions*

Following the implementation of the two acquisitions, the Company will have new profit centres, and its scale of net assets will be expanded and its gearing ratio will be lowered. Relevant projects will generate sound cash flow and profit, so as to improve the financial structure of the Company and enhance the abilities of preventing financial risks and indirect financing, which are favorable to the expansion of Company's future operating scale and profit growth, thereby further optimising its financial conditions.

The operation of the assets of the acquisition of the Niobium and Phosphates Businesses is good. The sales volume of the niobium business in 2014 and 2015 were approximately 4,600 tonnes and 5,100 tonnes, respectively. Although it is the first time for the Company to involve in phosphates business, in Brazil, where the business is located, it has the largest area of potential arable land over the world and is the world's third largest phosphates fertiliser consumer with a relatively high level of import for chemical fertiliser. AAFB produced chemical fertiliser of approximately 1.10 million tonnes in 2015. Upon completion of the acquisition, Niobium and Phosphates Businesses will bring sufficient and steady operating profit and cash flow to the Company.

Upon completion of the acquisition Copper and Cobalt Business, the profitability and cash flow for operating activities of Copper and Cobalt Business will maintain relatively stable. In 2014 and 2015, TFM's production volume of copper reached 447 million pounds and 449 million pounds, respectively; production volume of cobalt reached 29 million pounds and 35 million pounds, respectively; sales volume of copper reached 425 million pounds and 467 million pounds, respectively; and sales volume of cobalt reached 30 million pounds and 35 million pounds, respectively. The sales and output ratio is near or even more than 100%.

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## LETTER FROM THE BOARD

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In view of the above, the mining resources in which proceeds raised from the Non-public Issuance of A Shares are mature in operation and has obtained production verification in terms of resources reserves and ore grade with a relatively long mining life and exploration prospects. Stable profitability and cash flow generated from the acquisition targets would be ensured in a certain extent in the future due to the industry conditions and positions. This would serve as an effective buffer against the Company's profit fluctuations in the current metals cycle and continuously improve the financial conditions of the Company.

### RELEVANT RISKS TO THE NON-PUBLIC ISSUANCE OF A SHARES

The Non-public Issuance of A Shares is subject to certain risks, including but not limited to risk of price fluctuation in bulk commodities, risk of unable to obtain the relevant approval for the Non-public Issuance of A Shares, risk of dilution in return on net assets after the completion of issuance of A Shares, production safety risk, risks associated with environmental protection, risk of share price fluctuation, risk of implementing overseas projects and approval risk. When evaluating the Non-public Issuance of A Shares, investors should take the aforementioned risk factors into due consideration.

Pursuant to the requirements under the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No. 17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC [2015] No. 31), the thirteenth meeting of the fourth session of the Board has passed the Resolution in Relation to Risk Alert and Remedial Measures for the Dilution of Current Returns as a Result of the 2016 Non-public Issuance of Shares. Please refer to Appendix II enclosed in the circular for further details.

Risk factors for the Non-public Issuance of A Shares are as follows:

(i) ***Risks relating to fluctuation in major product price***

The Company's income is mainly generated from products of molybdenum, tungsten and copper, including the sale of products of ferromolybdenum, copper concentrates, tungsten concentrates and other molybdenum and tungsten products. Its operating results are affected by the fluctuations in market prices of molybdenum, tungsten and copper. Following the completion of the acquisitions, the contribution of income and profit of the Company for products such as copper, niobium, phosphates and cobalt will increase. If there are larger fluctuations in the product prices of niobium, phosphates, copper and cobalt in the future, the Company's operating results will also be affected.

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**(ii) Risk relating to approval**

Matters in relation to the Non-public Issuance of A shares were considered and approved by the eighth extraordinary meeting of the fourth session of the Board of the Company on 20 May 2016, subject to Shareholders' approval and the approval from the CSRC. Meanwhile, since the assets of the acquisitions are located overseas, as of the Latest Practicable Date, the acquisition of the Niobium and Phosphates Businesses remains subject to the filing or approval from Anti-monopoly Bureau of Ministry of Commerce, State Administration of Foreign Exchange or relevant competent banks and other possible regulatory authorities; and the acquisition of the Copper and Cobalt Business remains subject to the approval from State Administration of Foreign Exchange or relevant competent banks and Anti-monopoly Bureaus of South Africa, Bermuda Monetary Authority and other possible regulatory authorities. There are uncertainties as to whether the Non-public Issuance of A Shares will be approved and timing of obtaining such approvals.

**(iii) Risk relating to fluctuation in foreign exchange rate**

The daily operations of the companies to be acquired under the two acquisitions involve various types of currency, such as Brazilian Real (BRL) (currency of Brazil), US dollar, Congolese Franc (CDF), and the consolidated financial statements of the Company are denominated in RMB. Upon the completion of the acquisitions, if there is an appreciation in RMB or a relatively large fluctuation in the exchange rate, the Company's assets denominated in foreign currencies may result in a loss and the fluctuations of its operating results would be increased. Changes in the exchange rates among currencies, such as RMB, USD, BRL, CDF, may bring exchange rate risk to the operations of the Company.

**(iv) Political and legal risks**

Construction and production of overseas project need to comply with laws, regulations and policies in terms of company, taxation, labor, mining industry, environmental protection, foreign exchange, import and export, which are effective currently in countries such as Brazil and the DRC. If there is an adverse change in the interpretation and execution of relevant laws, regulations as well as the aforesaid laws, regulations and policies, the construction, operating and revenue of the projects would be adversely affected.

**(v) Risk relating to operation and management of overseas projects**

The Niobium and Phosphates Businesses and the Copper and Cobalt Business are situated in Brazil and the DRC, which are different in respect of languages, laws and regulations and business operations. This may lead to certain difficulties and risks relating to the operations and management of the Niobium and Phosphates Businesses and the Copper and Cobalt Business.

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## LETTER FROM THE BOARD

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(vi) *Risks relating to environmental protection and safe production*

There may be risk relating to environmental pollution incidents as well as safety production incidents which are affected by factors such as geological nature and climate during the operation process of the Niobium and Phosphates Businesses and the Copper and Cobalt Business, due to exploration of mining resources and the nature of processing business itself. In the event that an environmental pollution incident or a safety production incident occurs, the Company may face administrative penalties such as warning, penalty or suspended production as well as risks such as project disruption, casualties and loss of properties.

(vii) *Risk relating to fluctuation in share price*

Apart from the operating and financial status, the Share price of the Company will also be affected by factors such as the international and domestic macro-economic conditions, trends in the capital market and market psychology. The Non-public Issuance of A Shares will cause certain impacts on the Company's production, operating and financial conditions. The implementation of the Non-public Issuance of A Shares and the acquisitions of the Niobium and Phosphates Businesses and the Copper and Cobalt Business take certain amount of time to complete. Investors, during the period, should beware of the investment risks that may be incurred by all kinds of aforesaid factors and make careful judgement when considering to invest in the Company's securities.

### ANCILLARY MATTERS RELATING TO PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

(i) *Issuing objects and their relationships with the Company*

The new A Shares under the Non-public Issuance of A Shares are proposed to be issued to not more than ten investors, including securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors including domestic institutional investors and individual investors that meet the requirements of the CSRC and in compliance with the stipulations of laws and regulations.

None of the controlling shareholders, Directors and their respective associates will participate in the subscription of A Shares in the Non-public Issuance of A shares.

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**(ii) *Determination of the actual subscription price***

The minimum subscription price of the A Shares in the Non-public Issuance of A Shares shall not be less than RMB3.15 per share, which is 90% of the average trading price of A Shares during the twenty (20) trading days preceding the Price Determination Date, subject to adjustments pertaining to any ex-rights or ex-dividend matters such as distribution of dividend, dividend payout and placement of shares, bonus issuance and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of the completion of the Non-public Issuance of A Shares.

The actual subscription price will be determined by the Board after the necessary approvals for the Non-public Issuance of A Shares have been obtained and in accordance with the authorisation granted by the Shareholders at the EGM and the Class Meetings, and the provisions of the relevant laws, administrative laws and regulations, other regulatory documents and the market conditions, taking into account the price offered by the subscribers and based on the price priority principle and in consultation with the underwriters.

**(iii) *Comparison between the minimum subscription price and the closing prices on the Latest Practicable Date***

The closing price of the A Shares and the H Shares on the Latest Practicable Date were RMB4.02 and HK\$1.78 per Share, respectively. The minimum subscription price of the A Shares in the Non-public Issuance of A Shares was set to be not less than RMB3.15 per A Share represents a discount of approximately 21.64% to the closing price of RMB4.02 per share as quoted on the SSE, and a premium of approximately 121.83% to the closing price of HK\$1.78 per H Share (approximately equivalent to RMB1.42, based on HK\$1.0 to RMB0.8) as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date, respectively.

**(iv) *Subscribers of the Non-public Issuance of A Shares***

The Company will make further disclosures in the event: (a) any of the subscribers become a substantial shareholder (as defined in the Listing Rules) of the Company upon completion of the Non-public Issuance of A Shares; and (b) if the number of subscribers for the Non-public Issuance of A Shares is less than 6, whereupon the names of such subscribers shall be disclosed. The Company will ensure that upon completion of the Non-public Issuance of A Shares, the total number of the A Shares and the H Shares to held by the public (as defined in the Listing Rules) will not be less than 25% of the Company's total number of issued Shares as enlarged by the A Shares to be issued in the Non-public Issuance of A Shares.

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## LETTER FROM THE BOARD

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(v) ***Whether the Non-public Issuance of A Shares leads to changes in the right of control of the Company***

The total number of shares to be issued in the Non-public Issuance of A Shares will not exceed 5,714,285,714 A Shares (including 5,714,285,714) and none of the subscribers or parties acting in concert could subscribe for 50.00% or more of the maximum number of A Shares to be issued under the Non-public Issuance of A Shares. As at the Latest Practicable Date, Cathay Fortune Corporation\* (鴻商產業控股集團有限公司), a controlling shareholder of the Company, who held approximately 31.58% equity interest in the Company, which in turn is held as to 99.00% by Mr. Yu Yong. Following completion of the Non-public Issuance of A Shares, Cathay Fortune Corporation\* (鴻商產業控股集團有限公司), the controlling shareholder, will hold approximately 25.81% equity interest in the Company and will remain as the major shareholder of the Company. Accordingly, the Non-public Issuance of A Shares will not result in change in control of the Company and is in line with the provisions stipulated in Article 38(4) of the “Administrative Measures for the Issuance of Securities by Listed Companies”, promulgated by the CSRC.

(vi) ***Approval required for the Non-public Issuance of A Shares***

New A Shares to be issued under the Non-public Issuance of A Shares will be issued pursuant to a specific mandate to be sought from the Shareholders at the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting. In accordance with the Listing Rules, the Company will proceed with the Non-public Issuance of A Shares after obtaining approvals from Shareholders at the EGM by way of special resolutions and from A Shareholders and H Shareholders at the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting, respectively, convened in compliance with the Articles of Association by way of special resolutions. The Non-public Issuance of A Shares is also subject to the approvals from the relevant regulatory authorities as required under relevant laws, regulations and regulatory documents.

(vii) ***Reasons and benefits of the proposed Non-public Issuance of A Shares***

The Directors (including the independent non-executive Directors) believe that the Non-public Issuance of A Shares will benefit the Group’s business operations and financial positions.

With respect to the business operation, the proceeds from the issuance will be used to replenish the self-raised funds applied by the Company for the acquisitions of the Niobium and Phosphates Businesses and the Copper and Cobalt Business. Upon acquisition of the Niobium and Phosphates Businesses, the Group will become the second largest supplier of phosphates in Brazil and the second largest niobium supplier globally. Upon acquisition of



## LETTER FROM THE BOARD

the Copper and Cobalt Business, the Group will become a leading copper producer and one of the largest cobalt producers globally.

Proceeds raised from the Non-public Issuance of A Shares will be used to replenish the self-raised funds which were applied by the Company for the two acquisitions, which in turn may further strengthen the profitability and improve the overall financial position of the Company.

Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Non-public Issuance of A Shares are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

**(viii) *Effects of Non-public Issuance of A Shares on the shareholding structure of the Company***

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Non-public Issuance of A Shares, assuming that 5,714,285,714 new A Shares will be issued under the Non-public Issuance of A Shares and no other change to the shareholding structure:

	<b>As at the Latest Practicable Date</b>		<b>Immediately after the completion of the Non-public Issuance of A Shares</b>	
	<i>Number of Shares</i>		<i>Number of Shares</i>	
	<i>in issuance</i>	<i>% (approx.)</i>	<i>in issuance</i>	<i>% (approx.)</i>
A Shares				
– Existing A Shares	12,953,730,699	76.71	12,953,730,699	57.31
– New A Shares to be issued	–	–	5,714,285,714	25.28
H Shares	<u>3,933,468,000</u>	<u>23.29</u>	<u>3,933,468,000</u>	<u>17.40</u>
Total	<u><u>16,887,198,699</u></u>	<u><u>100.00</u></u>	<u><u>22,601,484,413</u></u>	<u><u>100.00</u></u>

**(ix) *Profit distribution plan of the Company for the next three years***

In accordance with the “Notice in relation to Further Implementing Cash Dividend Distribution of Listed Companies” (Zheng Jian Fa [2012] No.37) and “Regulatory Guidelines for Listed Companies No.3 – Cash Dividends of Listed Companies” (Zheng Jian Fa [2013] No.43) issued by the CSRS, other relevant laws, regulations and regulatory documents and provisions of the Articles of Association, the Company formulated a “Shareholders’ Return Plan for the Next Three Years (Year 2016–2018)”. Please refer to Appendix I enclosed in the circular for further details.



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### IMPLICATIONS UNDER THE LISTING RULES

None of the Directors has a material interest in the proposed Non-public Issuance of A Shares or is required to abstain from voting on the resolutions for considering and approving the proposed Non-public Issuance of A Shares pursuant to the Listing Rules and the Articles of Association.

### 3. AUTHORISATION TO THE BOARD OR AUTHORISED PERSONS TO HANDLE SPECIFIC MATTERS RELATED TO THE NON-PUBLIC ISSUANCE OF A SHARES WITH ABSOLUTE DISCRETION

According to the requirements of Non-public Issuance of A Shares under Administrative Measures for the Issuance of Securities of Listed Companies (《上市公司證券發行管理辦法》) and the Implementation Rules for the Non-public Issue of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) issued by the CSRC, to ensure a smooth implementation of the Non-public Issuance of A Shares, the Board proposed to seek authorisations from the Shareholders to handle all matters related to the Non-public Issuance of A Shares, including but not limited to:

- (i) determine and engage sponsor institution (lead underwriter), accounting firm, law firm and other intermediaries to prepare, revise, supplement, sign, submit, report and execute all agreements and documents related to the Non-public Issuance of A Shares, including but not limited to sponsorship agreements, underwriting agreements and engagement agreements of intermediaries, in accordance with the requirements of national laws, administrative regulations, administrative rules and regulatory documents as well as the resolutions passed at the Shareholders' meetings of the Company;
- (ii) prepare and report the application documents relating to the Non-public Issuance of A Shares in accordance with the requirements of the CSRC, and respond to relevant questions, revise and supplement relevant application documents according to review opinions of the CSRC and other securities regulatory authorities;
- (iii) revise or adjust the proposed Non-public Issuance of A Shares, including time and actual amount of the use of proceeds raised pursuant to the approval requirements of the CSRC and other securities regulatory authorities, or requirements of national laws and administrative regulations as well as administrative rules and regulatory documents of the CSRC issued or as amended in the future, or the changes in relevant market conditions, or the changes in condition of the use of funds raised, provided that matters which are required to be put forward for Shareholders' approval at general meeting shall be excluded if so required by national laws, administrative regulations, administrative rules and regulatory documents of the CSRC and the Articles of Association;

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## LETTER FROM THE BOARD

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- (iv) formulate and implement the specific proposal of the Non-public Issuance of A Shares in accordance with the proposal of the Non-public Issuance of A Shares approved at the Shareholders' meetings of the Company, approvals of the CSRC and other securities regulatory authorities, market condition and the actual situation of the Company, including but not limited to the determination of timing of issuance, the commencement and completion date of the issuance, the amount of Shares to be issued and the size of the funds to be raised, the issue price, the selection of the target subscribers, the specific subscription method and subscription ratio;
- (v) authorise the Board to directly adjust the respective minimum subscription price and maximum number of shares to be issued based on the changes in market condition in accordance with the provisions of relevant laws, regulations, rules and regulatory documents;
- (vi) handle matters related to the registration, lock-up and listing in relation to the Non-public Issuance with the SSE and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited upon the completion of the Non-public Issuance of A Shares;
- (vii) handle capital verification procedure for the increase in share capital of the Company, amend relevant articles of the Articles of Association, handle registration procedure with the administration for industry and commerce and/or filings, in accordance with the results of the Non-public Issuance of A Shares;
- (viii) determine to postpone or terminate the implementation of the proposal of the Non-public Issuance of A Shares at its discretion, where there is a force majeure or other situations making it impractical to implement the Non-public Issuance of A Shares, or situations where the implementation of the Non-public Issuance of A Shares is practicable but would have a material adverse effect on the interests of the Company as a whole;
- (ix) handle other matters related to the Non-public Issuance of A Shares within the scope of national laws, administrative regulations, administrative rules and regulatory documents of the CSRC and other securities regulatory authorities as well as the Articles of Association;
- (x) authorize the chairman and the secretary to the Board and their authorized persons to deal with the above matters upon the above authorization has been granted to the Board at the Shareholders' general meetings of the Company;
- (xi) set up a specific account for the proceeds raised in the Non-public Issuance of A Shares; and
- (xii) handle all other matters related to the Non-public Issuance of A Shares.

The above authorisations will be valid for a period of 12 months from the date of the Shareholders' approval.

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## LETTER FROM THE BOARD

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### 4. 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 herein or this circular misleading.

### 5. EGM AND H SHAREHOLDERS' CLASS MEETING

Notices convening the EGM and the H Shareholders' Class Meeting to be held on Friday, 23 September 2016 together with the relevant forms of proxy and reply slips were despatched to H Shareholders on 8 August 2016. Such forms were also published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinamoly.com>). For ease of reference, the notices convening the EGM and the H Shareholders' Class Meeting are set out on pages 99 to 105 of this circular.

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

H Shareholders who intend to attend the EGM and/or the H Shareholders' Class Meeting 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, at North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the PRC, 20 days before the meeting, i.e. before 2 September 2016 by hand, by post or by fax.

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## LETTER FROM THE BOARD

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### 6. CLOSURES OF REGISTER OF MEMBERS

In order to determine the list of H Shareholders who will be entitled to attend and vote at the EGM and the H Shareholders' Class Meeting, the Company's register of members of H Shares will be closed from Wednesday, 24 August 2016 to Friday, 23 September 2016 (both days inclusive) during which period no transfer of H Shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company at 4:30 p.m. on Tuesday, 23 August 2016 shall be entitled to attend and vote at the EGM and the H Shareholders' Class Meeting. In order for the H Shareholders to qualify for attending and voting at the EGM and the H Shareholders' Class Meeting, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 23 August 2016.

### 7. VOTING BY WAY OF POLL

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

### 8. RECOMMENDATIONS

The Board considers that the resolutions in relation to the proposed Non-public Issuance of A Shares are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions set out in the notices of the EGM and the H Shareholders' Class Meeting.

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

\* *for identification purposes only*

**CHINA MOLYBDENUM CO., LTD.\***  
**SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2016–2018)**

According to relevant requirements of the Notice Regarding the Further Implementation of Matters relating to Cash Dividends of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No. 37), the China Securities Regulatory Commission, No. 3 Regulatory Guidance for Listed Companies – Cash Dividends of Listed Companies (《上市公司監管指引第3號– 上市公司現金分紅》) and the Articles of Association, and having considered the Company's actual business operations and future development needs, the Company has formulated the shareholders' return plan for the next three years (2016–2018) (the “**Plan**”).

**Article 1 Factors for Consideration**

The Plan shall be based on the integrated analysis of the Company's profitability, operational and development plans, shareholders' returns, and social fund costs and external financing environment. Circumstances such as the Company's current and future profit scale, cash flow status, development stage, fund requirements for project investments, bank credit and financing environment will also be taken into account. Regulatory arrangements shall be made on the basis of a balance between the shareholders' reasonable investment returns and the Company's long-term development. This will ensure the continuity, rationality and stability of the profit distribution policy of the Company.

**Article 2 Principles for the Formulation**

The formulation of the Plan shall be in compliance with the relevant laws and regulations, regulatory requirements and the stipulations of the Articles of Association in relation to the profit distribution, attach importance to the investors' reasonable investment returns and take into account sustainable development of the Company, adequately consider and listen to the opinions of shareholders (especially minority shareholders) and independent directors, and implement active profit distribution plans to maintain proper continuity and stability of the profit distribution policy.

**Article 3 Details of the Shareholders' Return Plan for the Next Three Years (2016–2018)**

1. For the next three years, the Company adopts a proactive dividend distribution policy in the form of cash or shares, and implements such policy in accordance with the laws, regulations and other regulatory requirements. Priority in profits distribution should be in cash rather than in shares. The Company shall distribute profits in the form of cash should such conditions of cash distribution are met. The Company may distribute interim dividend in cash if conditions permit.

\* *for identification purposes only*

2. In accordance with the laws, regulations and other regulatory requirements, the Company distributes dividend in cash if it records positive distributable profits and the cash flow of the Company can accommodate the needs of both its daily operation and sustainable development. If the Company distributes cash dividends, the percentage of cash dividends shall comply with the following requirements simultaneously:

- (1) the profits distributed by the Company in the form of cash each year shall not be less than 30% of distributable profits recorded in the year, in accordance with applicable laws, regulations and regulatory requirements;
- (2) Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution; Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution; Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution.

In particular, the substantial capital expenditure arrangement mentioned herein refers to matters that the total assets in relation to transactions, including asset acquisitions and external investments, carried out by the Company within a year account for more than 30% (inclusive) of the latest audited total assets of the Company. The board of directors of the Company shall propose a specific cash distribution plan for approval in the general meeting by differentiating the aforesaid circumstances after taking various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement.

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

**Article 4 Formulation of the Future Shareholders' Return Plan and Relevant Decision-making Mechanism**

1. The Company shall strengthen the consciousness of shareholders' return, comprehensively consider the profit and capital demand of the Company, development targets and shareholders' reasonable returns and other factors to formulate the future shareholders' return plan.
2. The Board determines dividend distribution of the Company for each year on the basis of the Company's debts repayment abilities, business development and operating results. In addition, the Board determines the percentage of cash dividend over the distributable profits available for distribution for the relevant year and whether the Company should distribute dividend in the form of shares. The Board shall consult with the supervisory board of the Company before seeking approval from the shareholders at the general meeting. Independent directors shall deliver definite opinions. Independent directors may collect advice from minority shareholders and prepare a distribution proposal which shall be directly proposed to the Board for its consideration. When considering a specific proposal for cash dividend at general meeting, a variety of channels shall be adopted to actively communicate with shareholders, particularly the minority shareholders, including but not limited to online voting and inviting minority shareholders to attend meetings, to fully attend to the views of the minority shareholders and answer the questions they concern about in a timely manner.
3. Amendments to the profits distribution policy on the basis of the Company's production and operation conditions, investment strategies or long-term development needs shall not contravene any laws, regulations or requirements imposed by the regulatory authorities. The Board shall prepare a proposal for the amendments to the Company's profits distribution policy and seek advice from the supervisory board. The independent directors shall give an independent opinion on such proposal. Shareholders shall approve any proposal regarding amendments to the profits distribution policy in a general meeting following the Board's approval. Among which, a proposal regarding amendments to the cash dividend policy shall be approved by more than two-thirds of the voting rights held by the shareholders attending the shareholders' general meeting, and the amendments to the cash dividend policy shall not contravene the relevant requirements of China Securities Regulatory Commission and securities supervision and management authorities of the place(s) where shares of the Company are listed. The Company shall disclose the formulation and implementation of cash dividend policy in detail in its annual report. The Board of the Company shall disclose the profits distribution plan and the arrangements or principles of the usage of retained undistributed profits in the annual report. The retained undistributed profits of the Company after the completion of the profits distribution for the then year shall be used to develop the operating business of the Company. If the Company generated profits in the then year while the Board did not make any cash dividend proposal, the reasons thereof and the application of funds retained by the Company not available for distribution, as well as the independent opinions from the independent directors, shall be explained in detail in the annual report.

**Article 5** All matters which are not specifically provided for in the Plan shall be handled in accordance with the stipulations of the relevant laws, administrative regulations, normative documents and the Articles of Association.

**Article 6** The Board shall be responsible for the interpretation of the Plan and it will be implemented on the date of approval by the Shareholders.

The Board of Directors of  
**China Molybdenum Co., Ltd.\***  
8 August 2016

*Should there be any discrepancy, the Chinese text of this appendix shall prevail over its English text*

\* *for identification purposes only*



**RISK ALERT AND REMEDIAL MEASURES FOR  
THE DILUTION OF CURRENT RETURNS AS A RESULT OF  
THE 2016 NON-PUBLIC ISSUANCE OF SHARES**

**IMPORTANT NOTICE:**

The following analysis and description of the major financial indicators upon the Non-public Issuance of China Molybdenum Co., Ltd.\* (the “**Company**”) do not constitute a profit forecast of the Company. Investors should not solely rely upon such analysis and description in making investment decisions. The Company takes no responsibility for any loss arising from the investment decisions made by investors thereby.

Pursuant to the requirements under the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No. 17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors’ Legitimate Interests in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC [2015] No. 31), the thirteenth meeting of the fourth session of the board of directors of China Molybdenum Co., Ltd.\* (hereinafter referred to as the “**Company**”) has passed the Resolution in Relation to Risk Alert and Remedial Measures for the Dilution of Current Returns as a Result of the 2016 Non-public Issuance of A Shares. The Company announces the impacts of the dilution of current returns as a result of the Non-public Issuance of A Shares and measures adopted as follows:

**I. BASIC INFORMATION ON THE NON-PUBLIC ISSUANCE OF SHARES**

The gross proceeds from the Non-public Issuance of shares shall not exceed RMB18 billion. The price determination date shall be the announcement date of passing the resolution at the eighth extraordinary meeting of the fourth session on the board of directors of the Company and the issue price shall not be lower than 90% of the average trading price for 20 trading days prior to the announcement date of passing the resolution by the board of directors, which shall not be less than RMB3.17 per A Share. The profit distribution plan of the Company for the year 2015 was to distribute cash dividend of RMB0.025 per share (tax inclusive) to shareholders, which has been completed on 14 July 2016. Given the above-mentioned profit distribution implemented by the Company, based on the pricing adjustment mechanism of the Non-public Issuance, the share price under the Non-public Issuance has been adjusted to not less than RMB3.15 per A Share and the size of the Non-public Issuance of shares shall not exceed 5,714,285,714 shares (inclusive).

\* *for identification purposes only*

The proceeds from the Non-public Issuance of shares are intended to be used in the following two projects:

<b>Project name</b>	<b>Total amount of investment in project (USD)</b>	<b>Total amount of investment in project (RMB)</b>	<b>Amount of proceeds to be applied (RMB)</b>
Acquisition project for Niobium and Phosphates Businesses	1.5 billion	9.945 billion	9.5 billion
Acquisition project for Copper and Cobalt Business	2.65 billion	17.570 billion	8.5 billion
<b>Total</b>	<b>4.15 billion</b>	<b>27.515 billion</b>	<b>18 billion</b>

*Note:* In calculation of the total amount of investment in projects in the table above, the amounts were converted into RMB based on the exchange rate of USD1 to RMB6.63 (the average median price announced by the PBOC on 30 June 2016).

In order to promote the smooth implementation of the aforesaid projects, the Company will settle the consideration for the acquisitions for the Niobium and Phosphates Businesses and the Copper and Cobalt Business with its self-raised funds. The self-raised funds invested by the Company in advance will be replaced upon receipt of the proceeds from the Non-public Issuance of A Shares. The shortfall shall be settled by self-raised funds if the actual proceeds are less than the total amount of proceeds intended to be applied.

## **II. IMPACTS OF THE DILUTION OF CURRENT RETURNS AS A RESULT OF THE NON-PUBLIC ISSUANCE OF SHARES ON THE MAJOR FINANCIAL INDICATORS OF THE COMPANY**

The acquisition of the Niobium and Phosphates Businesses and the Copper and Cobalt Business are beneficial for the optimization of the assets portfolio of the Company and diversify the commodity portfolio of the Company, which will further upgrade the Company's leading position in special alloy field, and further enhance the profitability and risk resistant capability of the Company. The plan on use of proceeds has been thoroughly discussed by the management and it was considered to be in line with the development plan of the Company and beneficial to the long-term development of the Company.

Upon completion of the Non-public Issuance of A Shares, the total share capital of the Company will increase significantly. Despite the objective and prudent forecast for the operating results of the Niobium and Phosphates project (AAFB and AANB) and the Copper and Cobalt Business (FMDRC) in the future conducted by China United Assets Appraisal Group Co., Ltd. as engaged by the Company, which possessed qualifications for securities and futures business qualification, the Niobium and Phosphates Business (AAFB and AANB) and the Copper and Cobalt Business (FMDRC) may still fail to meet the expected profitability in the future. Under the increase in total share capital of the Company, indicators of the Company such as earnings per share will be subject to the risk of decline if the operating results fail to achieve a corresponding growth.

Based on the above, the Company predicted the impact of the dilution of current returns as a result of the Non-public Issuance of A Shares on the major financial indicators. Details are as follows:

**(I) Assumptions**

1. The acquisitions of the Niobium and Phosphates Businesses (AAFB and AANB) and the Copper and Cobalt Business, the target assets in which the proceeds from the Non-public Issuance of A Shares will be used, are expected to be completed by the end of September 2016. To be more continent for analysis and easier for investors' understanding, it is assumed that the Non-public Issuance of A Shares will be completed by the end of September 2016 (the completion time of the Non-public Issuance of A Shares is for the purpose of calculation only and it shall be subject to the actual completion time of the issuance);
2. The size of the Non-public Issuance of A Shares is 5,714,285,714 shares;
3. The gross proceeds from the Non-public Issuance of A Shares is RMB18 billion excluding the impact of issuance expenses;
4. There are no material changes in macroeconomic environment, industrial policies, industrial development, etc.;
5. The impacts on net assets caused by factors other than proceeds, net profits and cash dividends are disregarded while forecasting the net assets of the Company;
6. The impacts on the Company's production operation, financial conditions (such as financial expenses and investment income) and so on upon receipt of the proceeds from the issuance are disregarded;
7. While forecasting the total share capital of the Company, based on the total share capital of 16,887,198,699 Shares before the Non-public Issuance of A Shares, only impacts of the Non-public Issuance of A Shares are taken into account whereas other factors resulting in changes in share capital were disregarded;

8. The self-raised funds of the Company used for the prepayment accounts for 60% of the bank borrowings. In consideration of the difference between domestic and overseas financing costs, the financing cost interest is assumed to be 4.5% per annum and the additional financing interest per annum is assumed to be RMB16.509 billion \* 4.5% = RMB743 million. As the transfer of target assets will be completed by the end of September 2016, the interest will accrue in September 2016 upon receipt of the amount;
9. It is assumed that the Niobium and Phosphates Businesses (AAFB and AANB) and the Copper and Cobalt Business (FMDRC) will meet the forecast of results in the future made by China United Assets Appraisal Group Co., Ltd. and the net profit realized from September to December 2016 will account for 25% of the expected net profit for the remaining months of the Niobium and Phosphates Businesses while the Copper and Cobalt Business will be calculated by net profit attributable to shareholders of the Company and the net profit realized from September to December 2016 will account for one-thirds of the expected net profit for the remaining months of the Copper and Cobalt Business, and the expected net profit attributable to the shareholders of the Company during April and December 2016 will be calculated by 56% of the expected net profit for April to December 2016;
10. The Company's audited net profit attributable to the shareholders of the listed company for the year 2015 amounted to RMB761,160,070.18 whereas the audited net profit attributable to the shareholders of the listed company after extraordinary items amounted to RMB745,236,424.23. It is assumed that the net profit attributable to the shareholders of the listed company for the year 2016 before/after extraordinary items will remain the same as 2015. The above assumptions are made only for the purposes of estimation and do not constitute undertakings and profit forecast an operating results undertakings. Investors should not make investment decisions based on these assumptions. The Company takes no responsibility for any loss arising from the investment decisions made by investors thereby.

**(II) Estimation process**

Based on the above assumptions, the estimated impacts of dilution of current returns as a result of the issuance on the major financial indicators are as follows:

Item	For the year 2015/at the end of 2015	For the year 2016/at the end of 2016	
		Before the issuance	After the issuance
<b>Share capital</b>			
Total share capital at the end of the period ( <i>Share</i> )	16,887,198,699	16,887,198,699	22,601,484,413
Weighted average of total share capital ( <i>Share</i> )	16,887,198,699	16,887,198,699	18,315,770,127
<b>Net profit</b>			
Net profit attributable to the shareholders of the parent company before extraordinary items ( <i>RMB</i> )	761,160,070.18	761,160,070.18	1,042,508,778.86
Net profit attributable to the shareholders of the parent company after extraordinary items ( <i>RMB</i> )	745,236,424.23	745,236,424.23	1,026,585,132.91
<b>Earnings per Share</b>			
Basic earnings per share after extraordinary items ( <i>RMB/Share</i> )	0.05	0.05	0.06
Diluted earnings per share after extraordinary items ( <i>RMB/Share</i> )	0.05	0.05	0.06

**III. RISK ALERT ON THE DILUTION OF CURRENT RETURNS BY THE COMPANY AS A RESULT OF THE NON-PUBLIC ISSUANCE**

Upon implementation of the Non-public Issuance of A Shares, the size of total share capital of the Company will be expanded and the scale of net assets will be significantly increased. If the proceeds used in acquisition of the target assets, the Niobium and Phosphates Businesses (AAFB and AANB) and the Copper and Cobalt Business (FMDRC), do not meet the expected operating results, earnings per share of the Company in the future may be subject to risk of decline and the current returns of the Company may be diluted. Investors are hereby reminded to beware of the possible risk concerning dilution of current returns as a result of the Non-public Issuance of A Shares.

**IV. NECESSITY AND REASONABLENESS OF THE NON-PUBLIC ISSUANCE OF A SHARES AND ANALYSIS ON THE RELEVANCE TO THE EXISTING BUSINESS OF THE COMPANY****(I) Necessity and reasonableness for the board of directors to resolve to implement the Non-public Issuance****1. FURTHER ENHANCEMENT IN THE PROFITABILITY AND RISK RESISTANCE CAPABILITY OF THE COMPANY**

The Company intends to acquire the Niobium and Phosphates Businesses in Brazil due to the stable investment environment, comprehensive infrastructure, sound relationships with the locals and supreme modern management level. The Company will become the second largest producer of niobium in the world upon acquisition of niobium business. As the world's largest niobium producer has a strong pricing power, the periodical fluctuation of niobium metal is weaker than other non-ferrous metals which reduces the industrial fluctuation risk and generates ample and stable operating profits and cash flows.

In addition, Brazil has the world's largest land which is potentially suitable for farming and it is the third largest country in terms of phosphate consumption. The import volume of chemical fertilizer remains at a high level throughout the year. The Company intends to acquire two phosphate fertilizer processing plants of the target assets located at the major farms in Brazil which is very close to its final consumption market, having an obvious geological advantage. The strong demand of phosphate fertilizer and the geological advantage of the target assets are expected to provide a long-term opportunity of development in the Company's phosphate business, which in turn enhances the profitability of the Company. As such, the acquisition of the mature niobium and phosphate business from the Anglo American plc will bring stable profits and cash flows to the Company.

The Company proposes to acquire 100% equity interests in FMDRC held by Freeport-McMoRan Inc. FMDRC indirectly holds 56% equity interests of TFM in the DRC. Tenke Fungurume mining complex, which are held by TFM, is one of copper and cobalt mines with largest reserve and of highest ore grade globally, as well as the largest foreign investment project in the DRC. In 2014 and 2015, the production volume of copper of TFM was 447 million pounds and 449 million pounds respectively, the production volume of cobalt was 29 million pounds and 35 million pounds respectively, the sales volume of copper was 425 million pounds and 467 million pounds respectively, the sales volume of cobalt was 30 million pounds and 35 million pounds respectively, and the sales-output ratio was basically close to or even more than 100%. Upon the completion of the acquisition, the copper business of the Company will be strengthened, and the Company will become an important copper producer in the world. Furthermore, in view of the high ranking of the above-mentioned cobalt mines globally in terms of reserves and current capacity, with the accelerated development of lithium batteries used in the electric vehicles and super alloy in the future, the cobalt business will be an important point of profit growth. Therefore, the acquisition will bring healthier and more stable profitability and cash flow level to the Company in the future. Meanwhile, with the diversification of the asset allocation and commodity of the Company, the operating risk may be mitigated effectively, and the financial statement of the Company will continue to improve.

**2. *OPTIMISATION OF ASSET PORTFOLIO AND DIVERSIFICATION OF PRODUCT PORTFOLIO OF THE COMPANY***

Upon the completion of expansion and reaching designed capacity of niobium business project of Anglo American plc to be acquired by the Company which lies in Brazil, the Company will strengthen its position as the second largest niobium supplier globally. Meanwhile, the Company will step into the agricultural resources field through acquiring the phosphates business under Anglo American Plc.

The Company proposes to acquire 56% equity interests in Tenke Fungurume copper and cobalt mines under Freeport-McMoRan Inc. Upon the completion of the acquisition, the Company will own the mining right of Tenke Fungurume mines. Tenke Fungurume mines are one of copper and cobalt mines with the largest in scale, of highest ore grade globally, and the development potential is huge in the future. As an important nonferrous metal, copper has favorable electrical conductivity, heat conductivity, ductility, corrosion resistance and wear resistance, and can be broadly applied in various areas including electricity, light industry and mechanical manufacture. Cobalt is a type of very rare minor metal and one of important strategic resources with low reserves in land. Currently, the demand for cobalt in consumable lithium batteries and power lithium batteries takes up more than 40% of the aggregate

demand for cobalt. With the rapid development of electric vehicles, the use of cobalt in lithium batteries will be accelerated. Through the transaction, the Company will rapidly become an important cobalt supplier globally and benefit from the development of electric vehicles industry.

After the acquisition of 80% equity interests in Northparkes copper and gold mines in Australia by the Company in 2013, the transaction will further expand the Company's global presence in the mining industry and provide diversified portfolio opportunities and strategic benefits for the current metal products of the Company.

3. ***THE MINING RESOURCES INDUSTRY HITTING THE BOTTOM OF PERIODIC CYCLE, WHICH PROVIDES OPPORTUNITIES FOR MERGERS AND ACQUISITIONS OF RESOURCES ENTERPRISES***

Currently, the valuation of overseas high-quality mining resources is at the historically low. Affected by factors including lowering of commodity price, and downturn of the global economy, the production and operation of international mining companies are under pressure and their development is restricted. To lower the liability level and to concentrate on the development of core business, the international mining companies improve their own financial position through disposing of assets. It is expected that the prolonged downturn in the industry in the future will speed up the mergers and acquisitions among enterprises, which provides favorable opportunities for domestic large mining groups to conduct strategic acquisition of overseas resources at the bottom of the periodic cycle of the industry.

(II) **Relationships between projects financed by proceeds and the existing business of the Company, the Company's reserves for conducting projects financed by proceeds in terms of staff, technique and market**

The target assets, namely the Niobium and Phosphates Businesses (AAFB and AANB) and the Copper and Cobalt Business (FMDRC), to be acquired by the proceeds from the Non-public Issuance of A Shares, have a long operating history, as well as a solid foundation in terms of staff, technique and market, capable of operating in the market independently with sound operation. Upon the completion of the acquisitions, the organisational structure and staff of the target companies will not be adjusted significantly in order to achieve the operating objectives of AANB, AAFB and FMDRC and keep the coherence of management and business to maintain its independence in operation and management. The target company will remain as an independent legal entity, and the listed company will endeavor to keep the independence and stability of assets, business and staff of the target company.



**V. MEASURES FOR DILUTION OF CURRENT RETURNS AS A RESULT OF MATERIAL ASSET RESTRUCTURING ADOPTED BY COMPANY**

To prevent the possible risk of dilution of current returns of the Company as a result of the Non-public Issuance of A Shares, the Company will adopt the following measures to remedy the dilution of current returns of the Company as a result of the Non-public Issuance of shares.

Meanwhile, the Company wishes to remind the investors that remedial measures adopted by the Company cannot be construed as the Company's assurance to the future profits of the Company. The investors should not rely thereon in make their investment decisions. The Company takes no responsibility for any loss arising from the investment decisions made by investors thereby.

Details are as follows:

**1. TO STRENGTHEN THE MANAGEMENT OF THE PROCEEDS AND ENSURE THE STANDARD AND EFFECTIVE USE OF THEM**

Pursuant to the requirements of laws and regulations including Company Law, Securities Law, Measures on the Administration of Issuance of Securities by Listed Companies, Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies, Rules Governing the Listing of Securities on Shanghai Stock Exchange, regulatory documents and Articles of Association, the Company has specified the regulations in relation to saving, usage, change, supervision and responsibilities of special account of the proceeds.

To ensure the standard and effective use of the proceeds of the Company, after the funds raised from the Non-public Issuance are in place, the board of directors of the Company will continue to supervise the special saving of the proceeds by the Company, ensure the proceeds used in designated investment projects, conduct internal audit of the proceeds periodically, and coordinate the regulatory banks and sponsoring institute to inspect and supervise the proceeds, so as to ensure the reasonable and effective use of the proceeds and prevent the risk of the use of proceeds.

**2. TO SPEED UP THE DEVELOPMENT OF PRINCIPAL BUSINESS AND IMPROVE PROFITABILITY**

The Company is dedicated to reinforcing and maintaining the competitive edge of its existing business and will continue to lower costs, improve management, enhance efficiency and tap into internal potentialities. The Company will continue to manage and optimize the balance sheet, dispose of non-core or invalid or inefficient assets, and take full advantage of the capital platform to raise funds in a reasonable fashion. In its vigorous efforts to facilitate the strategic layout of going global, the Company will prioritize mergers and acquisitions and invest in high-quality and mature resources projects with sound cash flows located in politically stable areas, in turn developing the Company into an internationalized resources management group equipped with a global vision and in-depth industrial consolidation capabilities.

For the purpose of realizing the foregoing estimated targets, the Company will actively respond to the opportunities and challenges brought by the fluctuations in the market price of molybdenum, tungsten, copper and gold and proactively optimize the product structure in order to balance the production and sales and maximize the revenue. Leveraging the advantages in scale, value chains, technologies, capital, the market and the financing platform in the capital markets, the Company will tap into both internal potentialities and seek mergers and acquisitions of international advanced resources with advantages in management, technology and capital as the support. The Company will further enhance the Company's comprehensive capabilities and profitability and accelerate the pace of the Company's internationalization strategy while cultivating new drivers for economic growth in order to generate higher returns for shareholders.

**3. TO FURTHER IMPROVE THE PROFIT DISTRIBUTION POLICY AND EMPHASIZE THE RETURN AND THE PROTECTION FOR THE RIGHTS AND INTERESTS OF INVESTORS**

With a view to further improving and strengthening the profit distribution policy, establishing a scientific, sustainable and stable dividend distribution system, enhancing the transparency of the decision-making on profit distribution and safeguarding the interest of its shareholders, the Company has formulated the Plan for Shareholders' Return for the Next Three Years (2016–2018) pursuant to the requirements stipulated under relevant documents including the Notice Regarding Relevant Matters on the Further Implementation of Cash Dividends Distribution of Listed Companies and Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend Distribution of Listed Companies, with its actual circumstances and the stipulations of the Articles of the Association.

Upon the completion of the Non-public Issuance of shares, the Company will strictly implement the existing dividend distribution policy. Provided that the conditions are met, the Company will carry out the profit distribution for the shareholders, realize the continuous, stable and scientific returns for investors, and safeguard the legitimate rights and interests of public investors in a practical manner.

**4. TO FURTHER STRENGTHEN THE OPERATION MANAGEMENT AND INTERNAL CONTROL AND IMPROVE THE OPERATING RESULTS**

The Company will further optimize the governance structure, strengthen internal control, improve and strengthen the investment decision-making procedures, utilize various financing tools and channels in a reasonable manner, control the costs of funds, augment the efficiency of fund utilization and save various charges and expenses while ensuring the demand for liquidities arising from its rapid business development can be met, in turn controlling the risk exposures in operations and fund management and control in a holistic and effective fashion.

In the event of any breach of the foregoing undertakings, the Company will timely announce the facts and reasons for the breach and will make an apology to the shareholders of the Company and public investors in the community, except due to force majeure events or other reasons attributable to the Company. Meanwhile, the Company will make a supplemental or alternative undertaking in order to protect the interest of investors to the extent possible, and complement such supplemental or alternative undertaking upon the consideration and approval at its general meeting.

**VI. UNDERTAKINGS GIVEN BY DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY IN RELATION TO THE REMEDIAL MEASURES FOR THE DILUTION OF CURRENT RETURNS AS A RESULT OF THE MATERIAL ASSET RESTRUCTURING OF THE COMPANY**

The Directors and senior management of the Company will perform their respective duties faithfully and diligently, safeguard the legitimate rights and interests of the Company and its shareholders as a whole, and give the following undertakings in order to thoroughly implement the remedial measures for the dilution of current returns by the Company in accordance with the relevant requirements of the CSRC:

- “(I) I undertake not to direct benefits to other entities or individuals without consideration or on unfair terms nor otherwise compromise the interests of the Company.**
- (II) I undertake to restrain my duty-related spending.**

- (III) I undertake not to appropriate assets of the Company for investments and spending unrelated to the performance of their duties.
- (IV) I undertake that the remuneration system formulated by the board of directors or the remuneration committee will be correlated to the implementation of the Company's remedial measures for returns.
- (V) I undertake to ensure that the conditions for exercising options under the share option incentive scheme proposed to be announced (if any) shall be correlated to the implementation of the Company's remedial measures for returns.

As one of the main responsible entities for the remedial measures for the return, in the event that the above undertakings are breached or not to be implemented, I hereby give my consent that the penalties or relevant administrative measures shall be taken in accordance with the relevant provisions and rules as formulated or published by securities regulatory authorities such as the CSRC and the Shanghai Stock Exchange.”

#### VII. THE UNDERTAKING GIVEN BY CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER IN RELATION TO THE SAFEGUARD MEASURES FOR REMEDYING THE DILUTION OF CURRENT RETURNS

The undertakings given by Cathay Fortune Corporation, the controlling shareholder of the Company, and Yu Yong, the de facto controller in relation to the remedial measures for the dilution of current returns as a result of the Non-public Issuance of shares of the Company are as below:

Regarding the risk of the dilution of current returns as a result of the Non-public Issuance of A Shares, as one of the main responsible entities for the remedial measures for the return, we undertake not to intervene the operations and management activities of the Company or unlawfully occupy the Company's interests. In the event that the above undertakings are breached or not to be implemented, we agree that the penalties or relevant administrative measures shall be taken in accordance with the relevant provisions and rules as formulated or published by securities regulatory authorities such as the CSRC and the Shanghai Stock Exchange.

The Board of Directors of  
**China Molybdenum Co., Ltd.\***  
8 August 2016

*Should there be any discrepancy, the Chinese text of this appendix shall prevail over its English text*

\* for identification purposes only

**China Molybdenum Co., Ltd.\***  
**Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares**  
**(Revised draft)**

\* *for identification purposes only*

## DEFINITIONS

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

Company, CMOC or the Issuer	China Molybdenum Co., Ltd.*
Report	Feasibility Report on the Use of Proceeds from the Non-public Issuance of Shares (revised draft)
Issuance or Non-public Issuance	the Non-public Issuance of not more than 5,714,285,714 A shares (inclusive) of CMOC
Shareholders' Meeting	Shareholders' Meeting of CMOC
the Project	the investment project funded by the proceeds raised from the Non-public Issuance of shares
SSE	Shanghai Stock Exchange
CSRC	the China Securities Regulatory Commission
Controlling Shareholder	Cathay Fortune Corporation*
De Facto Controller	Mr. Yu Yong
ten thousand/hundred million	RMB ten thousand/RMB hundred million
NDRC	the National Development and Reform Commission (國家發展和改革委員會)
SAFE	the State Administration of Foreign Exchange(國家外匯管理局)
Northparkes copper-gold mine	Northparkes copper-gold mine situated in northwest of the town of Parkes in New South Wales of Australia, 80% interest held by CMOC Mining PTY Limited which is a wholly-owned subsidiary incorporated in Australia and also as the Manager

Acquisition project of Niobium and Phosphate Assets in Brazil	the acquisition of niobium and phosphates businesses in Brazil under AA PLC by cash through CMOC Limited, a subsidiary of the Company in Hong Kong
Counterparties in Acquisition project of Niobium and Phosphate Assets in Brazil	Ambras, AA Luxembourg, AAML, Capital PLC, Capital Luxembourg
Acquisition Targets of the Acquisition project of Niobium and Phosphate Assets in Brazil	the niobium and phosphates businesses in Brazil under AA PLC, including the respective 100% equity interests in AAFB AND AANB, the niobium sales business of AAML, the creditor's rights in AANB held by Capital PLC and the creditor's rights in AAFB held by Capital Luxembourg
Target Companies of the Acquisition project of Niobium and Phosphate Assets in Brazil	AAFB and AANB, the target companies of acquisition of niobium and phosphate assets in Brazil
AA PLC (英美資源集團)	Anglo American PLC, a globally-renowned major mining company, the controlling party of the target assets in this transaction
Ambras	Ambras Holdings SÁRL, a counterparty in the acquisition of niobium and phosphate assets in Brazil
AA Luxembourg	Anglo American Luxembourg SÁRL, a counterparty in the acquisition of niobium and phosphate assets in Brazil
AAML	Anglo American Marketing Limited, a counterparty in the acquisition of niobium and phosphate assets in Brazil
Capital PLC	Anglo American Capital PLC, a counterparty in the acquisition of niobium and phosphate assets in Brazil
Capital Luxembourg	Anglo American Capital Luxembourg SÁRL, a counterparty in the acquisition of niobium and phosphate assets in Brazil
AASL	Anglo American Service (UK) Limited, a guarantor of a counterparty in the acquisition of niobium and phosphate assets in Brazil

AANB	Anglo American Nióbio Brasil Limitada, one of the target companies of the acquisition of niobium and phosphate assets in Brazil
AAFB	Anglo American Fosfatos Brasil Limitada, one of the target companies of the acquisition of niobium and phosphate assets in Brazil
AAIL	Anglo American Investments (UK) Limited
AAIHL	Anglo American International Holdings Limited
AANiB	Anglo American Níquel Brasil Limitada
SPA in relation to Acquisition project of Niobium and Phosphate Assets in Brazil	Sale and Purchase Agreement, a transactional agreement entered into amongst CMOC Limited, CMOC, Ambras, AA Luxembourg, AAML, Capital PLC, Capital Luxembourg and AASL dated 27 April 2016
LIBOR	The London Inter-Bank Offered Rate (倫敦同業拆借利率)
IFRS	International Financial Reporting Standards (國際財務報告準則), a standard accounting policy in favor of international economic exchange amongst countries issued by International Accounting Standards Board
DRC	the Democratic Republic of the Congo
FCX/Freeport-McMoRan/ Guarantor of the counterparty in the Acquisition project of Copper and Cobalt assets in DRC	Freeport-McMoRan INC. (Delaware) (自由港麥克米倫公司／自由港集團)
FMC	Freeport Minerals Corporation (Delaware)
FMEC	Freeport-McMoRan Exploration Corporation (Delaware)
PDK/Counterparty Acquisition project of Copper and Cobalt assets in DRC/Seller	Phelps Dodge Katanga Corporation



Kisanfu	Kisanfu Holdings Ltd
JEH	Jenny East Holdings Ltd.
PSAMS	Purveyors South Africa Mine Services (Proprietary) Limited
FCA LLC	Freeport Cobalt Americas LLC
FCO	Freeport Cobalt OY(Finland)
FMCHL	Freeport-McMoRan Cobalt Holdings Limited (Bermuda)
FMDRC	Freeport-McMoRan DRC Holdings Ltd.(Bermuda), which directly holds 70% of equity and indirectly holds 56% of equity in TFM, the target company in acquisition of copper and cobalt assets in DRC
TFM	Tenke Fungurume Mining S.A.(DRC)
LME	London Metal Exchange
Gécamines	La Generale des Carrieres et des Mines, directly holding 20% non-dilution equity in TFM
THL	Tenke Holding Ltd. (Bermuda), directly holding 30% equity in TFH
TFH	TF Holdings Limited, directly and indirectly holding 80% equity in TFM
CHUI	Chui Ltd.(Bermuda)
FARU	Faru Ltd.(Bermuda)
MBOKO	Mboko Ltd.(Bermuda)
MOFIA	Mofia Ltd.(Bermuda)
TEMBO	Tembo Ltd.(Bermuda)
OMG KCO	OMG Kokkola Chemicals Oy, the metallurgical plant of Kokkola cobalt chemicals in Finland under OMG

BKO	Boliden Kokkola OY
RPM	Runge Pincock Minarco Limited
Deloitte Brazil	the branch in Brazil of Deloitte Touche Tohmatsu
EY US	Ernst & Young LLP
PN	Pinheiro Neto, a Brazilian law firm appointed by the Company to issue a legal opinion in relation to the relevant matters of the transaction targets
TFH JVSA	Amended and Restated Joint Venture and Shareholders Agreement entered into amongst THL, TFH and PDK dated 26 April 2013
Target Asset in the Acquisition project of Copper and Cobalt assets in DRC/Acquisition Target/Transaction Target/Target Company	100% equity in FMDRC
SPA in relation to Acquisition project of Copper and Cobalt assets in DRC	Stock Purchase Agreement, a transactional agreement entered into amongst CMOC Limited, CMOC, PDK and FCX dated 9 May 2016
Niobium	a chemical element with the symbol Nb, which is mainly used for improving the strength of steel by adding a traction of FeNb, an important element in steel with high grade including stainless steel
Oxide	Oxide ore, the mineral in oxidation zone after oxidation of metallic mineral deposit
Fresh Rock	primary deposit, the mineral without oxidation in deposit
Grade	the ratio between useful element in mineral and compound content, higher grade with larger content

Diagrid	one of ore processes, which is generally installed on top of storage bin so as to guarantee the feed size of primary crusher qualified
BVFR Factory/Processing Plant	factory, which mainly processes the fresh rock from Boa Vista and provides the products after leaching for metallurgy facility, with preliminary construction completion in 2014 and trial operation carried out since November of same year
DNPM	Departamento Nacional de Produção Mineral, the ministry of mines in Brazil
Reserves	As defined by the JORC standards, reserves mean the measured and indicated portions of the volume of resources which can be economically mined (including the diluted substance and considering losses which may occur during the mining process)
Resources	According to JORC standards, resources mean minerals of definite economic mining value in or on the earth's crust, and can be divided into three sub-classes in order of increasing certainty, being inferred, indicated and measured

Unless otherwise specified, references to RMB in this Report are converted on the basis of USD:RMB exchange rate of 6.63 of the People's Bank of China as at 30 June 2016.

Unless otherwise indicated, all the figures in the report are rounded off to 2 decimal places. The rounding off may result in the total amount of figures being different from the last digits of the summation amount.

In order to promote rapid development of the Company's business, to further strengthen the competitive advantage and to increase the profitability, the Company proposes to issue shares to specific persons under a non-public issuance and the raised proceeds will be used for the Acquisition project of Niobium and Phosphate assets in Brazil and Acquisition project of Copper and Cobalt assets in the DRC. The feasibility analysis of the use of proceeds raised from the Non-public Issuance is as follows:

#### I. PLAN FOR USE OF THE RAISED PROCEEDS

The aggregate proceeds raised from the Non-public Issuance (including issuance fees) will not exceed 18 billion (including the value per se) and are proposed to be applied to the following two projects:

<b>Name of Project</b>	<b>Total Investment in Project (US\$)</b>	<b>Total Investment in Project (RMB)</b>	<b>Proposed Application of Proceeds Raised (MB)</b>
Acquisition Project of Niobium and Phosphate Assets in Brazil	1.5 billion	9.945 billion	9.5 billion
Acquisition Project of Copper and Cobalt Assets in DRC	<u>2.65 billion</u>	<u>17.57 billion</u>	<u>8.5 billion</u>
<b>Total</b>	<b><u>4.15 billion</u></b>	<b><u>27.515 billion</u></b>	<b><u>18 billion</u></b>

In order to facilitate the smooth implementation of the above projects as soon as possible, the Company will pay the considerations of the acquisition project of niobium and phosphate assets in Brazil and acquisition project of copper and cobalt assets in DRC with self-raised funds, in order to perform the completion process. Upon the receipt of the proceeds raised from the Non-public Issuance, the Company will replenish the self-raised funds which it paid in advance. If the actual proceeds raised is less than the aggregate proposed investment of raised proceeds, the difference will be settled by the Company's self-raised funds.

Within the scope of the above stated fund-raising investment projects, the Company's board of directors may make appropriate adjustments to the application amount of the raised proceeds to the above-stated projects pursuant to the projects' actual needs and in accordance with the relevant regulations and procedures.

**II. ACQUISITION PROJECT OF NIOBIUM AND PHOSPHATE ASSETS IN BRAZIL****(1) Background of the project**

In recent years, commodity prices have been in a continued slump, and there have been ongoing cases of international mining companies selling their assets to improve their financial structure, to maintain international organization rating and to prevent high future financing costs, due to unsatisfactory performances. In light of this, it is a good opportunity to acquire high-quality overseas mineral resources now. Given that the acquisition valuation level is in a relatively reasonable range, a favourable opportunity arises for domestic large-scaled mining industry groups to conduct strategic overseas resources acquisitions at the low point of the industry cycle.

AA PLC is strategically selling some non-core businesses and is planning to focus on its core businesses—diamond, platinum metals and copper businesses. This sale of the niobium and phosphate businesses in Brazil is a part of such plan. Many international mining industry giants participated in the bid for the acquisitions, and the Company won the bid at the end.

**(2) Main content of the Acquisition Agreement****1. *The body and time of SPA in relation to Acquisition project of Niobium and Phosphate assets in Brazil***

Sellers: Ambras, AA Luxembourg, AAML, Capital PLC, Capital Luxembourg

Sellers' Guarantor: AASL

Buyer: CMOG Limited

Buyer's Guarantor: the Company

Signing Time: The SPA was entered into on 27 April 2016, and the above-noted parties then entered into an amending agreement to the SPA on 4 August 2016.

**2. *The transaction targets as agreed to under the SPA in relation to the Acquisition project of Niobium and Phosphate assets in Brazil***

According to the SPA, the targets of this transaction include:

- (1) 100% shareholder rights in AAFB and AANB respectively;
- (2) AAML Niobium sales business;
- (3) Creditors' rights of AANB held by Capital PLC and creditors' rights of AAFB held by Capital Luxembourg.

3. *The transaction consideration and payment method as agreed to under the SPA in relation to the Acquisition project of Niobium and Phosphate assets in Brazil*

The consideration of this transaction = Tender price + cash balance at completion – debt balance at completion + / - adjustment amount of working capital at completion

The entire consideration of this transaction is paid by cash. Ambras should provide the Estimated Closing Statement at least 5 working days before completion date. Upon both parties' confirmation of the Estimated Closing Statement, CMOC Limited shall pay the completion consideration at the completion date (all relevant taxes which may arise in the transaction shall be borne by CMOC Limited). The completion consideration amount = Tender price of USD1.5 billion + estimated closing cash balance – estimated closing debt balance + / - estimated adjustment amount of closing working capital.

After the completion, Ambras will be responsible for drafting the Closing Statement, the completion consideration amount will be adjusted according to the closing statement.

4. *The conditions precedent and lapse clause as agreed to under the SPA in relation to the Acquisition of project Niobium and Phosphate assets in Brazil*

On 29 July 2016, the Company received the Notice of Not Implementing Further Review (Shangfanlongchushenhan [2016] No. 211) (《不實施進一步審查通知》(商反壟初審函[2016]第211號)) from Ministry of Commerce Anti-Monopoly Bureau. The Ministry of Commerce Anti-Monopoly Bureau decided not to implement further review of the Company's acquisition of the niobium and phosphate businesses, and the acquisition may be implemented as of 28 July 2016.

(1) The following approvals from the Chinese government:

- A. Filing acceptance notification from the National Development and Reform Commission;
- B. Updated Outbound Investment Certificate from the Ministry of Commerce;

- C. Foreign Exchange Registration filing from the State Administration of Foreign Exchange or relevant handling bank; and
  - D. The Anti-monopoly authorization issued by the Ministry of Commerce Anti-Monopoly Bureau.
- (2) The Company shall hold a shareholder's meeting to consider and approve the transaction on or before 30 September 2016.
- (3) The pricing of this acquisition**

The Company obtained the Niobium and Phosphate businesses in Brazil under AA PLC by way of participating in the bidding, and the entire tender price of acquisition targets is US\$1.5 billion. Amongst which, the entire consideration of the phosphate business is US\$815 million (including 100% of the shareholder equity in AAFB and the creditors' rights of AAFB held by Capital Luxembourg), and the entire consideration of the niobium business is US\$685 million (including 100% of the shareholder equity in AANB, AAML's niobium sales business and the creditors' rights of AANB held by Capital PLC). As at 30 June 2016, Capital Luxembourg held a balance of US\$57.5 million in the creditors' rights of AAFB, and Capital PLC held a balance of US\$336 million in the creditors' rights of AANB. After deduction of the consideration for the creditors' rights in AAFB held by Capital Luxembourg and the creditors' rights in AANB held by Capital PLC, the tender consideration for 100% of the shareholder equity in AAFB is US\$757.5 million and the tender consideration for 100% of the shareholder equity in AANB and the AAML niobium sales business is US\$349 million.

The consideration of this transaction is not based on the results of the valuation. In order to facilitate investors to judge the fairness of the pricing level of this transaction, China United Assets Appraisal Group Limited (中聯資產評估集團有限公司), as appointed by the Company, issued the Asset Valuation Report on the Company's acquisition project of the entire equity of AA PLC's phosphate business in Brazil (Zhonglianpingbaozi [2016] No. 1200) and the Asset Valuation Report on the Company's acquisition project of the entire equity of AA PLC's niobium business in Brazil (Zhonglianpingbaozi [2016] No. 1199). According to the valuation reports, on the valuation reference date of 30 June 2016, the valuation of the entire owners' equity in AAFB was US\$841 million and the valuation of the entire owners' equity in AANB (based on the simulated reports of AANB and AAML niobium sales business) was US\$385 million.

Therefore, the valuation results are higher than the transaction consideration, and the transaction consideration is reasonable.

(4) **The necessity of project implementation**

1. *To further enhance the Company's profitability and risk resistance capability*

The Company proposes to acquire the Niobium and Phosphate businesses in Brazil under AA PLC due to stable local investment environment, complete infrastructure, good regional relations and excellent level of modern management. The Company will become the world's second largest Niobium producer after acquiring the Niobium business. As the niobium prices are relatively stable and the cyclical fluctuation of Niobium is weaker than other nonferrous metals, this will decrease the risk of industrial fluctuation for the Company. The Niobium business will bring abundant and stable operational profit and cash flow to the Company.

Furthermore, Brazil has the world's largest area of potential arable land and is the world's third largest consumer of Phosphates and keeps the import volume of fertilizer maintained at a relatively high level all year round. The Company's proposed acquisitions of two Phosphate fertilizer processing plants are situated in the agricultural heartland of Brazil, which is very close to the final consumer market of fertilizer and possesses great geographical advantage. Therefore, the strong demand of Phosphate fertilizer and geographical advantage of the acquisition targets in Brazil are expected to provide long term development opportunities for the Company's phosphate business and thus increase the Company's profitability. Thus, the Company's acquisitions of the mature Niobium and Phosphate businesses under AA PLC will bring stable profit and cash flow to the Company.

2. *Optimize Company's asset portfolio and increase diversification of the Company's commodity portfolio*

The Company's proposed acquisition of the Niobium business in Brazil under AA PLC, after the expansion project completes and begins production, the Company will secure its status as the world's second biggest Niobium producer. As an additive of iron based, nickel based and zirconium based super alloys, Niobium could enhance the performance of intensity, and this business will make up a very important strategic complement for the Company's current application of core metal like Molybdenum and Tungsten. Meantime, this transaction will benefit company by dispersing operating risk and is an important step for the Company's deployment on diversification of resource sector.



The Company first-time entry into the agricultural resource sector through acquiring Phosphate business under AA PLC, will provide diverse combination opportunity and strategic benefit for the Company’s existing metal products. Phosphate fertilizer has an attractive long-term market foundation and vast future prospects, especially under the situation that Brazil lacks Phosphate resources as an agricultural country itself. In contrast to the strong periodicity of nonferrous metals, the development of Phosphate business in agricultural sector is relatively steady, which benefits the diversification and decentralization of the Company’s business, and improves the Company’s risk resistance capability.

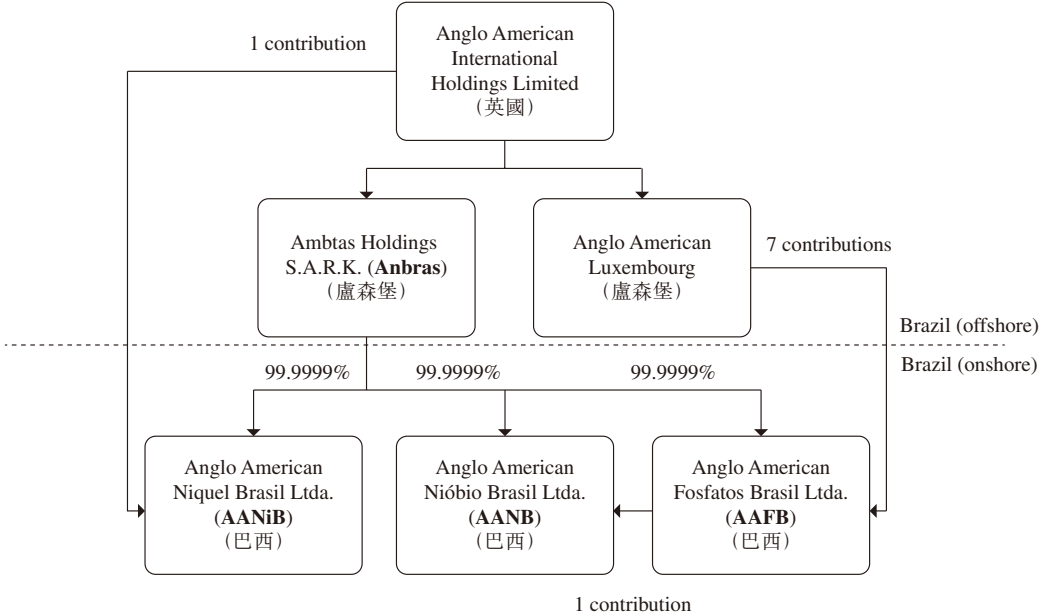
(5) Project implementation entity

The entity for project implementation is Hong Kong subsidiary CMOC LIMITED. The Company intends to implement acts of this acquisition after applying the raised proceeds by way of a capital increase or loan to Hong Kong subsidiary CMOC LIMITED.

(6) The shareholding structure of the project

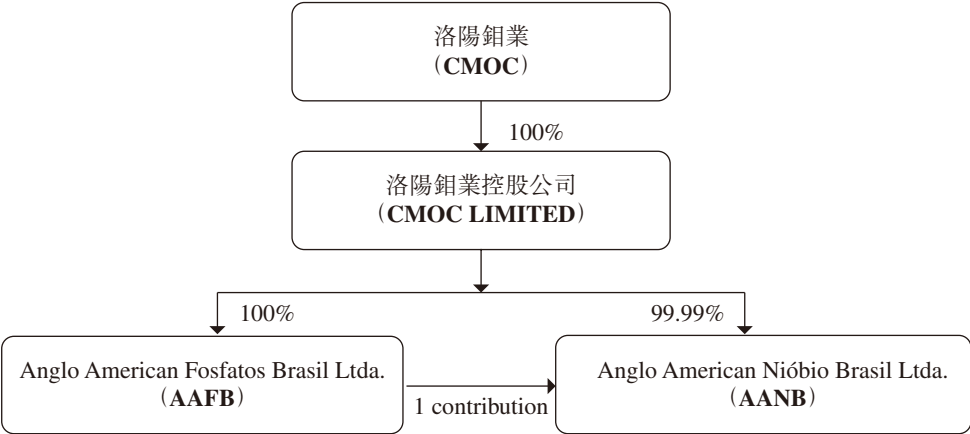
1. The controlling share structure of AAFB and AANB before acquisition

The controlling share structure of AAFB and AANB before this acquisition is as below:



2. *The controlling share structure of AAFB and AANB after completion of acquisition*

The Company’s Hong Kong subsidiary CMOC Limited is the acquiring entity of this acquisition, and AAFB, AANB will become wholly-owned subsidiaries of CMOC Limited after completion of this acquisition. The controlling share structure of AAFB and AANB after completion of this acquisition is as below:

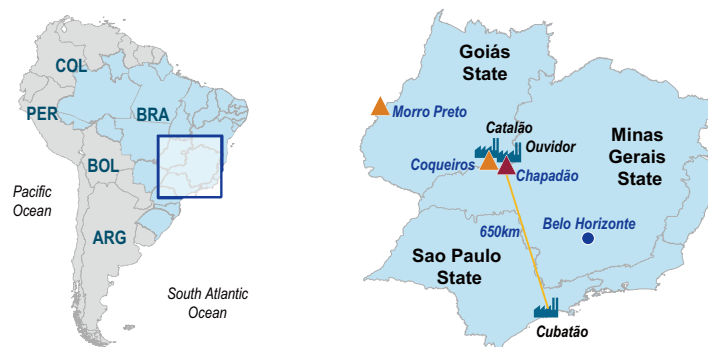


## (7) The business situation of AAFB and AANB

## 1. The main business and product of AAFB

AAFB is a mining company whose business scope covers the whole industry chain of Phosphates, and its operation scope specifically includes open-pit mining operation of Phosphate ore, refining of phosphate rock, the production of  $P_2O_5$  concentrate, and the production of different kinds and different combinations of fertilizer and intermediate products. The main productive assets of AAFB include Chapadão mine, Ouvidor beneficiation plant, two high-grade undeveloped deposits (Coqueiros and Morro Preto) and Catalão and Cubatão chemical plants. Among them, the Chapadão mine possesses Brazil's highest-grade of phosphate resources at present, with a remaining mine life for at least 46 years. The undeveloped Coqueiros deposit possesses high-grade ore body close to the Chapadão mine. While in recent years, Morro Preto ore deposit becomes one of the projects with the most development potential in Brazil due to its enormous resource potential and advantage geographic position. Company's dressing plant and two chemical plants have developed a unique and efficient operation mode, and could give full play to synergy, thus could furthest decrease company's production cost and ensure product quality at the same time after many years' operation and continuous improvement.

After more than 30 year's development, AAFB has become a mature operators of phosphate resource and is Brazil's second biggest fertilizer producer whose business scope covers all industrial chain, and its annual processed ore amount reached to near 600 ten thousand tons and ore output amount ranks second in Brazil. The geographic position and distribution situation of AAFB's Phosphates, plant and undeveloped ore deposits are listed as below:



The main product of AAFB includes high concentration phosphate fertilizer (MAP and GTSP), low concentration phosphate fertilizer (SSG, SSP powder and so on), supplements of animal feed (DCP), intermediate product of phosphoric acid and

sulfuric acid (sulfuric acid mainly for self-use) and related by-product (Gypsum and Fluorosilicic acid), etc. The main product and its application of AAFB Company are listed as below:

*Products*

High analysis fertiliser



- Standardised quality products
- GTSP
- MAP
- 03-17
- 02-18
- SSG
- SSP
- Source of sulfur

Low analysis fertiliser



DCP



- Supplements of animal feed
- Mainly applicable to cattle, fowl and pigs

Acids

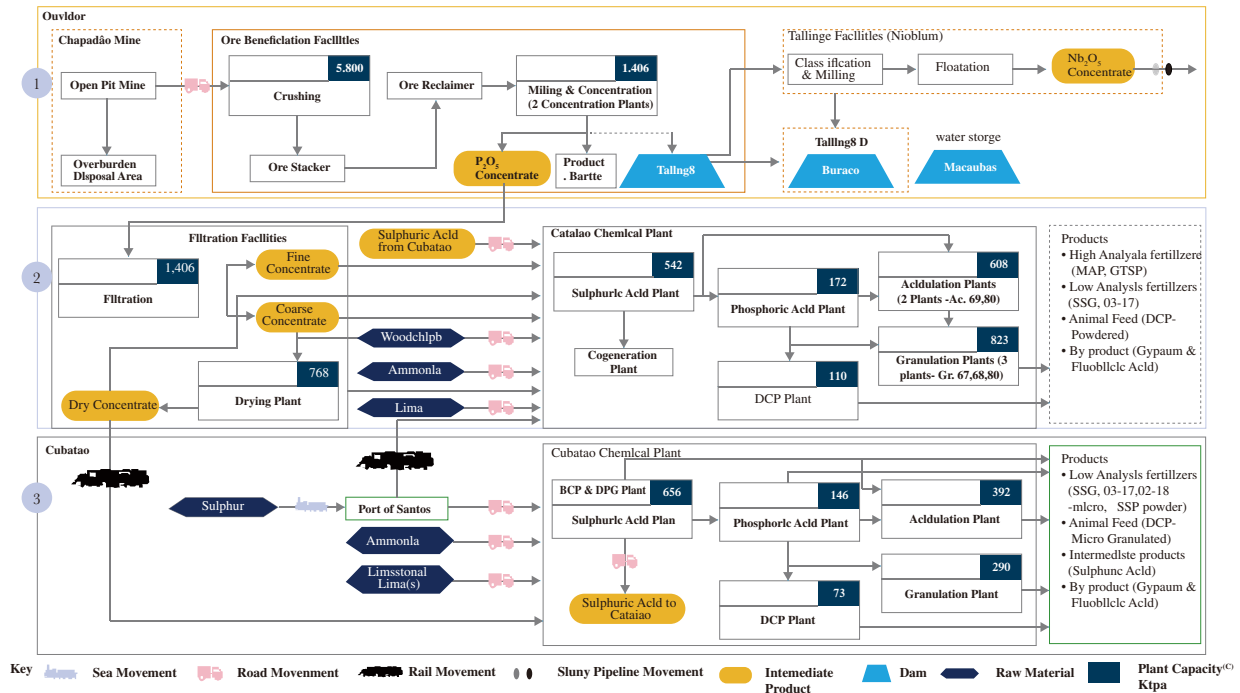


- Phosphoric acid and Sulfuric acid
- Mainly sell to food, phosphate and animal feed industries

2. Primary business process of AAFB

(1) Production Mode

AAFB’s daily producing and operation include not only mining exploit, but also the production and operation of relevant production. The production process of AAFB is as follows:



(a) Cubatao use limestone for Dcp production and lime to correct the fertilizer acidity.  
 (b) Woodchip is used at the Catalao chemical plant in the Granulation Furnace and Drying Plant.  
 (c) P75 Capacities.

(2) *Sales Mode*

The phosphate fertilizer products of AAFB have about 20 customers. Such customers are fertilizer mixing companies. Fertilizer mixing companies use different formulas to produce mixed fertilizers using phosphate fertilizer from AAFB and other auxiliary materials, and sell to end-users.

Two chemical factories of AAFB are located in crucial agricultural area in Brazil, close to fertilizer's terminal consuming market. To take advantage of the geography, AAFB sells fertilizer produced by chemical plant to national and regional fertilizer mixing companies in Brazil, and through long-term tracking and analysis, has chosen the states of Mato Grosso and Goias as key selling areas.

Fertilizer sale is influenced by agricultural production rules and is obviously seasonal characteristically. To solve this problem, AAFB has taken up measures like altering production combination, consignment sale, adding temporary warehouse and optimizing selling opportunities to cope with the effect of agricultural plant rules to the company's production sales. Meanwhile, in order to take a quick grasp of market information and act smartly, AAFB has established specially two departments, i.e. the Sales & Marketing department and Marketing & Intelligence department, which work independently under the supervision of the company's business and supply chain to jointly push forward the optimization of AAFB's sale mode.

3. *AANB's main business and production*

AANB's main business includes mining Niobium ore from the Company's niobium mines, through crushing, diagrid, concentration, leaching and smelting and other niobium processing procedures to produce niobium products which satisfies the customers' demands. Currently, the Company's main product is ferroniobium.

AANB's current main productive asset include: Boa Vista mine, the phosphate tailings processing plant, BV processing plant and BVFR processing plant, among which Boa Vista mine's open-pit mine can last for 16 years, but with the successful exploration of Mina I, Mina II and Leste mine, the Niobium mine held by AANB can last for about 26 years. At present, the BV processing plant mainly deals with oxidized ore from Boa Vista mine and niobium ore from the phosphate tailings mine. The optimization plan of BV processing plant is in progress and after that, the BV processing plant will also be responsible for fresh ore from Mina I and oxidized ore from Mina II.

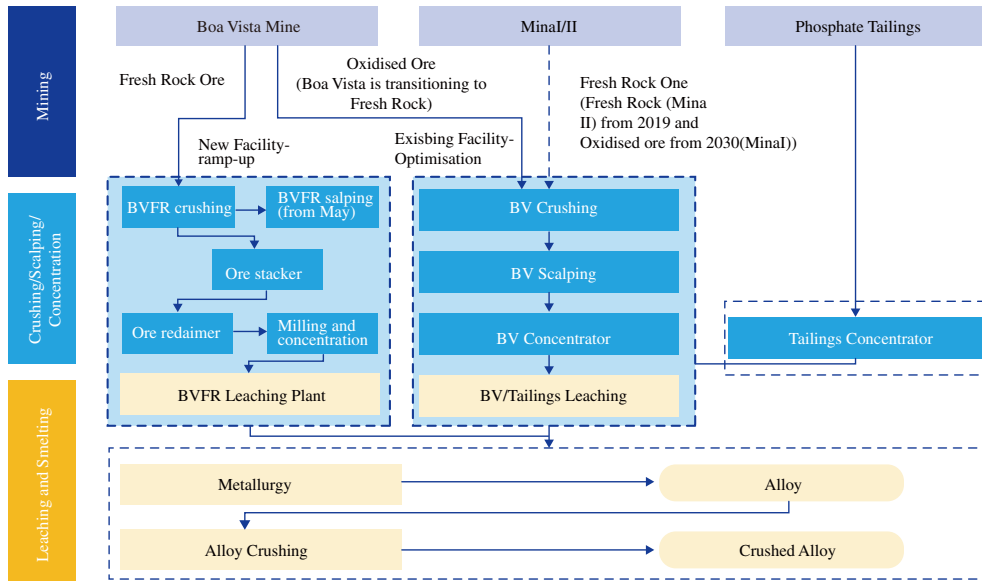
With the cost of US\$380 million, the BVFR processing plant began operation in November 2014. The BVFR processing plant mainly deals with and processes fresh ore from Boa Vista mine. From the mid-term of 2015, the plant can crush about 176ton mining ore and the crush processing speed is expected to be increased to 195ton/h in the future. Since January 2016, BVFR's ore dressing recovery percentage has reached around 45%, and with the built of Grizzly equipment and higher processing stability, the factory's ore dressing recovery percentage can reach around 56% and the feed grade will increase to 33%. BVFR factory has already reached 69% of its designed productive capability, and it is estimated that it will reach full productive capability by the third quarter of 2016. After the BVFR factory reaching its full production capability, the annual production of Niobium products of AANB will increase significantly.

AANB's product is ferroniobium. Studies by Niocor Developments of the United States show that 90% of the world's niobium products are produced in the form of ferroniobium. The main use of ferroniobium is to produce high-strength low-alloy steel ("HSLA steel"). HSLA steel is a type of alloy steel, with 0.05% to 0.25% carbon content, and contains no more than 2% of manganese and other elements, such as copper, nickel, niobium, nitrogen, vanadium, chromium, molybdenum, titanium, calcium, rare earth and zirconium. Compared with carbon steel, HSLA steel has greater toughness, corrosion resistance, weldability, hot and cold pressure processing performance and lower brittle transition temperature. It is widely used in automobiles, trucks, cranes, bridges, roller coasters and other buildings which require a larger load bearing and a higher strength to weight ratio.

4. AANB’s primary business process

(1) Producing mode

AANB’s producing mode can be divided into two steps: First is mining Niobium ore, and then processing Niobium ore. AANB’s production process is as follows:



(2) Sales mode

AANB is responsible for niobium products’ production and operation, but is not responsible for the sales. AANB has passed on the product sales function to AAML, and AAML (AAML is a company which specialized and responsible for the operation of AA PLC’s niobium products and ferroalloy products sales business) is responsible for the sale of products to end-users. Due to the reason that the terminal service industry for Niobium product is mainly for construction, automotive and oil industry, the target customer for Niobium product mostly are corporate customers with certain scale. According to this characteristic, AAML set up marketing strategy based on direct contact with ultimate customer, and its experiences sales team of Niobium product devote themselves to direct sale of Niobium product to different customers from Europe, Asia and North America all year round, and they consolidate and enlarge customer base, and at the same time, they also continuously deepen the understanding of the customer needs. Because AAML’s assets and personnel related Niobium sales business is one of the components of this deal, AANB will apply current sales mode and continuously optimize marketing strategy on this basis after completing this deal.



5. *The main licenses held by AAFB and AANB*

The counterparties in relation to this Asset Acquisition has made promise in SPA in relation to Asset Acquisition of Niobium and Phosphorus in Brazil: all important regulatory licenses, agreement, concession, mining right and permit regarding to targeted company and Niobium sales business operation on the signing date could be held by related company or AAML (only for Niobium sales business) as designated recipient and it was totally effective and should be followed in all important aspects. The targeted company or AAML (only for Niobium sales business) didn't received any notice about suspension or revocation (including the reason of change of targeted company's control power) of such regulatory licenses, agreement, concession, mining right and permit.

As of the signing date of this report, AAFB and AANB's achieved major licenses for daily production operation include:

No.	Owner	Location	Content license	Expiry date	License No.
1	AAFB	Catalão Mine	Operating licenses of phosphate ore dressing and chemical fertilizer industry	19 October 2018	274/2009
2	AAFB	Ouvidor Mine	Operating licenses of exploitation and dressing of phosphate ore and tailings, niobium and barite before concentration from phosphate waste	30 May 2018	011/2015
3	AAFB	Ouvidor Mine	Warehouses building licenses of barite storage from phosphorus dressing	2 April 2020	770/2014
4	AAFB	Ouvidor Mine	Installing licenses of 30m <sup>3</sup> air diesel tanks built in fuelling station of the Company	30 September 2021	2084/2015
5	AAFB	Ouvidor Mine	Warehouses expansion licenses of lean ores storage from strip mining of phosphate	11 June 2021	1206/2015
6	AAFB	Ouvidor Mine	Operating licenses of conveying pipelines for raw water and waste	29 October 2021	2270/2015
7	AAFB	Catalão Mine	Operating licenses of distribution centers for fuel ethanol, gasoline and other petroleum byproducts	15 April 2020	908/2014

No.	Owner	Location	Content license	Expiry date	License No.
8	AAFB	Ouvidor Mine	Operating licenses of distribution centers for fuel ethanol, gasoline and other petroleum byproducts	7 January 2018	22/2014
9	AAFB	Cubatão Mine	Operating licenses of raw water softening facilities with 219,000 m <sup>3</sup> water softening capacity averagely per annum	22 December 2017	25001073
10	AAFB	Cubatão Mine	Operating licenses of loading and unloading of gypsum	29 June 2017	25001031
11	AAFB	Cubatão Mine	Operating licenses of producing materials of chemical fertilizer	29 June 2017	25001033
12	AAFB	Cubatão Mine	Operating licenses of producing materials of chemical fertilizer	8 September 2016	25000979
13	AANB	Ouvidor Mine	Operating licenses of niobium exploitation, dressing and production of niobium phosphorus alloy	17 October 2023	2446/2013
14	AANB	Ouvidor Mine	Operating licenses' renewal of tailing projects	13 November 2019	2707/2013
15	AANB	Ouvidor Mine	Installing licence of Cota 906 internal tailing dams raising engineering	10 December 2020	2700/2014
16	AANB	Catalão Mine	Place licence of 14.3 ha niobium stacking	5 May 2020	999/2014
17	AANB	Ouvidor Mine	Installing licenses (expansion) for FeNb crushing and optimization of URL metallurgical engineering	27 October 2021	2247/2015
18	AANB	Catalão Mine	Operating licenses of exploitation of iron and niobium	19 November 2019	2755/2013
19	AANB	Ouvidor Mine	Installing licenses of production of cast iron and ferroalloy	12 August 2020	1784/2014
20	AANB	Catalão Mine	Installing licenses of exploder and fitting sheds	12 June 2021	1210/2015
21	AANB	Catalão Mine	Expansion and installing licenses of Escalpe (which will become part of niobium crushing process)	27 October 2021	2250/2015
22	AANB	Catalão Mine	Operating licenses of niobium crushing business	24 September 2020	2124/2014
23	AANB	Ouvidor Mine	Operating licenses of BVFR factory	17 December 2020	2767/2014

No.	Owner	Location	Content license	Expiry date	License No.
24	AANB	Catalão Mine	Installing licenses of expansion projects of niobium mine	8 August 2020	1773/2014
25	AAFB	Ouvidor Mine	Granting – Water abstraction for deep well P01	Valid	629/2015
26	AAFB	Ouvidor Mine	Granting – Water abstraction for deep well P2	Valid	483/2015
27	AAFB	Ouvidor Mine	Granting – Water abstraction at the Taquara I Creek Dam	Valid	3277/2013
28	AAFB	Ouvidor Mine	Granting – Water abstraction of VALE’s Tailings Dam	Valid	1816/2014
29	AAFB	Ouvidor Mine	Granting – Water abstraction at São Marcos river (Maximum flow.: 2,000 m3/h)	Valid	596
30	AAFB	Ouvidor Mine	Permit for accumulation of water in the Buraco Creek Dam	Valid	335/2007
31	AAFB	Ouvidor Mine	Granting for deep water well drilling	Valid	111/2013
32	AAFB	Ouvidor Mine	Granting for deep water use, through the pumping of water from the mine pit	Valid	805/2008
33	AAFB	Ouvidor Mine	Granting renewal for water abstraction of Buraco’s Creek	Valid	1026/2015
34	AAFB	Ouvidor Mine	Granting – Deep Water Well Drilling	Valid	109/2013
35	AAFB	Ouvidor Mine	Granting – Deep Water Well Drilling	Valid	110/2013
36	AAFB	Ouvidor Mine	Granting – Deep Water Well Drilling	Valid	112/2013
37	AAFB	Ouvidor Mine	Granting – Deep Water Well Drilling	Valid	698/2006
38	AAFB	Catalão Plant	Granting – Water abstraction from Taquara I Creek Dam (Rampelotti)	Valid	3278/2013
39	AAFB	Catalão Plant	Granting – Water abstraction from Taquara II Creek	Valid	333/2011
40	AAFB	Catalão Plant	Granting – Water pumping from Macaúbas’ Creek	Valid	885/2014
41	AAFB	Catalão Plant	Granting – Accumulation of Water from Macaúbas’ Creek.	Valid	784/2005

No.	Owner	Location	Content license	Expiry date	License No.
42	AAFB	Catalão Plant	Granting – Deep Water Well Drilling	Valid	24/2013
43	AAFB	Catalão Plant	Granting – Deep Water Well Drilling	Valid	106/2013
44	AAFB	Catalão Plant	Granting – Deep Water Well Drilling	Valid	2735/2012
45	AAFB	Catalão Plant	Granting – Deep Water Well Drilling	Valid	479/2011
46	AAFB	Catalão Plant	Granting – Deep Water Well Drilling	Valid	995/2015
47	AAFB	Catalão Plant	Granting – Deep Water Well Drilling	Valid	779/2007
48	AAFB	Catalão Plant	Granting – Deep Water Well Drilling	Valid	105/2013
49	AAFB	Catalão Plant	Granting – Deep Water Well Drilling	Valid	496/2005
50	AAFB	Catalão Plant	Reconstruction license – Gas scrubber	Valid	294/2016
51	AAFB	Catalão Plant	Installation License for 5 inflatable warehouses	Valid	240/2016
52	AAFB	Catalão Plant	Land use and occupation license – install 5 inflatable temporary warehouses	Valid	0836/2015
53	AAFB	Cubatão Plant	Granting renewal – Water abstraction and effluent discharge	Valid	2067/2014
54	AANB	Catalão Mine	Installation and Operating License Request – ore deposit – Adelina Area	Valid	231/2016
55	AANB	Catalão Mine	Granting – Water abstraction from Capoeira Creek	Valid	917/2010
56	AANB	Catalão Mine	Granting – Water abstraction from Boa Vista Mine Pit Fundo Creek	Valid	219/2011
57	AANB	Catalão Mine	Granting – Deep Water Well PA 10	Valid	742/2015
58	AANB	Catalão Mine	Occupation License to construct Paulo and Chico Sterile Deposit	Valid	0757/2015
59	AANB	Catalão Mine	Operating License – Explosives Warehouses	Valid	391/2016
60	AANB	Ouvidor Plant	Granting – Deep Water Well – PA38	Valid	071/2015

No.	Owner	Location	Content license	Expiry date	License No.
61	AANB	Ouvidor Plant	Granting – Deep Water Well – PA39	Valid	073/2015
62	AANB	Ouvidor Plant	Granting – Deep Water Well – PA40	Valid	017/2015
63	AANB	Ouvidor Plant	Granting – Water Abstraction – Niobium Plant	Valid	1363/2014
64	AANB	Ouvidor Plant	Granting – Water Abstraction – Niobium Plant	Valid – under analysis	1349/2014
65	AANB	Ouvidor Plant	Granting – Water Abstraction – Niobium Plant	Valid – under analysis	1867/2014
66	AANB	Ouvidor Plant	Granting – Water Abstraction – Niobium Plant	Valid	1850/2014
67	AANB	Ouvidor Plant	Granting – Water Abstraction from São Marcos River (Maximum flow.: 2,000 m3/h)	Valid	955
68	AANB	Ouvidor Plant	Granting – Deep Water Well – PA 18	Valid	961/2014
69	AANB	Ouvidor Plant	Granting – Deep Water Well – PA 23	Valid	343/2011
70	AANB	Ouvidor Plant	Granting – Deep Water Well – PA 24	Valid	965/2014
71	AANB	Ouvidor Plant	Granting – Deep Water Well – PA 26	Valid	937/2014
72	AANB	Ouvidor Plant	Granting – Deep Water Well – PA 27	Valid – under analysis	344/2011
73	AANB	Ouvidor Plant	Granting – Deep Water Well – PA 28	Valid – under analysis	346/2011
74	AANB	Ouvidor Plant	Granting – Deep Water Well – PA 29	Valid – under analysis	365/2011
75	AANB	Ouvidor Plant	Granting – Deep Water Well – PA 31	Valid	963/2014
76	AANB	Ouvidor Plant	Granting – Deep Water Well – PA 33	Valid	962/2014
77	AANB	Catalão Mine	Installation License – Temporary warehouse for Boa Vista mine wastes	11 January 2017	0005/2015

## (8) The reserves of Mineral Resources and Possessed Mining Right of AAFB AND AANB

## 1. The reserves of mineral resources of AAFB and AANB

The mineral resources of AAFB and AANB are concentrated in the Catalão mining area. The large-scale Catalão mining area has abundant Phosphate mineral resources and Niobium mineral resources. According to the reserves report provided by RPM, the status of the reserves of the mineral resources of AAFB and AANB is as follows:

## 1 Resources situation

According to the JORC standards, resources mean minerals of definite economic mining value in or on the earth's crust, and can be divided into three sub-classes in order of increasing certainty, being inferred, indicated and measured. As at 30 June 2016, the status of the mineral resources of AAFB and AANB is as follows:

Complex	Project	Material Type	Category	Tonnes (MT)	Nb <sub>2</sub> O <sub>5</sub> (%)	P <sub>2</sub> O <sub>5</sub> (%)	Nb <sub>2</sub> O <sub>5</sub> (kt)	P <sub>2</sub> O <sub>5</sub> (Mt)
Catalão I	Chapadão	Oxide OP	Measured	75.3	-	13.2	-	10.0
			Indicated	226.5	-	11.9	-	27.0
			Inferred	65.1	-	9.9	-	6.5
			Sub-Total	366.8	-	11.8	-	43.4
	Mina I	Oxide OP	Measured	-	-	-	-	-
			Indicated	7.9	0.97	-	76.6	-
			Inferred	5.5	0.92	-	50.6	-
			Sub-Total	13.4	0.95	-	127.2	-
	Mina II	Fresh Rock OP	Measured	0.1	1.19	-	1.1	-
			Indicated	3.2	1.19	-	37.7	-
			Inferred	2.6	1.06	-	27.8	-
			Sub-Total	5.9	1.13	-	66.7	-
Fresh Rock UG		Measured	-	-	-	-	-	
		Indicated	-	-	-	-	-	
		Inferred	2.2	1.07	-	23.2	-	
		Sub-Total	2.2	1.07	-	23.2	-	
All Mina II	Total		8.1	1.12	-	89.9	-	

Complex	Project	Material Type	Category	Tonnes (MT)	Nb <sub>2</sub> O <sub>5</sub> (%)	P <sub>2</sub> O <sub>5</sub> (%)	Nb <sub>2</sub> O <sub>5</sub> (kt)	P <sub>2</sub> O <sub>5</sub> (Mt)	
	Area Leste	Oxide OP	Measured	-	-	-	-	-	
Indicated			-	-	-	-	-		
Inferred			2.7	1.07	-	28.9	-		
Sub-Total			<u>2.7</u>	<u>1.07</u>	<u>-</u>	<u>28.9</u>	<u>-</u>		
		Fresh Rock UG	Measured	-	-	-	-	-	
Indicated			-	-	-	-	-		
Inferred			13.0	1.22	-	158.0	-		
Sub-Total			<u>13.0</u>	<u>1.22</u>	<u>-</u>	<u>158.0</u>	<u>-</u>		
		All Area Leste	Total	<u><u>15.7</u></u>	<u><u>1.19</u></u>	<u><u>-</u></u>	<u><u>186.9</u></u>	<u><u>-</u></u>	
Catalão II		Boa Vista	Oxide OP	Measured	0.3	0.86	-	2.4	-
				Indicated	0.1	0.74	-	1.0	-
				Inferred	1.3	0.83	-	10.8	-
	Sub-Total			<u>1.7</u>	<u>0.83</u>	<u>-</u>	<u>14.2</u>	<u>-</u>	
			Fresh Rock OP	Measured	-	-	-	-	-
	Indicated			27.1	0.95	-	258.0	-	
	Inferred			13.1	1.06	-	138.2	-	
	Sub-Total			<u>40.2</u>	<u>0.99</u>	<u>-</u>	<u>396.1</u>	<u>-</u>	
			Fresh Rock UG	Measured	-	-	-	-	-
	Indicated			0.2	0.89	-	1.5	-	
	Inferred			6.3	1.24	-	78.0	-	
	Sub-Total			<u>6.5</u>	<u>1.23</u>	<u>-</u>	<u>79.5</u>	<u>-</u>	
	All Boa Vista	Total	<u><u>48.4</u></u>	<u><u>1.01</u></u>	<u><u>-</u></u>	<u><u>489.9</u></u>	<u><u>-</u></u>		
	Total		<u><u>452.4</u></u>	<u><u>452.4</u></u>	<u><u>-</u></u>	<u><u>893.9</u></u>	<u><u>43.4</u></u>		

## 2 Reserves situation

As defined by the JORC standards, reserves mean the measured and indicated portions of the volume of resources which can be economically mined (including the diluted substance and considering losses which may occur during the mining process). As at 30 June 2016, the status of the reserves of AAFB and AANB are as follows:

Ore types	Category	Ore reserves (million tonnes)	P <sub>2</sub> O <sub>5</sub> Grade (%)	P <sub>2</sub> O <sub>5</sub> reserves (million tonnes)	Nb <sub>2</sub> O <sub>5</sub> Grade (%)	Nb <sub>2</sub> O <sub>5</sub> reserves (metal reserves) (million tonnes)
Niobium Ore	Proven	502	-	-	0.90	6,157
	Probable	34,548	-	-	0.92	321,772
	Sub-total	<u>35,051</u>	<u>-</u>	<u>-</u>	<u>0.92</u>	<u>327,930</u>
Phosphate Ore	Proven	56,273	13.19	7,625,243	0.45	257,090
	Probable	152,664	12.01	18,330,094	0.29	440,871
	Sub-total	<u>208,937</u>	<u>12.33</u>	<u>25,955,337</u>	<u>0.33</u>	<u>697,961</u>
Low-grade stockpile (Probable and proven)	Niobium ore	6,418	-	-	0.40	25,879
	Phosphate ore	9,668	10.22	988,333	0.23	22,685
	Sub-total	<u>16,086</u>	<u>6.14</u>	<u>988,333</u>	<u>0.30</u>	<u>48,564</u>
Total		<u>260,074</u>	<u>-</u>	<u>26,943,670</u>	<u>-</u>	<u>1,074,455</u>



2. *The mining property held by AANB/AAFB*

(1) The mining property held by AAFB

The following is mining property held by AAFB

Number	No. of Ministry of Mines in Brazil (DNPMID)	Covering		Issuance Date of Licenses	Expire Date of Licenses	City/Village	State
		(hectare)	License type				
1	801.560/68	166.76	Mine Concession	27 January 1984	Same as life of mine	Catalão	Goiás
2	804.513/68	40.94	Mine Concession	6 May 2004	Same as life of mine	Catalão	Goiás
3	860.119/14	1,035.40	Exploration	26 February 2015	26 February 2017	Montes Claros De Goiás	Goiás
4	861.103/13	1,704.22	Exploration	3 September 2015	3 September 2017	Ouvidor	Goiás
5	861.210/13	852.45	Exploration	3 September 2015	3 September 2017	Ouvidor	Goiás
6	861.211/13	1,100.70	Exploration	3 September 2015	3 September 2017	Três Ranchos	Goiás
7	861.212/13	768.67	Exploration	3 September 2015	3 September 2017	Três Ranchos	Goiás
8	861.379/13	1,950.53	Exploration	3 September 2015	3 September 2017	Santa Fé De Goiás	Goiás
9	861.380/13	1,000.85	Exploration	3 September 2015	3 September 2017	Santa Fé De Goiás	Goiás
10	861.461/15	1,964.07	Exploration	21 January 2016	21 January 2019	Catalão	Goiás
11	860.402/01	455.91	Mine Concession Application	6 September 2004	-	Catalão	Goiás
12	860.897/1	1,996.90	Application Claim – Auction	-	-	Catalão	Goiás
13	860.898/12	1,958.31	Application Claim – Auction	-	-	Catalão	Goiás
14	861.078/12	1,422.01	Exploration	26 February 2015	26 February 2018	Arenópolis	Goiás
15	861.079/12	1,446.72	Exploration	26 February 2015	26 February 2018	Montes Claros De Goiás	Goiás
16	861.080/12	1,447.46	Exploration	26 February 2015	26 February 2018	Montes Claros De Goiás	Goiás
17	860.841/14	1,135.55	Exploration	26 February 2015	26 February 2018	Montes Claros De Goiás	Goiás
18	860.226/12	1,996.07	Exploration	26 February 2015	26 February 2018	Aruanã	Goiás
19	860.227/12	1,995.05	Exploration	26 February 2015	26 February 2018	Aruanã	Goiás
20	860.228/12	1,995.29	Exploration	26 February 2015	26 February 2018	Aruanã	Goiás
21	860.229/12	1,994.45	Exploration	26 February 2015	26 February 2018	Aruanã	Goiás
22	860.231/12	1,993.08	Exploration	26 February 2015	26 February 2018	Aruanã	Goiás
23	860.232/12	1,998.56	Exploration	26 February 2015	26 February 2018	Aruanã	Goiás
24	860.246/12	1,996.05	Exploration	26 February 2015	26 February 2018	Jussara	Goiás
25	862.934/11	2,000.00	Exploration	26 February 2015	26 February 2018	Bom Jardim De Goiás	Goiás
26	860.205/15	2,000.00	Exploration	28 August 2015	28 August 2018	Três Ranchos	Goiás
27	860.140/13	257.86	Exploration	2 May 2016	2 May 2019	Catalão	Goiás

*Note 1:* Exploration license expire date till reserve depleted, validity is the same as the life of mine.

*Note 2:* Period validity of Exploration license usually be 1-3 years, for postponement, AAFB/AANB should submit the application to DNPM at least 60 days before the validity date.

*Note 3:* AANiB holds the a few of the relevant exploration permits of the acquisition targets. Pursuant to the SPA, the transaction counterparty shall, before completion, procure to the best of its abilities the transfer of the rights of the above-noted exploration permits to AAFB, number 14-27 sets outs exploration permits which have already been transferred from AANiB to AAFB.

Pursuant to the legal opinion issued by PN, due to AAFB's lack of payment of statutory royalties for the exploitation of mineral resources ("CFEM royalties") in the total amount of BRL35,177,662.18, there exists an ongoing judicial proceeding (No. 16147-29.2011.4.01.3500). The above-noted CFEM royalties dispute will not lead to the invalidity of the relevant mining rights.

- (2) The mining property held by AANB

The following is mining property held by AANB:

Number	No. of Ministry of Mines in Brazil (DNPM ID)	Covering (hectare)	Types of Licenses	Legal Diploma	Issuance Date of Licenses	Expire Date of Licenses	City/	
							Village	State
1	861.629/13	810.67	Mineral Exploration License	7.212	3 September 2015	3 September 2017	Ouvidor	Goiás
2	801.244/68	381.70	Production License	75.178	2 January 1975	Same as life of mine	Ouvidor	Goiás
3	803.343/73	980.00	Production License	1.368	10 November 1983	Same as life of mine	Catalão	Goiás
4	860.351/03	726.08	Production License (Pending)	4.883	13 March 2007	N/A	Catalão	Goiás

*Note 1:* Exploration license and mining rights expire date till reserve depleted, validity period is that same as life of mine.

*Note 2:* Period validity of Exploration license usually be 1-3 years, for postponement, AAFB/AANB should submit the application to DNPM at least 60 days before the validity date.

Pursuant to the legal opinion issued by PN, there exists a dispute relating to AANB's mining rights. The main issue is that Jesus Virginio Duarte and others presented a notification to the National Department of Mineral Production of Brazil ("DNPM") claiming that they are the owners of a portion of land, "Fazenda Morro Agudo" in the city of Catalão/GO, which has been used by AANB in connection with its mining activities (the "Duarte claim"). As a result, they would be entitled to compensation by AANB for the use of such area. They further requested the DNPM to suspend the mineral rights permits granted to AANB. As at 1 August 2016, the DNPM has not taken any action with regard to the Duarte Claim. Further, with regards to the Duarte claim, Jesus Virginio Duarte and others also commenced a legal action against AANB, requesting the courts to grant an injunction to suspend mining works and the sale of AANB. Currently, the court will review the injunction request, and then move to the evidences stage. The Brazilian law firm PN considers that the risk of the Duarte Claim having a material adverse impact on the this transaction and on the operations of AANB are low.

(3) The mining property transferred from AANiB TO AAFB

AAFB and AANB signed the Exploration Permits Assignment Agreement which transfers part of mining property held by AANiB and the mining property related to the target asset from AANiB to AAFB. The list of mining rights which have yet to be transferred at present is as follows:

Number	No. of Ministry of Mines in Brazil (DNPMID)	Covering (hectare)	Status	Issuance Date		City/Village	State
				of Licenses	of Licenses		
1	860.710/09	2,000.01	Exploration license (renewal)	2015/11/11	–	Montes Claros De Goiás	Goiás
2	861.079/09	2,000.00	Exploration license (renewal)	2015/11/11	–	Arenópolis	Goiás
3	831.542/15	1,942.11	Applying for Mineral Exploration License	2015/6/17	–	IRAÍ DE MINAS	Minas Gerais
4	831.543/15	1,945.48	Applying for Mineral Exploration License	2015/6/17	–	MONTE CARMELO	Minas Gerais
5	831.544/15	1,947.78	Applying for Mineral Exploration License	2015/6/17	–	MONTE CARMELO	Minas Gerais
6	831.545/15	1,942.38	Applying for Mineral Exploration License	2015/6/17	–	MONJOLOS	Minas Gerais

*Note 1:* DNPM mining property serial number of 860.710/09 and 861.079/09 have been in the state of finishing exploration task and submitting final exploration report to DNPM

According to the legal opinion issued by PN, exploration licenses numbers 1 and 2 listed in the above table are in the process of renewal procedures, exploration licenses numbers 3 to 6 are in the application process. Upon completion of the renewal or successful application, the relevant mining rights will be transferred to AAFB. The transfers of such mining rights need to be approved by the DNPM. PN is not aware of any obstacles to the transfer, nor of any dispute regarding those mineral rights.

**(9) Key financial index of phosphate business and niobium business:**

**1. Key financial index of the phosphate business**

*Unit: USD million*

<b>Item</b>	<b>As of 30 June 2016</b>	<b>as of 31 December 2015</b>	<b>as of 31 December 2014</b>
Total Assets	468.01	336.15	418.38
Total Liabilities	171.55	135.81	168.11
Owner's Equity	296.46	200.34	250.27

<b>Item</b>	<b>January to June 2016</b>	<b>2015</b>	<b>2014</b>
Sales Revenue	215.54	431.12	487.04
Net Profit	40.44	51.82	40.97

*Note:* the Phosphate business in Acquisition target is operated through AAFB, the above data is sourced from the simulated financial reports audited by Brazil Deloitte, and has not been audited by a domestic accounting firm with relevant qualifications.

2. *Key financial index of Niobium business**Unit: USD million*

<b>Item</b>	<b>As of 30 June 2016</b>	<b>as of 31 December 2015</b>	<b>as of 31 December 2014</b>
Total Assets	864.39	825.46	771.07
Total Liabilities	584.36	565.30	570.48
Owner's Equity	280.03	260.17	200.58

<b>Item</b>	<b>January to June 2016</b>	<b>2015</b>	<b>2014</b>
Sales Revenue	85.89	110.84	179.85
Net Profit	19.79	4.61	8.24

*Note:* the Niobium business in Acquisition target is operated through AANB, however, part of the asset relevant to the Niobium business still owns by AAML upon 31st December 2015, so the above data is sourced from the simulated financial reports audited by Brazil Deloitte, and has not been audited by a domestic accounting firm with relevant qualifications.

With regards to the relevant differences and their possible effect on the target companies if the financial reports were prepared according to the PRC Enterprise Accounting Standards, the Company prepared financial data for the target companies for the periods of 2014, 2015 and the first six months of 2016 by international standards as adjusted to unaudited financial data as prepared under the PRC accounting standards, and also appointed Deloitte Touche Tohmatsu to verify the adjustment matters and issued two verification reports (Deshibao (He) Zi (16) No. E0142 and Deshibao(He)Zi (16) No. E0143). According to the above-noted verification reports and the differences in standards adjustment table, there is no significant adjustment matter in the financial data of the target companies prepared according to international standards and unaudited PRC enterprises accounting standards.

**(10) Relevant niobium business asset held by AAML**

The acquisition includes relevant Niobium business asset held by AAML. AAML's main business is provides sales service to the Niobium business and ferroniobium business held by AA PLC. The relevant Niobium business asset being transferred from AAML to CMOC Limited is as follows:

1. Full transference of Niobium production reserve held by AAML when delivery;
2. Transference of Niobium business sales contracts;
3. Transference of relevant Niobium business staff.

Pursuant to the representations and warranties of the transaction counterparty in the SPA, AAML is the provider of niobium sales contracts, on the execution date of the transaction agreement, as an independent legal entity, is the beneficial owner of the closing niobium stock. There exists no other rights and liabilities in the inventory of niobium products.

**(11) The debt rights of AAFB held by Capital Luxembourg and the debt rights of AANB held by Capital PLC****1. *The debt rights of AAFB held by Capital Luxembourg***

- (1) Facility Agreement between AAFB and Capital Luxembourg

On 24 May 2012, AAFB, as the borrower, signed a facility agreement which specified a line of credit no more than 200 million with Capital Luxembourg (the lender).

As of 30 June 2016, according to the contract, AAFB has drawn USD57.5 million from Capital Luxembourg.

- (2) Debt assignment agreement between CMOC Limited and Capital Luxembourg

Pursuant to the amending agreement entered into between the transaction parties on 4 August 2016, Capital Luxembourg and CMOC Limited agreed that, at completion, Capital Luxembourg will assign the benefit of its debts in AAFB to CMOC Limited. Accordingly, Capital Luxembourg and CMOC Limited will enter into a deed of assignment and release at completion, such that the benefit of the Capital Luxembourg loans will be assigned to CMOC Limited, and CMOC Limited will assume the rights relating to the Capital Luxembourg loans.

## 2. *Creditor's rights of Capital PLC claims on AANB*

- (1) Export Prepayment Agreement with maximum credit of US\$190 million

To facilitate AANB carrying out export trade of niobium alloy products, and to provide necessary financial support to its export activities, in January 2012, Capital Luxembourg and AANB entered into the Export Prepayment Agreement with maximum credit of US\$190 million.

On 6 November 2015, Capital Luxembourg and Capital PLC entered into the Deed of Assignment and Release, pursuant to which, Capital Luxembourg fully transferred its revenue from, interests thereon and other interests in the Export Prepayment Agreement with maximum credit of US\$190 million entered into with AANB to Capital PLC. Upon the assignment agreement taking into effect, Capital PLC became a creditor of AANB. As of 30 June 2016, outstanding borrowings of AANB amounted to US\$190 million.

- (2) Export Prepayment Agreement with maximum credit of US\$146 million

On 2 January 2014, Capital Luxembourg and AANB entered into the Export Prepayment Agreement with maximum credit of US\$146 million.

On 6 November 2015, Capital Luxembourg and Capital PLC entered into the Deed of Assignment and Release, pursuant to which, Capital Luxembourg fully transferred its revenue from, interests thereon and other interests in the Export Prepayment Agreement with maximum credit of US\$146 million entered into with AANB to Capital PLC. Upon the assignment agreement taking into effect, Capital PLC became a creditor of AANB. As of 30 June 2016, outstanding borrowings of AANB amounted to US\$146 million.

(3) Credit Transfer Agreement between CMOC Limited and Capital PLC

In entering into the SPA, CMOC and Capital PLC signed the Deed of Assignment and Release, the said assignment and release will be in force upon the completion date. Pursuant to the requirements of the Deed of Assignment and Release, CMOC Limited will make a one-off payment in respect of the balance of borrowings of AANB to Capital PLC on the completion date required in the SPA. Upon the completion of the assignment and release, CMOC Limited became a new creditor of AANB. In addition, other terms of the two Export Prepayment Agreements remained unchanged, and the effectiveness of the agreements was not affected.

**(12) Environmental assessment of the project**

As of the issuance date of this report, the asset acquisition targets are the Niobium business and Phosphorus business held by AA PLC in Brazil, mainly 100% share rights held by AAFB/AANB respectively, no environmental assessment of new project is involved.

**(13) The filing of the project**

The Company received “Project filling notice” (NDRC Wai Zi Bei [2016] No.292) issued by National Development and Reform Commission issued on 21 June 2016, which puts on record for Company’s acquisition of Niobium ore, phosphate ore and phosphate fertilizer projects under AA PLC. The Company could deal with related procedures including foreign exchange, customs, entry and exit control and tax, etc. in accordance with this notice with one-year valid period (since 16 June 2016).

The Company received a “Foreign investment enterprise registration notice” (the letter of Henan enterprise of foreign business [2016] No.169) issued by Commerce department of Henan province on 13 July 2016. Which approves Company process capital increase to HK wholly-owned subsidiary CMOC LIMITED, and this capital increase is mainly used to CMOC LIMITED to acquire Niobium and Phosphorous business under AA PLC and Copper and Cobalt business under Freeport and will renew “Enterprise overseas investment certificate”, with which Company will process related procedure of bank, customs and so on in 60 days.

On 29 July 2016, the Notice of Not Implementing Further Review (Shangfanlongchushenhan [2016] No. 211) from MOFCOM Anti-Monopoly Bureau. The MOFCOM Anti-Monopoly Bureau decided not to take further review on the Company’s acquisition of the Niobium and Phosphate Business from 28 July 2016.

Apart from the above acquired approved filing process, the offshore investment of the project is still pending for approval from foreign registration in SAFE or relevant authorized banks, etc.



### III. ACQUISITION PROJECT OF COPPER AND COBALT ASSETS IN CONGO (DRC)

The Company proposed to acquire 100% equity in FMDRC under FCX to PDK by cash through CMOG Limited as HK subsidiary.

FCX with full name of Freeport-McMoRan Inc. is the company listed on New York Stock Exchange. As of 30 June 2016, the market value of FCX is USD13.9 billion, which is one of the biggest listed enterprises in copper industry around the world with the headquarters in Phoenix, Arizona of USA.

FMDRC, the acquisition target, is the wholly-owned subsidiaries indirectly held by FCX. FMDRC indirectly holds 56% equity in TFM located in DRC. The Tenke Fungurume mining area held by TFM is one of the copper and cobalt minerals with largest reserves and highest grades around the world, and also the biggest foreign investment project in DRC. After the completion of the trade, the Company will indirectly hold 100% equity in FMDRC and acquire 56% equity in TFM. The nature of the trade is to realize the controlling of TFM through the acquisition of the above mentioned trade target.

#### (I) The background of the project

##### 1. *The Company actively acquires and integrates the overseas copper and cobalt assets with high quality*

Copper is a kind of important non-ferrous metal with favorable electrical conductivity, thermal conductivity, ductility, corrosion resistance and abrasion resistance, which is widely used for electrical engineering, light industry and machinery manufacturing, etc. Cobalt is one of the most vital strategic minerals in the world, which is widely used for lithium batteries, ceramics, electrical engineering, mechanical, chemical and aerospace, etc. and shows a special significance in the national economy and social development. Large quantities of cobalt concentrate are imported from countries with rich resources including DRC by China per year. Therefore, the acquisition of copper and cobalt mining assets with high quality and establishing long term and stable supply bases of copper and cobalt resources show economic significance for the future development of the Company.

2. *The mineral asset is in its periodical low, which provides for merger opportunity for mining companies*

Currently, the valuations among the high quality mining resources are relatively low in history, which are affected by the low price trend of commodities. The international mining companies have been hit to a certain extent and its developments have also been restricted. In order to lower the level of debt ratio, focusing on the development of core business, international mining companies are selling assets for improving its financial status. It is predicted that the downturn in the industry will quicken the merger and reorganization among the enterprises. This will provide a good opportunity for large mining groups in mainland to tactically acquire overseas resources at the periodic bottom in the industry.

Since 2015, the price of global commodity shows a downtrend with market downturn and high instability. The market depression brought huge challenges for the operation of FCX. The performances of FCX in 2014 and 2015 were unsatisfactory and after two years of losses. To improve the financial condition, FCX publicly expressed that it will raise at least USD3 billion by assets sales in 2016 to repay its debts.

3. *Promotion and implementation of international investment strategy of the Company*

To continuously strength and enhance the competitive advantages of the Company and accelerate the transnationalization process, the Company makes investment and integration of resources projects with high quality around the world by advance management concepts and team advantage, good credit and multi-channel financing platform, so as to build the international resource investment management group with global view and depth of industry integration. In 2013, the Company acquired 80% equity in Northparkes copper-gold mine in Australia with approximately USD800 million from Rio Tinto PLC. Since acquisition, Northparkes copper-gold mine keeps running smoothly and improving operation. The acquisition is an significant part of promotion and implementation of international investment strategy of the Company.

(II) **The Main Content of the Acquisition Agreement on the Copper and Cobalt Assets Acquisition Project in Congo (DRC)**

1. ***Contracting Parties and Signing Time of the SPA of the Copper and Cobalt Assets Acquisition Project in Congo (DRC)***

The Vendor: PDK

The Guarantor of the Vendor: FCX

The Purchaser: CMOG Limited

The Guarantor of the Purchaser: The Company

Signing Time: 9 May 2016

2. ***The Agreed Transaction Subject of the SPA of the Copper and Cobalt Assets Acquisition Project in Congo (DRC)***

In accordance with the SPA of the Copper and Cobalt Assets Acquisition Project in Congo(DRC), the transaction subject of the transaction is 100% share capital of FMDRC held by PDK. FMDRC indirectly holds 56% shares of TFM in Congo (DRC).

3. ***The Consideration of the Transaction and Paying Methods Agreed in the SPA of the Copper and Cobalt Assets Acquisition Project in Congo (DRC)***

(1) Total Consideration of the Transaction

Total Consideration of the Transaction = The Trading Price of USD2.65 billion + (Closing Cash – USD50 million) \* 70% + Contingent consideration. The consideration of the transaction is paid entirely by cash

(2) The Payment of the Closing Consideration

PDK shall provide Estimated Closing Report at least five working days prior to the estimated closing day. In accordance with the Estimated Closing Report agreed by both parties, CMOG Limited shall pay the closing consideration on the closing day. The amount of the Closing Consideration = The Trading Price of USD2.65 billion + (Estimated Closing Cash – USD50 million) \* 70%.

(3) The Adjustment of Closing Consideration

After the closing day, CMOC Limited shall provide Closing Report to PDK no later than 60 days to calculate the Closing Cash.

If the final confirmed Closing Cash is higher than the estimated Closing Cash, CMOC Limited shall pay 70% of the discrepancy to PDK within 10 days after confirming the Closing Cash. If the final confirmed Closing Cash is lower than estimated Closing Cash, PDK shall pay 70% of the discrepancy to CMOC Limited within 10 days after confirming the Closing Cash.

(4) Payment of the Contingent Consideration

If the average monthly closing price of Class LEMA copper spot published by Platt's Metals Week is higher than USD3.50 per pound within 24 months from 1 January 2018 to 31 December 2019, CMOC Limited shall pay USD60 million to PDK no later than 10 January 2020.

If the average monthly closing price of Class LME official cobalt spot published by Platt's Metals Week is higher than USD20.00 per pound within 24 months from 1 January 2018 to 31 December 2019, CMOC Limited shall pay USD60 million to PDK no later than 10 January 2020.

**4. *Prerequisites and failure conditions of SPA in related to Asset Acquisition of Copper and Cobalt in DRC***

Prerequisites of SPA in related to Asset Acquisition of Copper and Cobalt in DRC is mainly included

(1) Prerequisites in related to buyer and seller

A. The achievement of this deal will not violate any applicable law or the adjudication made by governmental agencies with right of jurisdiction or the arbitration organization;

- B. Relevant approval has been completed in China which specifically includes:
- The approval of this deal issued by NDRC;
  - The updated approval certificate for overseas investment issued by the ministry of commerce;
  - The foreign exchange registration for the record issued by the SAFE or related authorized bank;
  - Anti-trust approval issued by the anti-monopoly bureau of commerce;
- C. This deal went through the South Africa, Turkey and Zambia's anti-trust scrutiny;
- D. According to related agreement in TFH JVSA, the rights of first refusal for TFH equity held by THL was expired or THL has given up;
- E. Before the expiration of 94 days after signature of agreement and 45 days after PDK feedback requirements listing (requested by HK circular letter), Company should send out shareholders meeting notice about the deliberation of this deal. In 46 days after sending out shareholders meeting notice, Company should convene shareholders meeting to review and approve this deal.
- F. the approval of changes of controlling stake issued by Bermuda Monetary Authority.
- (2) Prerequisites achieved by buyer's obligation
- A. Before delivery, PDK has substantially fulfilled relevant obligation that should be fulfilled before delivery date according to SPA;
- B. Until the delivery date, the statement and guarantee made by PDK and its secured party in SPA are all real, while it doesn't rule out the existence of exceptions and such exceptions should not cause significant adverse impact;
- C. The buyer has received that letter signed by PDK's authorized senior manager and agreement achieved on above two issues.

- (3) Prerequisites achieved by seller's obligation
  - A. Before delivery, CMOC Limited has substantially fulfilled relevant obligation that should be fulfilled before delivery date according to SPA;
  - B. Until the delivery date, the statement and guarantee made by CMOC Limited and its secured party in SPA are all real, while it doesn't rule out the existence of exceptions and such exceptions should not cause significant adverse impact;
  - C. The seller has received that letter signed by CMOC Limited's authorized senior manager and agreement achieved on above two issues.

5. *The arrangement of the follow-up operating management of acquisition target in deal agreement*

In order to make sure that TFH and TFM still can operate according to original productive operation and management system in a period of time after this deal to achieve a smooth transaction, FMDRC (Operator) and FMEC (Sub-contractor) will sign "The agreement for Sub-contractor" during the delivery of this deal, thus subcontract the involved project in TFH and TFM's daily productive operations and mineral maintenance and administration business to PDK' parent company FMEC as one of elements of this deal.

According to the agreement, FMDRC will appoint FMEC as the subcontractor of FMDRC and FMEC should follow the instructions from FMDRC and the practices for the last 12 months from the effect date of the agreement to manage and supervise TFH and TFM. FMDRC should pay FMEC by month the total USD2,500 million per year for the annual fee. If a period is in the first or the last month and the days of which are not amounted to a calendar month, then the fee should be calculated for that month, within the validity period of the agreement, in accordance with the proportion of the days. The operator should also pay to the subcontractors the reasonable disbursements, with proof of receipts, incurred in the course of rendering service.

The validity period will be terminated at the earlier of 1) the first anniversary from the effective date of the subcontract agreement; 2) the time of any triggered selling (means buyer or its related parties transferring the share of the target company, or participate or enter into any agreements, arrangements or memorandum of understanding to transfer the share of the target company. If operator don's need the service from subcontractor, it could terminate this agreement in advance with a written notice before 30 days.

**(III) The pricing situation of this acquisition**

Company acquired 100% equity of FMDRC under FCX by business negotiation this time, with the deal price valued at USD2.65 billion. The pricing of this deal does not take the valuation results into account. For assisting invertors to assess the fairness of the price in this deal, the Company hired China United Assets Appraisal Group Limited to issue zhongliangbaozi [2016] no. 1201 《the valuation report of all shares underlying the project asset in relation to the acquisition of a Congo holding company from Freeport Mc-Moran Inc. by China Molybdenum Co. Ltd》. According to the report, the valuation date of FMDRC is of 31 March 2016 and the book value of equity attributable to the parent (consolidated) is USD2,120,462,000, the appraise value is USD2,712,625,900 and the valuation increment is USD592,163,900.

The acquisition of all shares of FMDRC by the Company is lower than the valuation results and the consideration is reasonable.

**(IV) The necessity of project implementation*****1. To optimize company's asset portfolio and make company's commodity more diversification***

Company proposes to acquire 56% equity in Tenke Fungurume Copper and Cobalt ore which are indirectly held by FMDRC Company. After this acquisition completed, Company will possess the mining rights of Tenke Fungurume mining area. Tenke Fungurume mining area is one of Copper and Cobalt ore with largest size and highest grade of ore in the world, and it has great potential in future development. Copper is an important nonferrous metals and it has excellent electrical conductivity, thermal conductivity, ductility, corrosion resistance and abrasion resistance, which has been widely used in the field of electric, light industry and machinery manufacturing. Cobalt is a very rare metal resources which is one of the important strategic resources and its land resources reserve is very limited. Since company acquired 80% equity in Northparkes Copper and Gold mine located in Australia in 2013, this deal will further expand Company's global mining landscape, and a more diversified portfolio will also help company become an international first-class large mining company.

2. *To further enhance company's profitability and anti-risk capability*

Company proposes to acquire 56% equity in Tenke Fungurume Copper and Cobalt ore which are indirectly held by FMDRC Company. After this acquisition completed, Company will possess the mining rights of Tenke Fungurume mining area. In 2014 and 2015, Copper output of TFM are 447 million pounds and 449 million pounds respectively, while Copper sales volume are 425 million pounds and 467 million pounds respectively and Cobalt output are 29 million pounds and 35 million pounds respectively, and Cobalt sales volume are 30 million pounds and 35 million pounds respectively, whose sales output ratio is near or surpass 100%.

After the acquisition completion, Company will strengthen its Copper business and become world's important company of copper production. Besides, due to the reserves of Cobalt in above mining area and current capacity tops the list in the world, Cobalt business will become Company's important profit growth point as long as the high-speed development of lithium batteries and super alloy used by future electric car. Therefore, this acquisition will bring company with healthy stable profitability and cash flow level in the future and at the same time, along with the diversity of Company's asset allocation and commodity, its operating risk will be effectively amortized and its financial report will be continuously improved.

3. *To share the bonus of lithium batteries' development and further improve the leading status of Company in special alloy field*

At present, the demands for Cobalt in consumer lithium battery and power lithium battery are relatively high. The use of cobalt in lithium battery will also be rapidly improved along with the robust development of electric car. Though this deal, Company will rapidly become global important supplier of Cobalt and share the bonus of electric car's growth.

Besides, Cobalt is also widely used in field like cemented carbide, high temperature alloy and so on. At present, Company is one of world's leading producer of molybdenum and has three world-class molybdenum ore, at the same time is also one of the largest producer of tungsten in China. Along with the completion of this deal, Company will further rich its product line and improve Company's leading status in special alloy field.



*4. This deal will improve the overall assets quality if the Company, increase the profitability*

The mining sites subject to the acquisition are operating maturely and the reserves and qualities of which have been verified in production. Furthermore, they have relatively long mining life and exploration prospects. Currently, they can upkeep a relatively strong standard of profitability. After the completion of this deal, the Company can increase the overall assets quality, improving the balance sheet of the Company, strengthening the Company's profitability and the sustainability in operations.

**(V) The main body of project implementation**

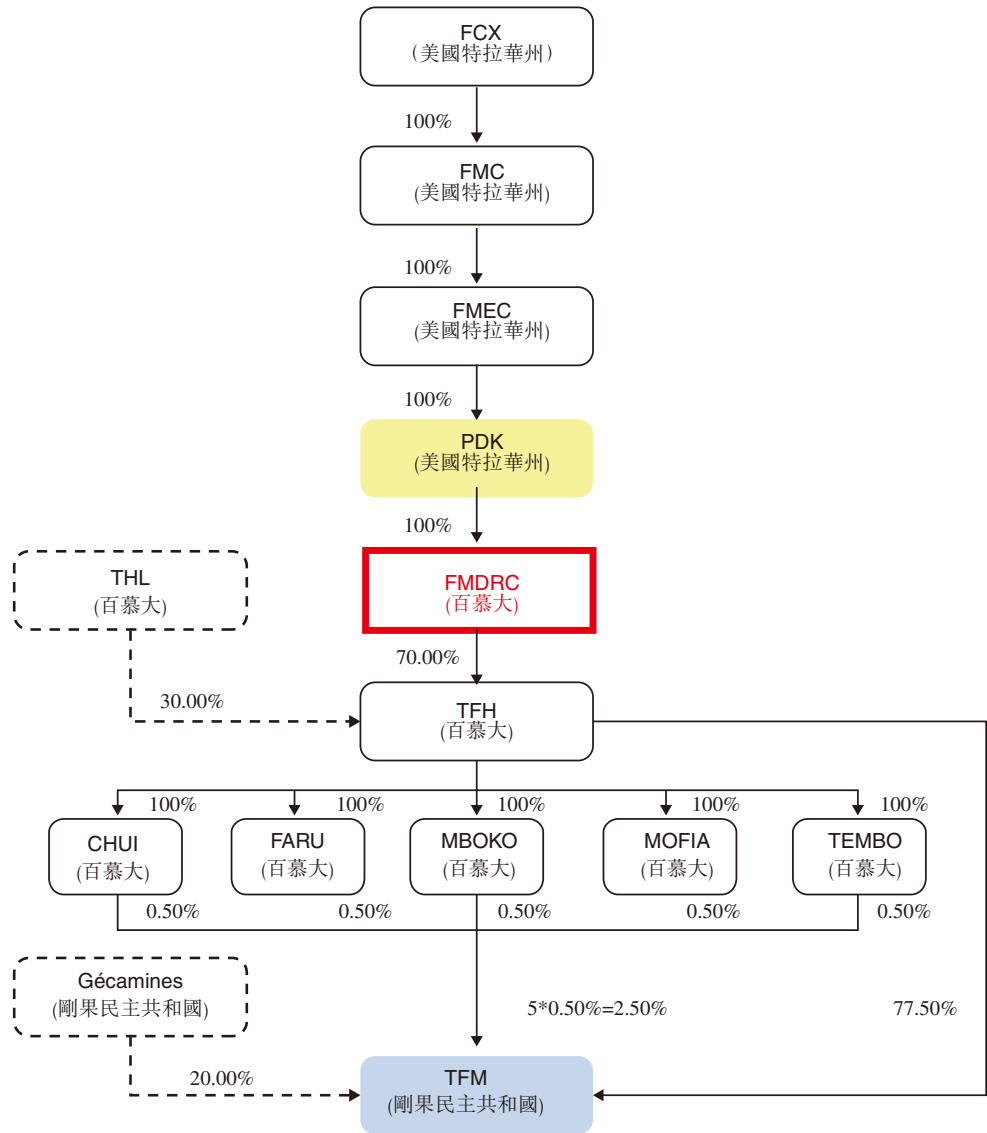
The main body of project implementation is HK subsidiary CMOC LIMITED. The Company proposes to carry out the acquisition after raising funds through capital increase or making loan to HK subsidiary CMOC LIMITED.

**(VI) Project's equity structure**

FMDRC indirectly holds 56% equity in TFM located in DRC. After the completion of this deal, Company will indirectly hold 100% equity in FMDRC, thus obtaining 56% equity in TFM. The essence of this deal is to realize the control of TFM through acquiring above trade target.

1. The structure of FMDRC's control right before acquisition

The structure of this targeted company's control right before acquisition is listed as below:

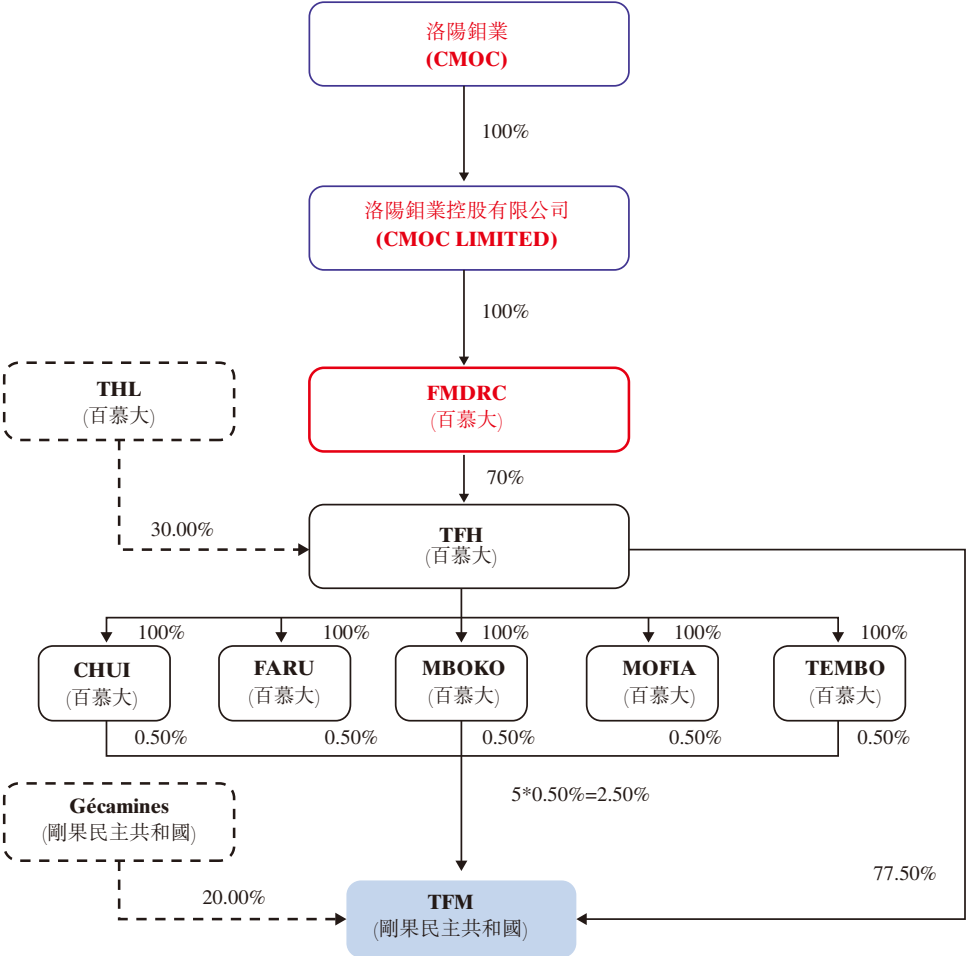


Note: (1) In the structure chart, the counterparty PDK is filled with Yellow, the trade target FMDRC is highlighted in red square and the main subsidiary TFM under target company is filled with blue;

(2) According to “Amended and Restated Shareholders Agreement” entered into amongst TFM and Gécamines, TFH, CHUI, FARU, MBOKO, MOFIA and TEMBO in September 2015 and the subsequent signed relevant supplementary agreement, TFM's 20% equity held by Gécamines is no dilution and Gécamines don't have any obligation of funding in any production and operation activities.

2. The structure of Target Company’s control power

CMOC Limited, the Company’s HK subsidiary, is the main body of this acquisition, and FMDRC will become the wholly-owned subsidiary of CMOC Limited after the completion of the acquisition. Then the structure of Target Company’s control power is listed as below:



**(VII) Business Status of TFM****1. General information of FMDRC and TFM****(1) General information of FMDRC**

Name of Company	Freeport-McMoRan DRC Holdings Ltd.
Office Address	Clarendon House, 2 Church St. Hamilton HM 11, Bermuda
Share capital	USD10,000
Registration Date	16 March 2016
Registration Number	51310

**(2) General information of TFM**

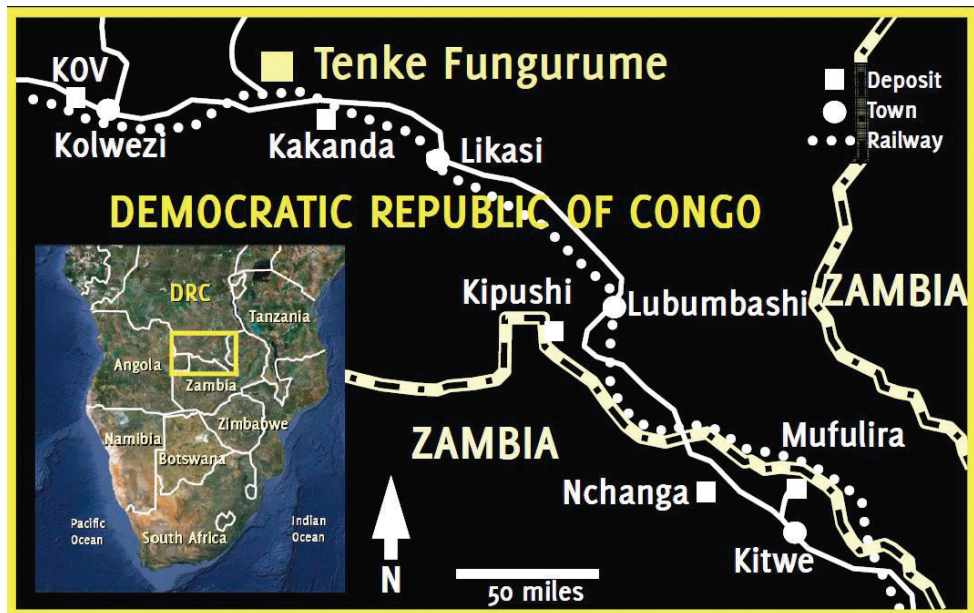
Name of Company	Tenke Fungurume Mining S.A.
Office Address	Quartier Golf, Panda no. 790, Lubumbashi, DRC
Total number of shares	210 shares
Paid-up Capital	USD65,050,000
Registration Date and Address	30 November 1996/DRC
Registration Number of Legal Person	6-118-K30745
President	Bill Harris
Primary Business	explore, mining, relevant process and operate (including sales of relevant mineral resources) within mineral licensing rights of Tenke and Fungurume

**2. The main business and products of TFM**

TFM is an integrated mining company covering Copper and Cobalt ore prospecting, mining, Refining, processing and sales, which owns six mining right, nearly 1,500 square kilometers of Tenke Fungurume mining area and a full set of technology and process from mining to deep processing. Its main products are electrolytic Copper and Cobalt hydroxide primary products.

Tenke Fungurume mining area is located in Katanga province of DRC, which is one of Copper and Cobalt mines with largest reserves and highest grade in world and is also the biggest foreign investment project in DRC. The development for this mining area can be traced to 1917, and until 2009, TFM officially began mining and put into production. According to the reserves report issued by RPM, Tenke Fungurume’s copper reserve and cobalt reserve are 4.7181 million tonnes and 0.569 million tonnes which will have a great potential for future development.

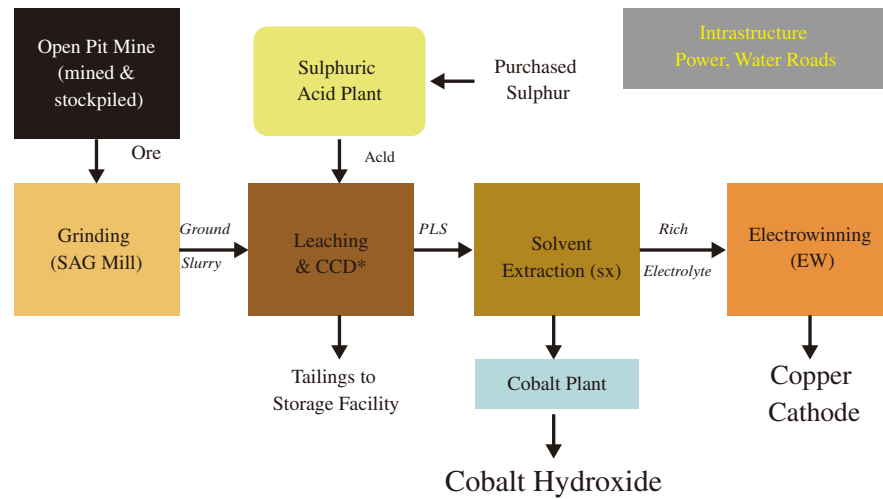
After years’ development, TFM has become a mature Copper and Cobalt mine company. At present, TFM has a processing workshop, two acid accumulator workshops, staff living area, warehousing facilities and airport in Tenke Fungurume mining area. Along with the completion of phase II project in 2013, TFM’s daily consumption volume of ore has climbed to 14,800 tonnes, and its annual capacity has reached nearly 600 million pounds Copper and 37 million Cobalt, and its acid accumulator workshops possess the capacity of producing over 2,000 tonnes sulfuric acid every day. In 2014 and 2015, TFM’s Copper output were respectively 447 million pounds and 449 million pounds, and its Cobalt output are respectively 29 million pounds and 35 million pounds, the physical location of Tenke Fungurume mining area is listed as below:



### 3. The main business process

#### (1) Production Mode

TFM's technology process of production is listed as below:



TFM's manufacturing technique can be divided into following steps:

#### ① Mining and trituration

Ore unearthed in surface ore deposit will be extracted by lapping equipment to acquire turbid liquid with ore and sediment.

#### ② Reduction leaching

Put turbid liquid produced by lapping equipment in specific device to become reaction with sulfuric acid (sulfuric acid was produced by TFM's acid accumulator workshop), then leaching liquor contains Copper, Cobalt, other trace metals and sulfuric acid, and the left gangue will be transported to storage facility. At the same time, TFM benefits from special counter current decantation and leaching technology and process, and it has improved the efficiency in process of counter current decantation and leaching process more than 10 times compared with traditional technology and process.

③ Solvent extraction

Fully stir and mix the liquor produced by counter current decantation and leaching with organic solvent, and after stationary of stirring, liquor will appear obvious stratification, then Copper, Cobalt and other trace metals will be mainly dissolved in the upper organic solvent and the rest of the sulfuric acid liquor will be recycled. Then mixed the acquired organic solvent with electrolyte to transfer metals like Copper into electrolyte, after that, Cobalt processing workshop will separate Cobalt from left organic solvent through purification process, then Cobalt hydroxide primary product will be produced. Organic solvent will be recycled.

④ Electrowinning

Electrolyte will be transported to electric product workshop and be used to produce electrolytic copper through electrolytic facility. The remaining electrolyte will be returned to extraction workshop to be recycled.

(2) Sales model

Electrolytic copper, as produced by TFM, will generally sell to commodities traders, including Holland Tuoke Group, and transaction prices base on the market price of copper. Cobalt hydroxide, as produced by TFM, primarily sell to FCO in Finland and the cobalt smelters in China.

**4. Licenses**

According to the legal opinion issued by Etude Kabinda, Etude Kabinda opines that it has no reason to view that TFM has not obtained all licenses and permits that are necessary for it to implement the projects. Etude Kabinda further takes the view that TFM has formally obtained, updated or paid for all relevant taxes, licenses, permits, permission, approval which are sufficient for implementing the projects of TFM.

Etude Kabinda notes that there is an allegation that TFM is not in compliance with the Forest Law of Congo, and TFM has sufficiently replied to that. Apart from that, no other notice from the government to TFM that alleging the current projects of TFM are illegally operating which will need licenses, permits, approvals under the relevant laws or regulations.

## (VIII) Resources/reserves and status of mining rights

## 1. Resources and reserves

TFM's mineral resources are situated in Tenke Fungurume mining area, this mining area possess abundant copper and cobalt reserves. According to the "Reserves Report" provided by RPM, TFM's mineral resources are set out as follows:

## (1) Resources

As at 31 March 2016, the economic reserves of Tenke Fungurume mining area are listed as below:

		Open-pit mining resources						
Ore Type	Classification	Ore Quantity (Mt)	TCu Grade (%)	TCo Grade (%)	AsCu Grade (%)	AsCo Grade (%)	Metal TCu (lbs.)	Metal TCu (lbs.)
Leach Cap	Measured	0.8	0.8	0.54	0.5	0.47	15.0	9.8
	Indicated	1.1	0.7	0.56	0.4	0.48	15.3	13.1
	Inferred	0.7	0.4	0.49	0.3	0.42	6.3	7.8
	Sub-Total	<u>2.6</u>	<u>0.6</u>	<u>0.53</u>	<u>0.4</u>	<u>0.46</u>	<u>36.6</u>	<u>30.8</u>
Oxide	Measured	115.0	3.0	0.31	2.7	0.24	7,615.6	785.6
	Indicated	114.3	2.6	0.27	2.3	0.21	6,458.9	676.8
	Inferred	31.1	2.9	0.19	1.9	0.16	1,503.8	131.7
	Sub-Total	<u>260.4</u>	<u>2.7</u>	<u>0.28</u>	<u>2.4</u>	<u>0.22</u>	<u>15,578.3</u>	<u>1,594.2</u>
Mixed	Measured	42.3	3.4	0.28	1.6	0.17	3,151.0	264.8
	Indicated	69.8	2.9	0.25	1.4	0.15	4,512.8	383.5
	Inferred	22.0	2.2	0.23	1.1	0.13	1,077.0	113.6
	Sub-Total	<u>134.1</u>	<u>3.0</u>	<u>0.26</u>	<u>1.4</u>	<u>0.15</u>	<u>8,740.7</u>	<u>761.9</u>
Sulphide	Measured	13.0	4.3	0.28	0.7	0.11	1,239.8	80.8
	Indicated	20.5	3.5	0.21	0.6	0.07	1,560.9	92.6
	Inferred	10.5	2.8	0.15	0.3	0.03	653.9	34.9
	Sub-Total	<u>43.9</u>	<u>3.6</u>	<u>0.22</u>	<u>0.6</u>	<u>0.07</u>	<u>3,454.7</u>	<u>208.4</u>
Total Open-pit		<u>441.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,810.30</u>	<u>2,595.30</u>



		Underground resources						
Ore Type	Classification	Ore	TCu	TCo	AsCu	AsCo	Metal	Metal
		Quantity	Grade	Grade	Grade	Grade	TCu	TCo
		(Mt)	(%)	(%)	(%)	(%)	(lbs.)	(lbs.)
Leach Cap	Measured	3.7	3.0	0.34	2.64	0.25	240.1	27.2
	Indicated	26.4	3.0	0.29	2.68	0.22	1,770.9	170.6
	Inferred	13.2	3.2	0.28	2.78	0.19	917.0	79.9
	Sub-Total	<u>43.3</u>	<u>3.1</u>	<u>0.29</u>	<u>2.71</u>	<u>0.22</u>	<u>2,928.0</u>	<u>277.8</u>
Oxide	Measured	5.8	3.4	0.20	1.71	0.12	436.2	25.4
	Indicated	59.3	3.2	0.26	1.52	0.15	4,175.8	340.1
	Inferred	155.9	3.0	0.30	1.43	0.16	10,413.6	1,016.3
	Sub-Total	<u>221.0</u>	<u>3.1</u>	<u>0.28</u>	<u>1.46</u>	<u>0.16</u>	<u>15,025.6</u>	<u>1,381.9</u>
Sulphide	Measured	1.0	3.2	0.31	0.6	0.06	67.6	6.4
	Indicated	25.4	2.9	0.22	0.8	0.04	1,644.1	125.6
	Inferred	91.8	3.0	0.25	0.8	0.05	6,081.6	506.5
	Sub-Total	<u>118.2</u>	<u>3.0</u>	<u>0.25</u>	<u>0.8</u>	<u>0.05</u>	<u>7,793.5</u>	<u>638.5</u>
Total Underground		<u>382.5</u>	-	-	-	-	<u>25,747.10</u>	<u>2,298.20</u>
Grand Total		<u><u>832.5</u></u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><u>53,557.40</u></u>	<u><u>4,893.50</u></u>

*Note 1:* on the basis of 1 pound equals to 0.0004536 tonnes, resources of copper: open-pit mine resources 12,614,800 tonnes, underground resources 11,678,900 tonnes, total amount of resources 24,293,6000; resources of cobalt: open-pit mine resources 1,177,200 tonnes, underground resources 1,042,500 tonnes, total amount of resources 2,219,700 tonnes.

*Note 2:* acid soluble copper and cobalt refers to the ratio of acid soluble copper and cobalt contained inside the minerals. The main difference between soluble copper and cobalt to normal copper and cobalt lies in the additional costs involved in changing the non-acid soluble parts into acid soluble. Soluble is key to the oxide leaching.

## (2) Reserves

According to the JORC Code, reserves means economically mineable part of a measured resource, which includes diluting materials and allowances for losses which may occur when the material is mined or extracted. As at 31 March 2016, the amount of reserves located in Tenke Fungurume mining area are as follow:

Ore Type	Classification	Quantity (Mt)	TCu	AsCu	TCo	AsCo	Metal	Metal
			Grade (%)	Grade (%)	Grade (%)	Grade (%)	TCu (Mlbs)	TCo (Mlbs)
Open pits	Proven	79.7	3.20	2.84	0.32	0.25	5,616.0	567.1
	Probable	57.3	2.74	2.44	0.30	0.24	3,457.3	372.5
	Sub Total	<u>136.9</u>	<u>3.01</u>	<u>2.67</u>	<u>0.31</u>	<u>0.25</u>	<u>9,073.3</u>	<u>939.6</u>
Ore Stockpiles	Proven	46.2	1.3	1.2	0.31	0.26	1,328.2	314.9
	Probable	-	-	-	-	-	-	-
	Sub Total	<u>46.2</u>	<u>1.3</u>	<u>1.2</u>	<u>0.31</u>	<u>0.26</u>	<u>1,328.2</u>	<u>314.9</u>
All Areas (Open Pits + Ore Stockpiles)	Proven	125.8	2.5	2.2	0.32	0.26	6,944.2	882.0
	Probable	<u>57.3</u>	<u>2.7</u>	<u>2.4</u>	<u>0.30</u>	<u>0.24</u>	<u>3,457.3</u>	<u>372.5</u>
	Sub Total	<u>183.1</u>	<u>2.6</u>	<u>2.3</u>	<u>0.31</u>	<u>0.25</u>	<u>10,401.5</u>	<u>1,254.4</u>

*Notes:*

- (1) 1 pound equals to 0.0004536 tonne; copper reserves amounted to 4,718,000 tonnes, and cobalt reserves amount to 569,000 tonnes.
- (2) acid soluble copper and cobalt refers to the ratio of acid soluble copper and cobalt contained inside the minerals. The main difference between soluble copper and cobalt to normal copper and cobalt lies in the additional costs involved in changing the non-acid soluble parts into acid soluble. Soluble is key to the oxide leaching.

2. *Mining rights held by TFM*

No.	Names of rights	Licenses' number (old)	Licenses' number (new)	Types of licenses	No. of plots	Issuance date of licenses	Expiration date	Application (exploration/ mining) mine types	Location
1	TENKE	Mining Concession No.198	Permit No. 123	Exploitation license	448	2 October 2009	16 September 2020	Copper, cobalt and other relevant materials	Lubudi, Kolwezi, Katanga, DRC
2	TENKE	Mining Concession No.198	Permit No. 9707	Exploitation license	405	2 October 2009	16 September 2020	Copper, cobalt and other relevant materials	Lubudi, Kolwezi, Katanga, DRC
3	TENKE	Mining Concession No.198	Permit No. 9708	Exploitation license	134	2 October 2009	16 September 2020	Copper, cobalt and other relevant materials	Lubudi, Kolwezi, Katanga, DRC
4	FUNGURUME	Mining Concession No.199	Permit No. 159	Exploitation license	435	4 August 2006	12 August 2026	Copper, cobalt and other relevant materials	Lubudi, Kolwezi, Katanga, DRC
5	FUNGURUME	Mining Concession No.199	Permit No. 4728	Exploitation license	135	4 August 2006	12 August 2026	Copper, cobalt and other relevant materials	Lubudi, Kolwezi, Katanga, DRC
6	FUNGURUME	Mining Concession No.199	Permit No. 4729	Exploitation license	322	4 August 2006	12 August 2026	Copper, cobalt and other relevant materials	Lubudi, Kolwezi, Katanga, DRC

*Notes 1:* Block number is a unit to measure mining area in DRC and a block equals to 84,955 hectares.

2: According to “the amended and restated mining convention” entered into amongst the DRC, Gécamines, TFH and TFM on 28 September 2005 and the “supplemental agreement 1” dated 11 December 2010, as long as minerals can still be mined and the agreement remains valid, the DRC government undertakes that, upon provision of the legal documents, all the rights and ownership of the above mines can be renewed as of right, and the normal business activities can continue to be carried out until completion.

3: According to the legal opinion issued by Etude Kabina to TFM, Katanga province recently separated into four provinces, and may subsequently issue revised mining permits for the above, but would not affect any present rights and liabilities of TFM.

**(IX) Key financial indicators***Unit: USD million*

Item	As at 31	as at 31	as at 31
	March 2016	December 2015	December 2014
Total Assets	3,971.63	3,944.20	3,897.62
Total Liabilities	645.03	648.29	737.76
Owner's Equity	3,326.60	3,295.90	3,159.87

Item	As at 31		
	March 2016	2015	2014
Sales Revenue	316.67	1,384.58	1,558.07
Net Profit	33.30	217.93	438.32

In relation to the relevant differences and the effects on FMDRC, if the financial statements are prepared in accordance with the China Accounting Standards, the Company prepared the unaudited financial information for FMDRC for 2014 and 2015 and for the period between January and March 2016, based on IFRS with adjustments to China Accounting Standards. The Company engaged Deloitte Touche Tohmatsu to verify the adjustments and it issued a “verification report” (Deloitte Report (Verified) Zi 16 No. E0141). According to the “verification report” and the table of differences prepared by the Company, there is no major adjustment item between of the financial information of FMDRC prepared under IFRS and the unaudited financial information prepared under China Accounting Standards.

**(X) Environmental assessment of the project**

As of the issuance date of the proposal, the target's asset of this project is 100% equity in FMDRC and does not involve environmental assessment for new construction project.

**(XI) Status of filing of the projects**

The Company received “Project filing notice” (NDRC Wai Zi Bei [2016] No.311) issued by National Development and Reform Commission (hereinafter referred to as NDRC) and “no further examination notice” (commerce anti-monopoly preliminary examination letter [2016] No.192) issued by the Commerce Department Anti-Monopoly Bureau on 7 July 2016 respectively. NDRC puts on record for Company's acquisition of Tenke copper and cobalt mine from Freeport-McMoRan Inc. The Company could handle the related procedures including foreign exchange, customs, entry and exit control and tax and so on of the acquisition project in accordance with law according to this notice with a one-year valid period.

The Company received “Foreign investment enterprise registration notice” (letter of Henan enterprise of foreign business [2016] No.169) issued by Commerce department of Henan Province on 13 July 2016. The letter approves the Company to process capital increase to its Hong Kong wholly owned, subsidiary CMOC Limited, and this capital increase is mainly used by CMOC Limited to acquire the Niobium and Phosphates Businesses from Anglo American plc. and the Copper and Cobalt Business from Freeport-McMoRan Inc. and will issue a new “Enterprise Overseas Investment Certificate”, with which Company will process related banking procedures, customs and so on within 60 days.

The overseas investment of this project remains subject to the obtaining the foreign exchange registration record to be issued by SAFE or related authorised banks, clearance from anti-trust examination from South Africa, Turkey and Zambia, the examination and approval in relation to the change of controlling shareholder from the Bermuda Monetary Authority, and other approval or filings from other regulatory authorities that may be involved.

#### **IV. IMPACTS ON COMPANY’S BUSINESS OPERATIONS AND FINANCIAL CONDITIONS AS A RESULT OF THE NON-PUBLIC ISSUANCE**

##### **(1) Impacts on the Company’s business operations as a result of the Non-public Issuance**

###### ***1. This transaction will strengthen the Company’s portfolio of assets, facilitate the diversification of the Company’s commodities mix***

Upon the completion of expansion plan and reaching its designated capacity of the niobium business, the Company will strengthen its position as the second largest niobium supplier in the world. Niobium being an additive to the iron-base, nickel-base and zirconium-based super alloy, can enhance the strength of such metals. Such business is a strategical supplement to the application of the existing core metal business of the Company involving molybdenum, tungsten and copper. At the same time, the it will help diversify the risks of the Company, is an important step for the Company in positioning itself in the resource industry.

The Company will also enter into the phosphates market through the acquisition of the phosphates business from Anglo American plc. Phosphates has a long-term base market and potential for expansion. This is especially the case given that Brazil is a large agricultural country which is lacking in phosphates. Unlike the clear seasonality effect of ferrous metals, phosphates business being part of the agricultural industry has a more stable development. This would help the Company in diversifying its businesses and increase the risk resistance of the Company.

2. *This transaction will enhance the risk resistant capacity of the Company*

The proposed acquisition of the target companies, AAFB and AANB that engage in niobium and phosphates businesses situated in Brazil, an investment stable environment, with complete basic infrastructure and possess excellent modern management.

Upon completion of the niobium business, the Company will become the second largest niobium supplier in the world. As the suppliers of niobium in the world are concentrated, the prices of niobium are relatively stable, as a result the seasonality fluctuations of the niobium is relatively weak as compared with other ferrous metals. This will reduce the fluctuation risks of the Company. Niobium business will bring to the Company stable business revenue and cash flow. In addition, Brazil possesses the world's largest area of arable land, and is the world's third largest consumer of phosphates, and the amount of yearly import of fertilisers remain at a relatively high level. The factories which form of the acquisition are situated closed to the main agricultural land in Brazil, and is very close to the end consumers, and as such is strategically landed geographically. Accordingly, Brazil's strong needs for phosphates and the geographical location of the targets are expected to provide long term growth to the Company's phosphates business. This would strengthen the Company's profitability. Through the acquisitions of the matured Niobium and Phosphates Businesses from Anglo American plc, the Company will enjoy stable revenue and cash flow, and enhance the Company's risk resistant capacity.

3. *This transaction will contribute to the expansion of the business scale and the improvement in the profitability of the Company*

Due to the acquisition of quality assets of AAFB and AANB, which resulted in a relatively high level of profitability, this transaction will contribute to the expansion of the business scale and the improvement in the profitability of the Company.

(2) **The impacts on the Company's financial situation as a result of this Non-public Issuance**

Along with the smooth implementation of this funding and investment projects, Company will add new profit growth centres, which will enlarge the Company's net asset scale and further decrease the asset-liability ratio. Related projects will provide favorable cash flow and profit, improve the Company's financial structure, enhance the Company's ability of guarding against financial risks and indirect financing, facilitate the Company's future business expansion and the growth of profit level and further optimize the Company's financial situation.

The operation of the assets which are subject of the acquisition of the Niobium and Phosphates Businesses in Brazil is good, and the sales amount of niobium business in 2014 and 2015 are respectively 4,600 tonnes and 5,100 tonnes. Even though this is the first time that company enters into Phosphorus business, this business country Brazil has the largest area of potentially arable land in the world, is the world's third largest consumer of phosphate fertilizer and fertilizer import volume maintains at a high level all the year round. In 2015, AAFB produced about 1,100,000 tonnes fertilizer. After complete acquisition, Niobium and Phosphates Businesses will bring to the Company abundant and stable operating profit and cash flow.

After completion of the acquisition of the Copper and Cobalt Business in the DRC, the profitability and operating cash flow of Copper and Cobalt Business will maintain at a more stable level. In 2014 and 2015, TFM's copper output were respectively 447 million pounds and 449 million pounds, cobalt output were respectively 29 million pounds and 35 million pounds and the sales amount of copper were respectively 427 million pounds and 467 million pounds, the sales amount of cobalt were respectively 30 million pounds and 35 million pounds, whose sales output ratio is basically near or more than 100%. Therefore, the mineral resources of this non-public acquisition are all minerals in production with mature operation, and resources and grade verified by production, which has long service yeas and resource exploration prospects, and its industry situation and status also make sure the target's future stable profitability and cash flow level to some extent, which could effectively slow down the profit fluctuation caused by company's periodic metals at present and continuously improve company's financial report.

## V. CONCLUSION

In conclusion, Company acquires overseas high-quality mineral assets, which can promote the implementation of the strategy of international investment, sharply improve the reserves of high-quality mineral resources, optimize company's portfolio, diversify company's commodity combination, make company benefit from dispersing operation risks, enhance company's profitability and anti-risk ability and have the feasibility through this non-public acquisition.

The Board of Directors of  
**China Molybdenum Co., Ltd.\***

8 August 2016

*Should there be any discrepancy, the Chinese text of this appendix shall prevail over its English text*

\* for identification purposes only

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## NOTICE OF EGM

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洛陽欒川鉬業集團股份有限公司

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

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

(Stock Code: 03993)

### NOTICE OF THE 2016 THIRD EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2016 third extraordinary general meeting (the “**EGM**”) of China Molybdenum Co., Ltd.\* (the “**Company**”) will be held at 3:00 p.m. on Friday, 23 September 2016 at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People's Republic of China (the “**PRC**”) for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions. Unless otherwise indicated, capitalized terms used herein have the same meanings as those defined in the announcement of the Company dated 20 May 2016.

#### SPECIAL RESOLUTIONS

1. “To consider and approve the “Resolution in relation to the Satisfaction of the Conditions of the Non-public Issuance of A Shares of the Company”.”
2. “To consider and approve the “Resolution in relation to the Proposal on the Non-public Issuance of A Shares of the Company after the Adjustment”:
  - 2.1 Class and par value of shares to be issued;
  - 2.2 Issue price and pricing principle;
  - 2.3 Number of shares to be issued;
  - 2.4 Target subscribers;
  - 2.5 Method of subscription;



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## NOTICE OF EGM

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- 2.6 Lock-up period;
  - 2.7 Arrangement on accumulated profit distribution of the Company prior to the Non-public Issuance;
  - 2.8 Place of listing;
  - 2.9 Use of proceeds from fund raising; and
  - 2.10 Validity period of the resolution relating to the Non-public Issuance of A Shares.”
- 3. “To consider and approve the “Resolution in relation to the Proposal on the Non-public Issuance of A Shares of China Molybdenum Co., Ltd.\* (Revised Version)”.”
  - 4. “To consider and approve the “Resolution in relation to the Non-public Issuance of A Shares of the Company not Constituting a Connected Transaction”.”

### ORDINARY RESOLUTIONS

- 5. “To consider and approve the “Resolution in relation to the Feasibility Report on the Use of Proceeds from the Fund Raising under Non-public Issuance of A Shares of the Company (Revised Version)”.”
- 6. “To consider and approve the “Resolution in relation to the Report on the Use of Proceeds from Previous Fund Raising of the Company”.”

### SPECIAL RESOLUTION

- 7. “To consider and approve the “Resolution in relation to the Authorisation by the General Meeting to the Board to Handle All Matters Relating to the Share Issuance”.”

### ORDINARY RESOLUTIONS

- 8. “To consider and approve the “Resolution in relation to the Shareholder’s Return Plan for the Coming Three Years (2016–2018) of the Company”.”
- 9. “To consider and approve the “Resolution in relation to the Risk Alert for the Dilution of Current Returns as a Result of the Non-public Issuance of A Shares and the Adoption of the Remedial Measures”.”

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## NOTICE OF EGM

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10. “To consider and approve the “Resolution in relation to the Undertakings by Controlling Shareholder and Actual Controller of the Company to Take Remedial Measures for the Dilution of Current Returns as a Result of Non-public Issuance of A Shares”.”
11. “To consider and approve the “Resolution in relation to the Undertakings by all Directors and Senior Management to Take Remedial Measures for the Dilution of Current Returns as a Result of Non-public Issuance of A Shares”.”

For details of the above resolutions, please refer to the announcements of the Company dated including 8 August 2016. A circular containing further information in respect of, among other things, the proposed Non-public Issuance of A Shares, will be despatched to the Shareholders as soon as practicable.

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

Luoyang City, Henan Province, the PRC, 8 August 2016

*As at the date of this notice, the Company’s executive directors are Messrs. Li Chaochun and Li Faben; the Company’s non-executive directors are Messrs. Ma Hui, Yuan Honglin and Cheng Yunlei; and the Company’s independent non-executive directors are Messrs. Bai Yanchun, Xu Shan and Cheng Gordon.*

\* *For identification purposes only*

*Notes:*

- (1) All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Hong Kong Listing Rules.
- (2) H Shareholders who intend to attend the EGM in person or by proxy should return the reply slip to the office of the Board at the Company’s principal place of business in the PRC 20 days before the meeting, i.e. before Friday, 2 September 2016 by hand, by post or by fax. The contact details of the Company’s office of the Board are set out in note (9) below.
- (3) Each H Shareholder of the Company who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM. The instrument appointing a proxy must be in writing under the hand of the appointor or his/her attorney duly authorised in writing. In case that an appointor is a body corporate, the instrument must be either under the common seal of the body corporate or under the hand of its director or other person, duly authorised. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be certified by a notary public. For H Shareholders, the form of proxy and the notarially certified power of attorney or other documents of authorization must be delivered to the Company’s H Share registrar at the address stated in note (8) below by post or facsimile (for H Shareholders only), not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).

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## NOTICE OF EGM

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- (4) 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.
- (5) H Shareholders or their proxies must present proof of their identities upon attending the EGM. Should a proxy be appointed, the proxy must also present his/her proxy form, or appointing instrument and power of attorney, if applicable.
- (6) In order to determine the list of H Shareholders who will be entitled to attend and vote at the EGM, the Company's register of members of H Shares will be closed from Wednesday, 24 August 2016 to Friday, 23 September 2016 (both days inclusive) during which period no transfer of shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company at 4:30 p.m. on Tuesday, 23 August 2016 shall be entitled to attend and vote at the EGM. In order for the H Shareholders to qualify for attending and voting at the EGM, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 23 August 2016.
- (7) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.
- (8) 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
- (9) The address and contact details of the Company's office of the Board at its principal place of business in the PRC are as follows:
- North of Yihe  
Huamei Shan Road  
Chengdong New District Luanchuan County  
Luoyang City Henan Province  
People's Republic of China Postal code: 471500  
Telephone No.: (+86) 379 6865 8017  
Facsimile No.: (+86) 379 6865 8030
- (10) The EGM is expected to last not more than one day. Shareholders or proxies attending the EGM are responsible for their own transportation and accommodation expenses.

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## NOTICE OF H SHAREHOLDERS' CLASS MEETING

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

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

(Stock Code: 03993)

### NOTICE OF THE 2016 SECOND H SHAREHOLDERS' CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the 2016 second H shareholders' class meeting (the "**H shareholders' class meeting**") of China Molybdenum Co., Ltd.\* (the "**Company**") will be held on Friday, 23 September 2016 immediately after the conclusion of the 2016 first extraordinary general meeting, the 2016 second extraordinary general meeting, the 2016 third extraordinary general meeting and the 2016 second A shareholders' class meeting (and any adjournments thereof) at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People's Republic of China (the "**PRC**") for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions. Unless otherwise indicated, capitalized terms used herein have the same meanings as those defined in the announcement of the Company dated 20 May 2016.

#### SPECIAL RESOLUTIONS

1. "To consider and approve the "Resolution in relation to the Proposal on the Non-public Issuance of A Shares of the Company after the Adjustment":
  - 1.1 Class and par value of shares to be issued;
  - 1.2 Issue price and pricing principle;
  - 1.3 Number of shares to be issued;
  - 1.4 Target subscribers;
  - 1.5 Method of subscription;
  - 1.6 Lock-up period;
  - 1.7 Arrangement on accumulated profit distribution of the Company prior to the Non-public Issuance;

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## NOTICE OF H SHAREHOLDERS' CLASS MEETING

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- 1.8 Place of listing;
- 1.9 Use of proceeds from fund raising; and
- 1.10 Validity period of the resolution relating to the Non-public Issuance of A Shares.”
2. “To consider and approve the “Resolution in relation to the Proposal on the Non-public Issuance of A Shares of China Molybdenum Co., Ltd.\* (Revised Version)”.”
3. “To consider and approve the “Resolution in relation to the Authorisation by the General Meeting to the Board to Handle All Matters relating to the Non-public Issuance of A Shares”.”

For details of the above resolutions, please refer to the announcements of the Company dated including 8 August 2016. A circular containing further information in respect of, among other things, the proposed Non-public Issuance of A Shares, will be despatched to the Shareholders as soon as practicable.

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

Luoyang City, Henan Province, the PRC, 8 August 2016

*As at the date of this notice, the Company's executive directors are Messrs. Li Chaochun and Li Faben; the Company's non-executive directors are Messrs. Ma Hui, Yuan Honglin and Cheng Yunlei; and the Company's independent non-executive directors are Messrs. Bai Yanchun, Xu Shan and Cheng Gordon.*

\* *For identification purposes only*

*Notes:*

- (1) All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Hong Kong Listing Rules.
- (2) H Shareholders who intend to attend the H shareholders' class meeting 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 Friday, 2 September 2016 by hand, by post or by fax. The contact details of the Company's office of the Board are set out in note (9) below.
- (3) Each H Shareholder of the Company who has the right to attend and vote at the H shareholders' class meeting is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the H shareholders' class meeting. The instrument appointing a proxy must be in writing under the hand of the appointor or his/her attorney duly authorised in writing. In case that an appointor is a body corporate, the instrument must be either under the common seal of the body corporate or under the hand of its director or other person, duly authorised. If the instrument appointing a proxy is signed by an attorney of

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## NOTICE OF H SHAREHOLDERS' CLASS MEETING

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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 authorization must be delivered to the Company's H Share registrar at the address stated in note (8) below by post or facsimile (for H Shareholders only), not less than 24 hours before the time appointed for holding the H shareholders' class meeting or any adjournment thereof (as the case may be).

- (4) Completion and return of the form of proxy will not preclude a Shareholder from attending and voting at the H shareholders' class meeting or any adjournment should he/she so wish.
- (5) H Shareholders or their proxies must present proof of their identities upon attending the H shareholders' class meeting. Should a proxy be appointed, the proxy must also present his/her proxy form, or appointing instrument and power of attorney, if applicable.
- (6) In order to determine the list of H Shareholders who will be entitled to attend and vote at the H shareholders' class meeting, the Company's register of members of H Shares will be closed from Wednesday, 24 August 2016 to Friday, 23 September 2016 (both days inclusive) during which period no transfer of shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company at 4:30 p.m. on Tuesday, 23 August 2016 shall be entitled to attend and vote at the H shareholders' class meeting. In order for the H Shareholders to qualify for attending and voting at the H shareholders' class meeting, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 23 August 2016.
- (7) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the H shareholders' class meeting.
- (8) 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
- (9) The address and contact details of the Company's office of the Board at its principal place of business in the PRC are as follows:  
  
North of Yihe  
Huamei Shan Road  
Chengdong New District Luanchuan County  
Luoyang City Henan Province  
People's Republic of China Postal code: 471500  
Telephone No.: (+86) 379 6865 8017  
Facsimile No.: (+86) 379 6865 8030
- (10) The H shareholders' class meeting is expected to last not more than one day. Shareholders or proxies attending the H shareholders' class meeting are responsible for their own transportation and accommodation expenses.

The Circular (“**Circular**”) in Chinese and English version has been published on the Company’s website (www.chinamoly.com). Shareholders that choose to receive the corporate communications of the Company (including but not limited to annual reports, summary financial reports (if applicable), interim reports, interim summary reports (if applicable), notice of meeting, listing documents, circulars and proxy forms) and have difficulties in receiving corporate communications published on the Company’s website for any reason can request for the free printed Circular sent by post. Shareholders can change the way of receiving the corporate communications of the Company and the selection of language version at any time.

Shareholders can request for the printed Circular or to change the way of receiving the corporate communications of the Company and the selection of language version by giving a written notice to the Company within a reasonable period of time. Such a written notice should be given to the share registrar for H shares of the Company, i.e. Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), or e-mail to chinamoly@computershare.com.hk.