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CMOC

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)

（HKEx Stock Code：03993）

（SSE Stock Code：603993）

Annual Results Announcement For the Year Ended 31 December 2018

The board (the "**Board**") of directors (the "**Directors**") of China Molybdenum Co., Ltd.* (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018.

The financial information set out in this announcement does not constitute the Group's complete set of the consolidated financial statements for the year ended 31 December 2018, but represents an extract from those consolidated financial statements.

The financial information has been reviewed by the Audit and Risk Committee of the Company and the auditor of the Company.

Note: This announcement was prepared in both Chinese and English versions. Where there is discrepancy between the Chinese and English versions, the Chinese version shall prevail.

SUMMARY

- Operating revenue amounted to RMB26 billion, representing an increase of 7.52% year-on-year; net profit amounted to RMB5.2 billion, representing an increase of 43% year-on-year; net profit attributable to owners of the parent company amounted to RMB4.6 billion, representing an increase of 70% year-on-year. The combination advantages of diversified, low-cost quality resources became prominent, and its profitability steadily rose.

- Net cash inflow from operating activities amounted to RMB9.4 billion, representing an increase of 11.93% year-on-year. Total EBITDA amounted to RMB12.6 billion, representing an increase of 10% year-on-year; the balance of cash and cash equivalents amounted to over RMB26.6 billion; gearing ratio was 51.00%, total net interest-bearing liabilities amounted to RMB10.0 billion, net interest-bearing debt ratio was 9.9%; the asset liability structure was stable while the cash flow generation ability was strong.

- Cobalt production of the Company's copper/cobalt business in the DRC reached a historical high with volume of 18,747 tonnes. Benefitted from the advantages of resources and the rising price of by-product cobalt, copper C1 cash cost was negative US$0.31 per pound. Niobium production of Brazil business also reached a historical high with volume of 8,957 tonnes.

- The Company is under the process of acquiring 100% equity interests in IXM B.V. (the world's third-largest metals trader), aiming to expand its operational and industrial chain, and to increase its international competitiveness, as well as its leading voice and influence in the industry.

Letter from the Chairman

Dear Shareholders,

In 2018, CMOC reported RMB4.6 billion of net profit attributable to shareholders of the listed company, up 70% year on year; RMB9.4 billion of net operating cash flow, up 12% year on year; RMB12.6 billion of EBITDA; RMB26.6 billion of cash reserves available for use at the end of the year; a debt-to-asset ratio of 51% and a net interest-bearing debt ratio of 9.9%. We continue paying back our shareholders vigorously. The Board of Directors has proposed to distribute a total of RMB2.376 billion (pre-tax) of annual dividends to shareholders, representing a payout ratio of 51.25%. During the reporting year, we achieved record financial results and will distribute record cash dividend.

In 2018, we saw a more volatile market. The price of copper and cobalt rose respectively from USD3.26 per pound and USD36 per pound at the beginning of the year to the peak USD3.33 per pound and USD44.45 per pound but slumped in June and entered the downturn. Copper price reached its bottom at around USD2.71 per pound while cobalt was sent on a continued downward trend. To the contrary, molybdenum and niobium had an opposite price performance: lowering in the first half of 2018 and rising in the second half. In general, the average market price of our core products – copper, cobalt, molybdenum, tungsten, and niobium rose respectively by 5.42%, 35.55%, 41.80%, 18.21%, and 23% in 2018 compared to 2017. Holding a diversified product portfolio is crucial in a cyclical industry like mining. We hope that CMOC can establish a portfolio of unique and scarce products to produce a healthy and sustainable cash flow, helping our company to succeed in both bull and bear markets.

With an ever-tightening policy and regulatory environment, global operation is becoming more and more challenging for mining companies. In China, there is more emphasis than ever on environmental protection and safety. Many laws, regulations and standards on environmental protection of the industrial sector have been updated and more attention has been given to their implementation, leading to tremendous impact on the mining industry. In recent years, CMOC has been following the highest industrial standards on environmental protection and continuously expanding investment in green development. Thanks to that, our molybdenum and tungsten business maintained stable production and operation last year, enabling us to outperform our competitors in production and sales and seize favourable market opportunities. In the DRC, the government promulgated its revised Mining Code in 2018, which involves a series of major changes to financial and taxation policies. We actively respond to these differences and we believe that mutually beneficial solutions could be found through friendly negotiations. The government of the DRC speaks highly of the TFM project, of which CMOC is the controlling shareholder, as it contributed USD257 million and USD572 million to the Public Treasury in 2017 and 2018, respectively. Since its inception in 2006, TFM has paid a total of USD2.52 billion of taxes and parafiscal payments to the DRC government. The government is willing to listen to our opinions as we are a major investor and partner of the country, and we will continue to push forward negotiations on major issues of common concern.

Like most mining companies, CMOC faces operational challenges such as lowering grade, more complex mining conditions, and higher cost. To eliminate their negative impact on production, we already had plans in place to reduce cost and improve throughput and recovery rate by investing in technical optimization and debottlenecking initiatives. We also speed up study and progress of expansion projects to leverage our rich reserves. Last year, we achieved our budgetary goals for production and cost control in China, Brazil and Australia. In particular, we managed to maintain our production volume and unit cost for molybdenum and tungsten operations in China despite reduction in ore grade. Though copper saw an annual record low C1 cost of negative USD0.31 per pound in the DRC, we knew that such low cost was mostly due to the rising price of by-product cobalt. There is an urgent need for technical optimization and other operational improvements, and our logistics and administration system have a great potential for cost reduction and must be reformed. We are convinced that thanks to its high-quality resources, our TFM project will have the potential to double its production and earnings in the future. We have developed a 3-year Cost Optimization Project together with action plan to reduce cost and improve efficiency. It has specific requirements for each mine site and is currently being implemented in an orderly manner.

Despite so many challenges, we’re still enthusiastic and passionate about mining, a traditional industry with a long history, and we hope to bring new ideas to it as we grow. We’re proud to provide raw materials that are necessary to technological progress, industrial upgrade and better life quality. We’re optimistic about the long-term supply and demand fundamentals of our product portfolio and are confident in the future of the resources industry. As a cyclical industry, mining is capital-intensive and can be easily affected by politics and policies. It requires patience, persistence and a long-term vision to run a mining business well. It is a pity that the annual report only shows our performance in the last year and our outlook for the next year. What we should actually do is to exchange insights into one or even more business cycles with our investors. Fortunately, our majority shareholder CFC Group highly recognizes our vision and ambitions and offers its wisdom and strong support to long-term initiatives such as development of corporate values and business strategies. The lock-up period for our institutional investors participating in our non-public issuance of A Shares in 2017 expired in late July 2018, and we were happy that we did not see any large-scale sell-down by these investors. We hope that we can have more shareholders that have a passion for the resources industry, recognize our vision, and are willing to be our long-term partner. As a commercial organization, we’re committed to creating value for all shareholders, whether by dividend distribution or by higher returns on equity.

For the mining industry, products are considered homogeneous and their price depends on supply and demand in the market. Therefore, mining companies should focus on acquiring high-quality resources through M&A or successful exploration projects, which requires some element of opportunity and luck. They should also continuously optimize management to reduce cost and gain a competitive edge, which depends on their own endeavours. But Rome is not built in a day. With vision and ambition, we should first focus on organizational and cultural building together with recruiting and cultivating talents, setting up performance incentive mechanisms, placing employees in the positions where they can reach their full potential, and bringing the coordination and cooperation between different teams into full play. As a young and fast-growing international mining company, CMOC has a lot to do to build an integrated, powerful and inclusive culture and values system, as our team expands rapidly and we face cultural differences between China and Western countries, as well as regional differences.

As for organizational structure and management patterns, we choose to create our own path combining both Chinese and Western characteristics, hoping to draw on the advantages of Western style management while giving full play to Chinese nation's hardworking spirit and determination to forge ahead. No matter what pattern we choose, we do know that the essence of management never changes: under the premise of compliance with laws and regulations, everything should revolve around operational efficiency and effectiveness. Last April, CMOC decided to set up a management headquarters with full lines of functions to gradually merge its former overseas management centre in Phoenix, the US, with a view to directly managing its overseas operations through an integration of Chinese and Western management philosophy.

I would like to extend my special appreciation to the managers and business leaders, either from China or overseas countries, who have joined the Group's headquarters and overseas offices over the past year. Our company is still in the initial stage of development, and we are still exploring along the way. As integration is ongoing with constant changes, our team members from different countries need to learn how to better cooperate with each other, so as to tackle various new challenges and new tasks. Working in such a demanding environment requires more efforts. But I believe that the company's long-term vision and big dream resonate with the passion and enthusiasm deep down inside our heart, and that is what brings us together to jointly create something amazing. We are looking forward to having more talented professionals to join us.

We have formulated and implemented the corporate culture of "meritocracy, cost control, continuous improvement, and achievement sharing". "Meritocracy" indicates our employment standard and system – we appoint people on grounds of personal abilities instead of their family backgrounds, educational backgrounds, working experience, or relationship with the management, and they must share our common values. We think highly of those who pursue excellence and efficiency and those who can deliver good results. We hope everyone in our team can develop a sense of entrepreneurship and leadership and be responsible and creative. "Cost control" and "continuous improvement" represent our understanding of the essence and core competitiveness in the mining industry, our emphasis on technology reform and innovation and process optimization and recreation, and our open mind and determination to make continuous efforts. In terms of "achievement sharing", we emphasize the importance of growth and achievements as the foundation of sharing, and our value of praising effective contribution rather than fruitless hard work. These principles not only apply to our employees, but also to all our stakeholders. Nevertheless, it is always easier said than done. This corporate culture will only bring positive effects when put into practice with performance assessment. This year, we are going to carry out more measures in this aspect.

In our pursuit of ambitious growth, we should also remain disciplined at all times. Last year, we announced our planned acquisition of IXM, the third biggest base metals trading company in the world. We are expected to complete the transaction in the middle of this year. From the perspective of long-term strategy, trading will be an important component of our business if we want to be a significant player in the international mining industry. The global flow of metal products is facing more challenges, and services such as sales, procurement and logistics will generate added value. The market information brought by trading business in all links of the industry chain will help us acquire a deeper understanding of the supply and demand relationship as well as the price trends. In trading business, many sources of supply come directly from the mines, such as producing mines, mines under construction, and development projects. They are often accompanied by project financing or offtake financing, and we need to carry out professional technical evaluation on the mining project and provide continuous follow-up and guidance. The acquisition of IXM will enable us to create synergy, access more global metal mining projects, and acquire more alternative investment opportunities. We should have great vision and be far-sighted while making continuous effort.

With the recovery of commodity prices, especially in view of the strong performance of bulk commodities, our global industry peers are getting back to their strong balance sheet and are returning their shareholders with increased cash dividends or share buy-back leveraging the strong cashflow generated. Despite the fact that the global geopolitics and economy are still full of uncertainty and commodity prices are seeing intensified volatility in the short term, market players in the metals industry are expecting an increase in the price of metals in the long run, making the rare investment or transaction opportunities in the market seem expensive. Timing is of essence; what we now need is more patience. We will spend more time exploring and promoting the "organic growth" of our company, as our current resource combination has huge potential but relatively lower risks. We believe that competition and cooperation in the future will be mutually inclusive, and we should always keep an open mind and cherish the partnership with our peers.

Last year, we welcomed new members to the Board of Directors. I would like to take this opportunity and extend my sincere thanks to our four outgoing directors – Mr. Bai Yanchun, Mr. Xu Shan, Mr. Cheng Gordon, and Mr. Ma Hui, for their hard work and dedication. At the same time, I want to express my warm welcome to the four new directors – Mr. Guo Yimin, Mr. Wang Gerry Yougui, Mr. Li Shuhua, and Ms. Yan Ye. We have also updated the structure of the committees under the Board of Directors. The Strategic Committee has been changed into the Strategic and Sustainability Committee, the Audit Committee has been changed into the Audit and Risk Committee, and the Nomination Committee has been changed into the Nomination and Governance Committee. Accordingly, we have expanded and adjusted the scope and content of each committee's responsibilities to further enhance the corporate governance. At the beginning of last year, we prepared and released our first Environmental, Social and Governance (ESG) Report that covered all our Chinese and overseas operations. In last August, the report was granted a BBB rating by MSCI, the highest rating ever granted to a Chinese company or an international company among the largest metals and mining industry peers by then.

Finally, I would like to extend my gratitude to our shareholders, local governments and communities, clients, financial institutions and partners for their gracious trust and support. I also want to thank all the CMOC employees in China and overseas countries for their hard work.

Li Chaochun
Chairman of CMOC

Beijing, China
27 March 2019

I. SUMMARISED FINANCIAL INFORMATION

RMB thousand

Major accounting information	**2018**	2017 *(restated)*	Increase or decrease compared to last year *(%)*	2016
Operating revenue	**25,962,863**	24,147,558	7.52	6,949,571
Net profit attributable to shareholders of listed companies	**4,635,582**	2,727,796	69.94	998,041
Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed companies	**4,560,177**	3,125,343	45.91	907,670
Net cash flow from operating activities	**9,434,533**	8,428,813	11.93	2,914,826
EBITDA	**12,615,392**	11,462,407	10.06	3,027,150
Net assets attributable to the shareholders of listed companies	**40,948,875**	38,132,684	7.39	18,738,058
Total assets	**101,216,117**	97,812,745	3.48	87,924,361
Gearing ratio	**51.00%**	53.08%	Decreased by 2.08 percentage	60.95%
Net interest-bearing debt ratio	**9.9%**	10.4%	Decreased by 0.55 percentage	25.4%

Major Financial Indicators

Items	For the year ended 31 December 2018	2017	Increase or decrease as compared to the same period last year *(%)*	For the year ended 31 December 2016
Basic earnings per share ("**EPS**") *(RMB per share)*	**0.215**	0.14	53.57	0.06
Diluted EPS *(RMB per share)*	**N/A**	N/A	N/A	N/A
Basic EPS after deduction of non-recurring profits or losses *(RMB per share)*	**0.211**	0.16	31.88	0.05
Weighted average return on net assets *(%)*	**11.72**	9.89	Increased by 1.83 percentage	5.52
Weighted average return on net assets after deduction of non-recurring profits or losses *(%)*	**11.54**	11.25	Increased by 0.29 percentage	5.03

CONSOLIDATED BALANCE SHEET

Items	*Notes*	**As at 31 December 2018** ***RMB thousand***	As at 1 January 2018 (restated) *RMB thousand*	Increase (Decrease)
Current assets:				
Cash and bank balances		**26,647,644**	26,508,760	0.52%
Notes receivable and Accounts receivable	2	**3,259,167**	3,880,288	-16.01%
Prepayments	3	**151,004**	110,584	36.55%
Other receivables		**1,040,049**	1,446,627	-28.11%
Inventories		**6,615,915**	5,705,500	15.96%
Other current assets		**1,450,605**	1,382,004	4.96%
Total current assets		**39,164,384**	39,033,763	0.33%
Non-current assets:				
Long-term equity investment		**2,522,865**	1,136,373	122.01%
Other investments in equity instruments		**448,174**	483,554	-7.32%
Other non-current financial assets		**3,906,622**	2,746,901	42.22%
Non-current derivative financial assets		**3,179**	-	100%
Fixed assets		**23,620,518**	24,234,932	-2.54%
Construction in progress		**1,893,822**	950,111	99.33%
Long-term inventory		**5,122,434**	4,352,010	17.70%
Intangible assets		**20,931,052**	21,536,182	-2.81%
Goodwill		**674,887**	833,594	-19.04%
Long-term prepaid expenses		**129,023**	116,189	11.05%
Deferred tax assets		**525,598**	311,683	68.63%
Other non-current assets		**2,273,559**	2,077,454	9.44%
Total non-current assets		**62,051,733**	58,778,983	5.57%
Total assets		**101,216,117**	97,812,746	3.48%

Items	*Notes*	**As at 31 December 2018** ***RMB thousand***	As at 1 January 2018 (restated) *RMB thousand*	Increase (Decrease)
Current liabilities:				
Short-term borrowings		**4,588,153**	1,478,132	210.40%
Held for trading financing liabilities		**4,250,711**	3,592,187	18.33%
Derivative financial liabilities		**75,423**	–	100%
Notes payable and accounts payable		**1,148,073**	1,000,436	14.76%
Contract liabilities		**200,667**	127,796	57.02%
Employee remuneration payable		**517,344**	445,406	16.15%
Taxes payable		**1,110,201**	1,137,796	-2.43%
Other payables		**1,027,782**	852,465	20.57%
Non-current liabilities due within one year		**2,929,839**	4,797,816	-38.93%
Other current liabilities		**130,542**	71,073	83.67%
Total current liabilities		**15,978,735**	13,503,107	18.33%
Non-current liabilities:				
Non-current derivative financial liabilities		**23,312**	–	100%
Long-term borrowing		**20,196,855**	22,033,889	-8.34%
Bonds payable		**2,000,000**	2,000,000	–
Long-term employee remuneration payable		**129,065**	64,382	100.47%
Provision		**1,908,084**	2,049,904	-6.92%
Deferred income		**66,675**	72,890	-8.53%
Deferred income tax liabilities		**8,021,118**	8,603,594	-6.77%
Other non-current liabilities		**3,294,336**	3,600,344	-8.50%
Total non-current liabilities		**35,639,445**	38,425,003	-7.25%
Total liabilities		**51,618,180**	51,928,110	-0.60%

Items	*Notes*	**As at 31 December 2018** ***RMB thousand***	As at 1 January 2018 (restated) *RMB thousand*	Increase (Decrease)
Shareholders' equity:				
Paid-in capital (Share capital)		**4,319,848**	4,319,848	–
Capital reserve		**27,582,795**	27,582,795	–
Other comprehensive income		**-799,326**	-626,164	27.65%
Special reserve		**3,038**	7,726	-60.68%
Surplus reserve		**1,160,396**	968,191	19.85%
Retained earnings	4	**8,682,124**	5,880,288	47.65%
Total equity attributable to shareholders of the parent company		**40,948,875**	38,132,684	7.39%
Non-controlling interests		**8,649,062**	7,751,951	11.57%
Total shareholders' equity		**49,597,937**	45,884,635	8.09%
Total liabilities and shareholders' equity		**101,216,117**	97,812,745	3.48%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items	Notes	For the year ended 31 December **2018** ***RMB thousand***	2017 (restated) *RMB thousand*	Increase (Decrease)
I. Total operating revenue		**25,962,863**	24,147,558	7.52%
Including: Operating revenue	6	**25,962,863**	24,147,558	7.52%
Less: Operating costs	6	**16,180,247**	15,211,941	6.37%
Taxes and surcharges		**1,018,793**	344,328	195.88%
Selling expenses		**96,822**	214,841	-54.93%
Administrative expenses		**933,346**	1,057,300	-11.72%
Research and development expenses		**254,356**	101,794	149.87%
Financial expenses	7	**643,046**	1,416,974	-54.62%
Including: Interest expense		**1,450,739**	1,276,221	13.67%
Interest earned		**-1,037,941**	-765,373	35.61%
Asset impairment losses		**66,583**	56,602	17.63%
Credit impairment losses		**17,793**	–	–
Add: Gains from changes in fair values (loss is filled in column with “-”)		**122,408**	-471,766	-125.95%
Income from investment (loss is expressed with “-”)	8	**202,270**	108,699	86.08%
Including: Income from investment in joint ventures and associates		**69,111**	30,174	129.04%
Income (loss) from disposal of assets		**-31,122**	-17,492	77.92%
Other incomes		**12,550**	13,859	-9.45%
II. Operating profit (loss expressed with “-”)		**7,057,983**	5,377,078	31.26%
Add: Non-operating income		**2,578**	39,046	-93.40%
Less: Non-operating expenses		**70,705**	34,308	106.09%
III. Total profit (total loss expressed with “-”)	9	**6,989,856**	5,381,816	29.88%
Less: Income tax expenses	10	**1,839,816**	1,786,201	3.00%

Items	Notes	For the year ended 31 December **2018** ***RMB thousand***	 2017 (restated) *RMB thousand*	Increase (Decrease)
IV. Net profit (net loss expressed with "-")		**5,150,040**	3,595,615	43.23%
(1) Classified by business continuity:				
1. Net profit from continuing operations (loss is expressed with "-")		**5,150,040**	3,595,615	43.23%
2. Net profit from discontinued operations (loss is expressed with "-")		**–**	–	–
(2) Classified by ownership:				
1. Profit or loss attributable to non-controlling shareholders		**514,458**	867,819	-40.72%
2. Net profit attributable to owners of the parent company		**4,635,582**	2,727,796	69.94%
V. Other comprehensive income, net of tax		**209,754**	-1,024,042	120.48%
Other comprehensive income attributable to owners of the parent company, net of tax		**-173,162**	-521,671	66.81%
(1) Other comprehensive income that cannot be reclassified into profit or loss in subsequent periods		**-26,301**	–	–
1. Changes in fair value of other equity instruments investment		**-26,301**	–	–

Items	Notes	For the year ended 31 December		
		2018	2017 (restated)	Increase (Decrease)
		RMB thousand	*RMB thousand*	
(2) Other comprehensive income that can be reclassified into profit or loss in subsequent periods		**-146,861**	-521,671	71.85%
1. Fair value change on gains or losses from available-for-sale financial assets		**–**	372,379	–
2. Share of other comprehensive income under equity-method		**-20,822**	–	–
3. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedge)		**-17,113**	–	–
4. Foreign exchange differences from translation of statements		**-108,926**	-894,050	87.82%
Other comprehensive income, net of tax attributable to minority shareholders		**382,916**	-502,371	176.22%
VI. Total comprehensive income		**5,359,794**	2,571,573	108.42%
Total comprehensive income attributable to owners of the parent company		**4,462,420**	2,206,125	102.27%
Total comprehensive income attributable to minority shareholders		**897,374**	365,448	145.55%
VII. Earnings per share				
(1) Basic earnings per share (RMB)	11	**0.215**	0.14	53.57%
(2) Diluted earnings per share (RMB)	11	**N/A**	N/A	N/A

Note: The Group has implemented the Notice of the Revised Format of Financial Statements for General Business Enterprise for the Year of 2018 (Cai Kuai [2018] No.15) released on 15 June 2018 by MoF for the preparation of the financial statements of the Group since 2018, revised the presentation of certain items of the income statement, extracted the research and development expenses from administrative expenses for separate presentation and adjusted the comparative data of the prior year.

CONSOLIDATED STATEMENT OF CASH FLOW

Items	For the year ended 31 December **2018** ***RMB thousand***	 2017 *RMB thousand*	Increase (Decrease)
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering services	**29,243,395**	24,594,250	18.90%
Other cash received related to operating activities	**1,136,281**	654,815	73.53%
Sub-total of cash inflows from operating activities	**30,379,676**	25,249,065	20.32%
Cash paid for purchasing goods and receiving labor services	**13,838,635**	11,736,234	17.91%
Cash paid to employees and paid for employees	**2,058,338**	1,770,189	16.28%
Taxes and fees paid	**3,876,806**	2,040,127	90.03%
Cash paid for other operating activities	**1,171,364**	1,273,702	-8.03%
Sub-total of cash outflow from operating activities	**20,945,143**	16,820,252	24.52%
Net cash flow from operating activities	**9,434,533**	8,428,813	11.93%
II. Cash flows from investing activities:			
Cash received from recovery of investment	**6,076,816**	2,002,813	203.41%
Cash received from investment income	**207,157**	93,331	121.96%
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	**43,630**	26,990	61.65%
Sub-total of cash inflows from investment activities	**6,327,603**	2,123,134	198.03%
Cash paid for acquiring or construction of fixed assets, intangible assets and other long-term assets	**2,807,367**	1,066,476	163.24%
Cash paid for investment	**4,852,213**	4,834,288	0.37%
Cash paid for other investment activities	**1,065,210**	331,597	221.24%
Sub-total of cash outflow from investment activities	**8,724,790**	6,232,361	39.99%
Net cash flows from investment activities	**-2,397,187**	-4,109,227	-41.66%

Items	For the year ended 31 December		
	2018	2017	Increase (Decrease)
	RMB thousand	*RMB thousand*	
III. Cash flows from financing activities:			
Cash received from capital contributions	**–**	17,858,633	-100.00%
Cash received from borrowings	**8,571,932**	10,560,506	-18.83%
Cash received from other financing activities	**3,013,969**	1,485,196	102.93%
Sub-total of cash inflows from financing activities	**11,585,901**	29,904,335	-61.26%
Cash paid for debt repayment	**9,999,664**	11,038,951	-9.41%
Cash paid for distribution of dividends, profits and interest payment	**2,646,126**	2,147,305	23.23%
Including: Dividends paid by subsidiaries to non-controlling shareholders	**–**	347,520	-100.00%
Cash paid for other related to financing activities	**2,786,560**	9,346,043	-70.18%
Sub-total of cash outflow from financing activities	**15,432,350**	22,532,299	-31.51%
Net cash flow from financing activities	**-3,846,449**	7,372,036	-152.18%
IV. Effect of exchange rate changes on cash and cash equivalents	**268,389**	-330,411	-181.23%
V. Net increase (decrease) in cash and cash equivalents	**3,459,286**	11,361,211	-69.55%
Add: Balance of cash and cash equivalents at the beginning of year	**19,784,419**	8,420,208	134.93%
VI. Balance of cash and cash equivalents at the end of year	**23,240,705**	19,781,419	17.49%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting policies

The Group has applied the New Standards for Financial Instruments and New Standards for Revenue since 1 January 2018.

New standards for revenue

The Group has adopted "Accounting Standards for Business Enterprises No. 14 – Revenue" ("**new standards for revenue**") revised by the MoF in 2017 since 1 January 2018. The pre-revision standards referred to as ("**original standards for revenue**"). The new standards for revenue have introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). The new standards for revenue require the entity to adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2018) of the new standards for the cumulative affected figures and amounts of other relative items in the financial statements, and not to adjust information in comparable period. For changes in contract incurred before the beginning of the prevailing year of adoption of new standards for revenue, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.

(1) Besides provision of more widen disclosures of revenue transactions, impacts from the adoption of the new standards for revenue on relevant items of statement of financial position at the beginning of the current year are as follows:

RMB '000

Item	31 December 2017	Reclassification	**1 January 2018**
Advances from customers	127,796	(127,796)	**–**
Contract liabilities	–	127,796	**127,796**

Note: As of 1 January 2018, the Group reclassified the advances from customers of RMB127,796,000 to contract liabilities.

(2) Compared to the original standards for revenue, effects of implementation of new standards for revenue on relevant items in the financial statements for the period including balance sheet and income statement are set out below:

RMB '000

Item	**Ending balance under the new standard**	Adjustment	Ending balance under the original standard
Advances from customers	**–**	(200,667)	200,667
Contract liabilities	**200,667**	200,667	–

Item	**Amount for the period under the new standard**	Adjustment	Amount for the period under the original standard
Operating costs	**57,408**	57,408	–
Selling expenses	**–**	(57,408)	57,408

New Standards for Financial Instruments

Pursuant to the revised "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument", "Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standard for Business Enterprises No. 24 – Hedge Accounting" and "Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument" by the MoF (the "**new standards for financial instruments**"):

For classification and measurement of financial assets, the new standards for financial instruments require that the financial assets should be classified into three categories: financial assets measured at amortised cost, financial assets at fair value through other comprehensive income ("**FVTOCI**") and financial assets at fair value through profit or loss ("**FVTPL**") based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The original categories including loans and receivables, held-to-maturity investments and available-for-sale financial asset have been cancelled. Investments in equity instruments are generally categorized into financial assets at FVTPL. The enterprise is also allowed to designate the non-tradable investments in equity instruments as financial assets at FVTOCI, but such designation is non-cancellable, and the cumulative amounts of changes in fair value previously recognised in other comprehensive income will no longer be reclassified to profit or loss upon disposal.

For impairment of financial assets, the new standards for financial instruments on impairment are applicable to financial assets measured at amortised cost and at FVTOCI, lease receivables, accounts receivable, contract assets and the specific but not withdrawn loan commitment and financial guarantee contract. The new standards for financial instruments require adoption of expected credit losses model to replace the original credit-impaired model. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the whole life according to whether the credit risks of relevant items have been significantly increased since initial recognition. If the accounts receivable and contract assets have simplified method, it is allowed to recognise impairment provision for the expected credit losses during the whole life.

For hedge accounting, the new standards for financial instruments improve the applicability of hedge accounting, closely integrating hedge accounting and corporate risk management.

Pursuant to the circular issued by the MoF, for domestically- and overseas-listed enterprises and enterprises listed overseas and adopting International Financial Reporting Standards or Accounting Standards of Business Enterprises to prepare financial statements, they implemented the new standards for financial instruments since 1 January 2018. Therefore, the Group has implemented the above new standards for financial instruments since 1 January 2018 and recognised, measured and reported the Group's financial instrument in accordance with the new standards for financial instruments since that day.

If the recognition and measurement of financial instrument before 1 January 2018 is inconsistent with the new standards for financial instruments, the Group will make connection and adjustment as required by the new standards. In case of inconsistence between the comparative figures in financial statements in prior period and requirements of the new standards for financial instruments, the Group will not make adjustment. The shortfall between the original carrying amount of the financial instrument and the new carrying amount at the adoption date of the new standards shall be recognised in retained earnings or other comprehensive income at 1 January 2018. Effects on adoption of new standards for financial instruments at 1 January 2018 are as follows:

RMB '000

Items	Carrying amount under original standards 31 December 2017	Reclassification: Transfer from financial assets previously classified as loans and receivables *(Note 1)*	Reclassification: Transfer from financial assets previously classified as available for sale *(Note 2)*	Reclassification: Transfer from financial assets previously designated as at fair value through profit or loss *(Note 3)*	Remeasurement: Expected credit losses *(Note 4)*	Remeasurement: Change from cost measurement to fair value measurement *(Note 2)*	**Carrying amount under new standards for financial instruments 1 January 2018**
		Effect of new standards for financial instruments					
Notes receivable and accounts receivable	3,895,323	–	–	–	(15,035)	–	**3,880,288**
Including: at amortised cost	2,608,425	(1,750,692)	–	–	(14,355)	–	**843,378**
Designated as at fair value through profit or loss	1,286,898	–	–	(1,286,898)	–	–	**–**
at fair value through profit or loss	–	–	–	1,286,898	–	–	**1,286,898**
at fair value through other comprehensive income	–	1,750,692	–	–	(680)	–	**1,750,012**
Available-for-sale financial asset	3,246,900	–	(3,246,900)	–	–	–	**–**
Other equity instruments investment	–	–	500,000	–	–	(16,446)	**483,554**
Other non-current financial assets	–	–	2,746,900	–	–	–	**2,746,900**
Deferred tax assets	304,703	–	–	–	3,691	3,289	**311,683**
Other comprehensive income	(238,818)	–	(374,190)	–	–	(13,157)	**(626,165)**
Retained earnings at beginning of period	5,517,441	–	374,190	–	(11,344)	–	**5,880,287**

Note 1: Transfer from financial assets previously classified as loans and receivables

In managing the liquidity, the Group discounts or endorses part of the notes receivable before their maturity, and derecognises the discounted or endorsed notes receivable when the Group has transferred substantially all the risks and rewards to relevant counterparty. Therefore, the Group manages such notes receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets. At 1 January 2018, the Group reclassified notes receivable amounting to RMB1,750,692,000 to notes receivable measured at fair value through other comprehensive income. The difference between the results measured at fair value and that measured at amortized cost of relevant notes receivable as at 1 January 2018 was immaterial.

Note 2: Transfer from financial assets previously classified as available for sale

Transfer from available-for-sale financial asset to other equity instruments investment

As at 1 January 2018, the Group reclassified available-for-sale financial assets of RMB500,000,000 to financial assets designated as fair value through other comprehensive income and included in other equity investment. Such investment is non-trading equity instrument and is not expected to be disposed in the foreseeable future by the Group. Among which, available-for-sale financial assets of RMB400,000,000 is not quoted in active market and of which the fair value can't be measured reliably, was measured at cost in prior period according to the original standards for financial instruments. Measuring such equity investment at fair value at 1 January 2018, resulting in decrease of RMB16,446,000 in carrying amount of the other equity instrument, decrease in other comprehensive income of RMB13,157,000 (change in fair value of other equity instrument investment), and increase of RMB3,289,000 in deferred tax assets.

Transfer from available-for-sale financial asset to other non-current financial asset

As at 1 January 2018, the Group reclassified available-for-sale financial assets of RMB2,746,900,000 to financial asset measured at fair value through profit or loss and included in other non-current financial asset. Among which, available-for-sale financial assets of RMB20,869,000 is not quoted in active market and of which the fair value can't be measured reliably, was measured at cost in prior period according to the original standards for financial instruments. The management of the Group believes that the difference between measuring such equity investment at fair value at 1 January 2018 and at cost was not significant. The accumulated change in fair value at fair value in the previous period was RMB432,247,000, which was transferred from other comprehensive income (profit and loss of changes in fair value of available-for-sale financial asset) to undistributed profit at beginning of period. The corresponding impact on deferred income tax was RMB58,056,000 and was transferred from other comprehensive income to undistributed profit at beginning of period.

Note 3: Transfer from financial assets previously designated as at fair value through profit or loss

As at 1 January 2018, RMB1,286,898,000, including accounts receivable arranged by provisional pricing, was reclassified from financial assets previously designated as at fair value through profit or loss to financial asset at fair value through profit or loss.

Note 4: Expected credit loss

As at 1 January 2018, the Group recognized a provision for credit loss impairment of accounts receivables, others classified as financial assets at amortised cost and notes receivable measured at fair value through other comprehensive income according to the new standard for financial instruments. The specific impacts include:

For all accounts receivable, the Group adopts simplified method to measure expected credit losses in accordance new financial instrument standard, which is measuring loss provision in accordance with the amount equivalent to the expected credit loss within the entire duration, resulting in the increase in RMB14,355,000 in impairment provision for accounts receivable on 1 January 2018 and the decrease in RMB10,766,000 of undistributed profit at the beginning of the period.

For the notes receivable measured at fair value through other comprehensive income, the Group measured the expected credit loss by adopting a three-phase model as required by the new financial instrument standards, while credit loss provision is made based on expected credit loss within 12 months or during the entire life according to whether the credit risks of relevant items have been significantly increased since initial recognition, resulting the increase in an amount of RMB680,000 of provision for impairment of notes receivable on 1 January 2018, the increase in RMB578,000 of undistributed profit at the beginning of the period.

As at 1 January 2018, the Group's credit loss allowance recognized under the original standards for financial instruments and the credit loss allowance adjusted according to the new standards for financial instruments for items classified as financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and other items are as follows:

RMB '000

Item	Impairment recognized under the original standards 31 December 2017	Remeasurement of expected loss provision	**Impairment recognized under the new standards 1 January 2018**
Impairment provision for financial assets:			
Bad debt provision for notes receivable and accounts receivable	46,883	15,035	**61,918**
Bad debt provision for other receivables	29,848	–	**29,848**
Total impairment provision for financial assets	76,731	15,035	**91,766**

As at 1 January 2018, the summary of effect on assets, liabilities and owners' equity of the Group arising from initial implementation of new standards for revenue and new standards for financial instruments for the first time is as follows:

RMB '000

Items	31 December 2017	Effect of implementing new standards for revenue	Effect of implementing new standards for financial instruments	**1 January 2018**
Notes receivable and accounts receivable	3,895,323	–	(15,035)	**3,880,288**
Including: at amortised cost	2,608,425	–	(1,765,047)	**843,378**
designated as at fair value through profit or loss	1,286,898	–	(1,286,898)	**–**
at fair value through profit or loss	–	–	1,286,898	**1,286,898**
at fair value through other comprehensive income	–	–	1,750,012	**1,750,012**
Available-for-sale financial asset	3,246,900	–	(3,246,900)	**–**
Other equity instruments investment	–	–	483,554	**483,554**
Other non-current financial assets	–	–	2,746,900	**2,746,900**
Deferred income tax assets	304,703	–	6,980	**311,683**
Advances from customers	127,796	(127,796)	–	**–**
Contract liabilities	–	127,796	–	**127,796**
Other comprehensive income	(238,818)	–	(387,347)	**(626,165)**
Undistributed profit at beginning of period	5,517,441	–	362,846	**5,880,287**

Presentation of financial statements

The Group has implemented the Notice of the Revised Format of Financial Statements for General Business Enterprise for the Year of 2018 (Cai Kuai [2018 No. 15, hereinafter referred to as "**Cai Kuai No. 15**") released on 15 June 2018 by MoF for the preparation of the financial statements of the Group since 2018. The Cai Kuai No. 15 revised the presentation of the balance sheet and income statement, added "notes receivable and accounts receivable", "notes payable and accounts payable" and "research and development expenses" line items; revised the presentation of the line items "other receivables", "fixed assets", "construction in progress", "other payables", "long-term payables" and "administrative expenses"; reduced certain items; added the presentation of "including: interest expense" and "interest income" below "financial expenses", and adjusted the position of the presentation of part items in income statement. For above revisions, the Group adjusted the presentation of line items and the data of the prior year retroactively.

2. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

RMB '000

Types	**End of year**	Beginning of year (restated)
Notes receivable *(Note 1)*	**1,623,841**	1,750,012
– Measured at amortized cost	**–**	1,750,012
– Measured at fair value and included in other comprehensive income	**1,623,841**	–
Accounts receivable *(Note 2)*	**1,635,326**	2,130,276
– Measured at amortized cost	**861,000**	843,378
– Measured at fair value through profit or loss	**774,327**	1,286,898
Total	**3,259,167**	3,880,288

Note 1: The Group discounts or endorses some of the notes receivable according to the daily funding needs. In accordance with the new standards for financial instruments that came into effect on 1 January 2018, the Group classified related notes receivables into financial assets measured at fair value through other comprehensive income. See Note 1 for details.

Note 2: The selling prices of cathode copper, copper concentrate and cobalt hydroxide, the principal products of the Group's subsidiaries, were provisionally priced based on the market prices upon delivery. The prices are finalised in generally certain months based on the quoted monthly average spot prices of copper and cobalt on the London Metal Exchange. The Group classified the accounts receivable arising from the relevant business as FVTPL.

(a) Credit risk on accounts receivable:

2018:

The accounts receivable measured at fair value and formed by sales of commodities with pricing mechanism for copper and cobalt businesses in the DRC and copper and gold businesses in Australia of the Group; the niobium business in Brazil of the Group conducted long-term transactions with stable and high credit rating customers. The management considered that the credit risks were low.

Since 1 January 2018, the Group has measured the impairment provision of accounts receivable in relation to the tungten and molybdenum business in China and the phosphate business in Brazil according to the amount of expected credit losses for the entire life period, and calculates its expected credit losses based on the comparison table for internal credit risk rating and default loss rate. On the balance sheet date, the Group recognises the expected credit loss allowance of accounts receivable based on the impairment matrix.

RMB '000

	End of year			
Internal credit risk rating	**Expected average loss rate**	**Book balance**	**Impairment**	**Book value**
Low risk	**0.05%**	**740,814**	**377**	**740,437**
Normal	**2.15%**	**53,227**	**1,142**	**52,085**
Concerned	**6.28%**	**73,042**	**4,587**	**68,455**
Doubtful (impaired)	**40.31%**	**38**	**15**	**22**
Loss (impaired)	**100.00%**	**50,890**	**50,890**	**–**
Total	**–**	**918,012**	**57,012**	**861,000**

The above-mentioned expected average loss rate is based on the historical actual impairment rate and takes into account the current situation and the forecast of future economic conditions. The Group's assessment method and major assumptions have not been changed in 2018.

(b) Changes in expected credit loss/bad debt provision of accounts receivable

2018:

RMB '000

Internal credit rating	Expected credit losses for the entire life period (without credit impairment)	Expected credit losses for the entire life period (with credit impairment)	Total
1 January 2018	**3,952**	**57,286**	**61,238**
Transferred in of incurred credit impairment	**(1,372)**	**1,372**	**–**
Transferred out of incurred credit impairment	**–**	**–**	**–**
Transferred out due to direct deduction of financial assets	**–**	**(5,991)**	**(5,991)**
Accrued credit losses in the current period	**6,933**	**7,642**	**14,575**
Reversal of expected credit losses in the current period	**(3,264)**	**(9,403)**	**(12,668)**
Changes in foreign exchange rate	**(142)**	**–**	**(142)**
31 December 2018	**6,106**	**50,906**	**57,012**

(c) Top five trade receivables by debtors at the end of the year :

RMB '000

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total accounts receivable *(%)*	Balance of credit impairment loss/bad debts provision at the end of the year
31 December 2018				
Company D	**Third party**	**547,337**	**31.86**	**–**
Company F	**Third party**	**152,285**	**8.87**	**–**
Company G	**Third party**	**100,308**	**5.84**	**3,407**
Company I	**Third party**	**86,105**	**5.02**	**–**
Company E	**Third party**	**59,576**	**3.47**	**–**
Total		945,610	55.06	–

3. PREPAYMENTS

(1) Aging analysis of prepayments is as follows

RMB thousand

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
Within 1 year	**129,130**	**85.51**	105,379	95.29
1 to 2 years	**20,526**	**13.59**	4,410	3.99
2 to 3 years	**578**	**0.38**	245	0.22
Above 3 years	**770**	**0.52**	550	0.50
Total	**151,004**	**100.00**	110,584	100.00

(2) Top five prepayments balances by debtors

RMB thousand

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total prepayments (%)
Company J	Third Party	32,665	21.63
Company L	Third Party	20,029	13.26
Company K	Third Party	10,000	6.62
Company M	Third Party	8,000	5.30
Company N	Third Party	7,964	5.27
Total		78,658	52.08

4. RETAINED EARNINGS

RMB thousand

Items	2018	2017
Undistributed profit at the end of last year	**5,517,441**	3,508,789
Impact on changes in accounting policies	**362,846**	–
Retained profits at the beginning of the year	**5,880,287**	3,508,789
Add: Net profit attributable to shareholders of the parent company for the year	**4,635,584**	2,727,796
Less: Appropriation of statutory surplus reserve	**192,205**	128,092
Dividends payable for ordinary shares	**1,641,542**	591,052
Retained profits at the end of the year	**8,682,123**	5,517,441

5. DIVIDENDS

(1) Implementation of cash dividend distribution policy

The proposal of profit distribution for 2017 was considered and approved at the 2017 annual general meeting of the Company held on 25 May 2018. According to the proposal, the Company distributed a cash dividend of RMB0.076 per share (tax inclusive), totaling RMB1,641.54 million (tax inclusive) for 2017, accounting for 60.18% of the net profits attributable to shareholders of the parent company for the year. The dividend distribution has been completed.

(2) Proposal of dividend distribution

The Board recommended to distribute a final cash dividend of RMB0.11 per share (tax inclusive) for the year ended 31 December 2018 to all shareholders of the Company on the basis of a total number of 21,599,240,583 shares as at 31 December 2018, approximately RMB2,375.92 million (tax inclusive), accounting for 51.25% of the net profit attributable to the listed shareholder for the year. The proposal has considered and approved at the fourth meeting of the fifth session of the board of directors of the Company, and is subject to the approval of shareholders of the Company at the forthcoming annual general meeting ("**AGM**").

The Company will dispatch a circular containing, among other matters, further information relating to the proposed distribution of final dividend and the AGM to shareholders of the Company as soon as practicable.

6. OPERATING REVENUE AND OPERATING COSTS

(1) Operating revenue (by category)

RMB thousand

Items	Amount recognised in the current year Revenue	Amount recognised in the current year Costs	Amount recognised in the prior year Revenue	Amount recognised in the prior year Costs
Principal operating activities	**25,785,919**	**16,010,718**	23,968,550	15,063,082
Other operating activities	**176,944**	**169,529**	179,008	148,859
Total	**25,962,863**	**16,180,247**	24,147,558	15,211,941

(2) Principal operating activities (by product)

RMB thousand

Product name	Amount recognised in the current year Operating revenue	Amount recognised in the current year Operating costs	Amount recognised in the prior year Operating revenue	Amount recognised in the prior year Operating costs
Molybdenum, tungsten and related products	**4,749,130**	**1,888,847**	3,772,287	1,819,355
Niobium and related products	**2,155,536**	**1,508,705**	1,670,082	1,251,484
Phosphorus and related products	**2,821,186**	**2,323,518**	2,834,186	2,462,084
Copper, cobalt and related products	**14,373,798**	**9,172,220**	13,844,637	8,302,166
Copper, gold and related products	**1,458,264**	**1,030,876**	1,663,826	1,145,761
Others	**228,004**	**86,550**	183,532	82,232
Total	**25,785,919**	**16,010,718**	23,968,550	15,063,082

7. FINANCE EXPENSES

RMB thousand

Items	**Amount recognised in the current year**	Amount recognised in the prior year
Interest expenses on bonds	**93,400**	180,002
Interest on discounted commercial notes	**21,962**	13,288
Interest expenses on bank borrowings	**1,335,377**	1,082,931
Total interest expenses:	**1,450,739**	1,276,221
Less: Interest income	**1,037,941**	765,373
Exchange differences	**(248,004)**	389,914
Handing fees for lease of gold	**115,800**	121,560
Expenses on returns pay to BHR Newwood Investment Management Limited ("**BHR**") shareholders	**211,902**	158,391
Others	**150,551**	236,261
Total	**643,046**	1,416,974

8. INVESTMENT INCOME

(1) Breakdown of investment income

RMB thousand

Items	**Amount recognised in the current year**	Amount recognised in the prior year
Income from long-term equity investments under equity method	**69,111**	30,174
Investment income received from other non-current financial assets for the period	**87,157**	2,309
Investment income on disposal of other non-current financial assets	**46,592**	–
Settlement loss on forward foreign exchange contracts	**(590)**	–
Investment income on disposal of available-for-sale financial assets	**–**	122
Investment income (loss) on disposal of financial liabilities held for trading	**–**	76,095
Total	**202,270**	108,699

(2) Investment income (loss) from long-term equity investments under equity method:

RMB '000

Unit under investment	Amount recognised in the current year	Amount recognised in the prior year	Reasons for changes between this year and last year
Luoyang Yulu Mining Co., Ltd.	**114,099**	108,165	Change in net profits of the investee
Luoyang Shenyu Molybdenum Co., Ltd.	**(178)**	(129)	Change in net profits of the investee
Luoyang High Teach Molybdenum Tungsten Materials Co., Ltd.	**(7,066)**	(11,667)	Change in net profits of the investee
Xuzhou Huanyu Molybdenum Co., Ltd.	**(56,494)**	(66,196)	Change in net profits of the investee
Natural Resources Investment Fund	**18,749**	–	Change in net profits of the investee
Total	**69,111**	30,174	Change in net profits of the investee

9. TOTAL PROFIT

The profit for the year has been arrived at after charging:

RMB thousand

	2018	2017
Depreciation	**2,614,789**	2,909,197
Amortization	**1,346,617**	1,736,782

10. INCOME TAX EXPENSES

RMB '000

Items	Amount recognised in the current year	Amount recognised in the prior year
Current income tax calculated according to tax laws and relevant regulators	**2,809,421**	2,302,935
Settlement difference in income tax for the previous year	**45,048**	(12,353)
Deferred income tax adjustment	**(1,014,653)**	(504,380)
Total	**1,839,816**	(1,786,201)

Reconciliation of income tax expenses to the accounting profit is as follows:

	Amount recognised in the current year	Amount recognised in the prior year
Accounting profit	**6,989,857**	5,381,817
Income tax expenses calculated at 15% (2017: 15%)	**1,048,479**	807,272
Tax impact of non-deductible expense	**274,484**	252,732
Tax impact of tax free income/extra deductible expense	**(78,381)**	(156,822)
Tax impact of utilising deductible loss and deductible temporary difference previously not recognized	**(22,241)**	–
Tax impact of unrecognised deductible loss and deductible temporary difference	**14,603**	78,189
Capital interest permitted to be disbursed before tax *(Note 1)*	**–**	(4,486)
Tax impact of non-monetary items *(Note 2)*	**(41,105)**	17,315
Deductible loss formed in tax statement *(Note 2)*	**(154,482)**	–
Impact of different tax rate in subsidiaries in other jurisdictions	**753,412**	804,354
Difference arising on settlement of income tax for the previous years	**45,048**	(12,353)
Total	**1,839,816**	1,786,201

Note 1: Pursuant to the regulations of local tax laws in Brazil, an enterprise may pay capital interest to its shareholders annually, the amount of which may be presented as expense before tax and calculated based on the local long-term deposit rate in Brazil. The subsidiaries of the Group located in Brazil are applicable to such preferential tax.

Note 2: Part of the enterprises of the business in Brazil of the Group are operated under the currency of US dollars. Meanwhile, the tax payment and reporting as well as settlement payment were made in BRL as the accounting currency in accordance with the requirements of local taxation in Brazil. The management made a corresponding recognition of the tax loss in the statement related to BRL as a deferred income tax asset

11. EARNINGS PER SHARE

Net profit for the current period attributable to ordinary shareholders used for calculating basic earnings per share is as follows:

RMB thousand

	Amount recognised in the current year	Amount recognised in the prior year
Net profit attributable to ordinary shareholders for the current period	**4,635,584**	2,727,796

The denominator used for calculating the basic earnings per share, being the weighted average number of outstanding ordinary shares, is calculated as follows:

Thousand shares

	Amount recognised in the current year	Amount recognised in the prior year
Number of outstanding ordinary shares at the beginning of the year	**21,599,241**	16,887,199
Add: Weighted number of ordinary shares issued during the year	**–**	2,159,686
Weighted number of outstanding ordinary shares at the end of the year	**21,559,241**	19,046,885

Earnings per share

RMB/share

	Amount recognised in the current year	Amount recognised in the prior year
Based on the net profit attributable to shareholders of the parent company:		
Basic earnings per share	**0.215**	0.14
Diluted earnings per share	**N/A**	N/A

II. FINANCIAL REVIEW

OVERVIEW

For the year ended 31 December 2018, the net profit of the Group increased from RMB3,595,620 thousand for the year ended 31 December 2017 to RMB5,150,040 thousand, representing an increase of RMB1,554,420 thousand or 43.23%, in which the net profit attributable to the owners of the parent company of the Group for the year ended 31 December 2018 was RMB4,635,580 thousand, representing an increase of RMB1,907,780 thousand or 69.94% from RMB2,727,800 thousand as at 31 December 2017. The increase in profit of the Group was mainly attributable to the year-on-year increase in the market prices of major metal products of the Company such as copper, cobalt, molybdenum and tungsten in 2018, and the year-on-year decrease in financial expenses upon the raise of proceeds from the completion of non-public issuance of A shares by the Company in July 2017.

OPERATING RESULTS

In 2018, the Group achieved an income of RMB25,800 million with its principal businesses due to the increase in the prices of its major products during the period, which led to a year-on-year increase of RMB 1,800 million in operating revenue. For the year ended 31 December 2018, the gross profit of the Group amounted to RMB9,800 million, representing a year-on-year increase of RMB900 million.

The table below sets out the principal business income, cost, gross profit and gross profit margin of our products in 2018:

PRINCIPAL BUSINESSES BY INDUSTRY, PRODUCT AND REGION

Unit: RMB thousand

Principal businesses by industry						
By industry	**Operating revenue**	**Operating cost**	**Gross profit Margin** *(%)*	**Increase or decrease in operating revenue as compared to last year** *(%)*	**Increase or decrease in operating cost as compared to last year** *(%)*	**Increase or decrease in gross profit margin as compared to last year** *(%)*
Non-ferrous metal mining	25,785,918	16,010,716	37.91	7.58	6.29	Increased by 0.76 percentage point

Principal businesses by product

By product	Operating Revenue	Operating cost	Gross profit Margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
Molybdenum and tungsten-related products	4,749,130	1,888,847	60.23	25.9	3.82	Increased by 8.46 percentage points
Copper and gold-related products	1,458,264	1,030,876	29.31	-12.35	-10.03	Decreased by 1.83 percentage points
Niobium-related products	4,976,722	3,832,223	23.00	10.49	3.20	Increased by 5.45 percentage points
Copper and cobalt related products	14,373,798	9,172,220	36.19	3.82	10.48	Decreased by 3.84 percentage points
Others	228,004	86,550	62.04	24.23	5.25	Increased by 6.85 percentage points

Principal businesses by region

By Region	Operating Revenue	Operating cost	Gross profit Margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
China	4,977,134	1,975,397	60.31	25.82	3.88	Increased by 8.38 percentage points
Australia	1,458,264	1,030,876	29.31	-12.35	-10.03	Decreased by 1.83 percentage points
Brazil	4,976,722	3,832,223	23.00	10.49	3.20	Increased by 5.45 percentage points
DRC	14,373,798	9,172,220	36.19	3.82	10.48	Decreased by 3.84 percentage points

PRODUCTION AND SALES VOLUME OF PRINCIPAL PRODUCTS

Principal products	Production volume	Sales volume	Inventory	Increase or decrease of production volume as compared to last year (%)	Increase or decrease of sales volume as compared to last year (%)	Increase or decrease of inventory as compared to last year (%)
Molybdenum: (Tonnes) *(Note 1)*	15,380	18,231	1,862	-8.00	-5.30	-28.93
Tungsten: (Tonnes) *(Note 2)*	11,697	11,159	1,362	-0.40	-7.48	126.25
Copper metal of NPM (Based on 80% of equity interests): (Tonnes)	31,931	31,659	886	-8.54	-9.98	17.98
Copper metal of TFM: (Tonnes)	168,309	171,961	13,280	-21.29	-19.97	-21.57
Cobalt metal: (Tonnes)	18,747	19,390	2,649	14.18	26.52	-19.91
Niobium metal: (Tonnes)	8,957	9,050	1,749	3.26	5.87	-5.05
Phosphates fertilizer (HA+LA): (Tonnes) *(Note 3)*	1,116,342	1,022,874	151,873	-3.14	-10.11	178.86

Note 1: The sales volume includes purchase of molybdenum metal.

Note 2: The production volume refers to the amount of tungsten concentrate metal, and the sales volume and inventory refer to the amount of chemical and smelting products.

Note 3: Phosphate fertilizer refers to the total amount of various phosphorus products.

COMPONENT OF COST OF PRINCIPAL PRODUCTS

Unit: RMB thousand

By Industry

By industry	Component of cost	Amount for the current period	Percentage over total cost for the current period (%)	Amount for the same period last year	Percentage over total cost for the same period last year (%)	Percentage of changes in amount as compared to the same period last year (%)	Explanation
Non-ferrous metal mining	Materials	**7,410,043**	**46.81**	5,827,441	38.93	27.16	
	Labor	**1,600,048**	**10.11**	17,707,147	11.40	-6.27	
	Depreciation	**3,696,336**	**23.35**	4,239,607	28.32	-12.81	
	Energy	**765,587**	**4.84**	766,421	5.12	-0.11	
	Manufacturing fees	**2,356,862**	**14.89**	2,429,984	16.23	-3.01	

By Product

By product	Component of cost	Amount for the current period	Percentage over total cost for the current period (%)	Amount for the same period last year	Percentage over total cost for the same period last year (%)	Percentage of changes in amount as compared to the same period last year (%)	Explanation
Molybdenum and tungsten-related products	Materials	**596,810**	**35.07**	614,380	36.17	-2.86	
	Labor	**296,106**	**17.40**	300,897	17.72	-1.59	
	Depreciation	**157,581**	**9.26**	159,343	9.38	-1.11	
	Energy	**227,576**	**13.37**	240,318	14.15	-5.30	
	Manufacturing fees	**423,537**	**24.89**	383,602	22.58	10.41	
Copper and gold-related products	Materials	**166,253**	**16.88**	210,530	18.14	-21.03	
	Labor	**141,875**	**14.41**	177,817	15.32	-20.21	
	Depreciation	**408,549**	**41.49**	516,398	44.50	-20.88	

By Product

By product	Component of cost	Amount for the current period	Percentage over total cost for the current period	Amount for the same period last year	Percentage over total cost for the same period last year	Percentage of changes in amount as compared to the same period last year	Explanation
			(%)		*(%)*	*(%)*	
	Energy	**131,604**	**13.37**	84,956	7.32	54.91	Increase in electric charge
	Manufacturing fees	**136,381**	**13.85**	170,808	14.72	-20.16	
Niobium and phosphate-related products	Materials	**1,190,151**	**31.25**	1,088,813	28.02	9.31	
	Labor	**596,838**	**15.67**	621,221	15.99	-3.92	
	Depreciation	**587,819**	**15.43**	633,280	16.30	-7.18	
	Energy	**205,660**	**5.40**	206,625	5.32	-0.47	
	Manufacturing fees	**1,228,580**	**32.25**	1,335,802	34.88	-8.03	
Copper and cobalt-related products	Materials	**5,456,829**	**58.46**	3,913,718	47.58	39.43	Increase in cost of purchase
	Labor	**565,229**	**6.06**	607,213	7.38	-6.91	
	Depreciation	**2,542,387**	**27.24**	2,930,587	35.63	-13.25	
	Energy	**200,747**	**2.15**	234,523	2.85	-14.40	
	Manufacturing fees	**568,363**	**6.09**	539,771	6.56	5.30	

SELLING EXPENSES

For the year ended 31 December 2018, the selling expenses of the Group amounted to RMB96,822 thousand, representing a decrease of RMB118,019 thousand or -54.93% from RMB214,841 thousand for the same period in 2017. It was mainly due to a year-on-year decrease of the Group's market consulting fees. The relevant transportation fees were included in the operating cost in accordance with the new income standards, and the data of the corresponding period of last year were not adjusted.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2018, the administrative expenses of the Group amounted to RMB933,346 thousand, representing a decrease of RMB123,954 thousand or -11.72% from RMB1,057,300 thousand for the same period in 2017. It was mainly due to a year-on-year decrease of the Group's consulting and agency fees, and that the research and development expenses were individually listed pursuant to the new format of Financial Statements issued by the Ministry of Finance, while the figures of the same period last year were not adjusted.

FINANCE EXPENSES

For the year ended 31 December 2018, the finance expenses of the Group amounted to RMB634,046 thousand, representing a decrease of RMB773,928 thousand or -54.62% from RMB1,416,974 thousand for the same period in 2017, mainly due to the increase in interest revenue and exchange gains of the Group for the period.

FINANCIAL POSITION

As at 31 December 2018, the total assets of the Group amounted to RMB101,216,117 thousand, comprising non-current assets of RMB62,051,733 thousand and current assets of RMB39,164,384 thousand. Equity attributable to shareholders of the parent company as at 31 December 2018 increased by RMB2,816,191 thousand or 7.39% to RMB40,948,875 thousand from RMB38,132,684 thousand as at 31 December 2017.

CURRENT ASSETS

As at 31 December 2018, the current assets of the Group increased by RMB130,621 thousand or 0.33% to RMB39,164,384 thousand from RMB39,033,763 thousand as at 31 December 2017.

NON-CURRENT ASSETS

Non-current assets of the Group increased by RMB3,272,750 thousand or 5.57% from RMB58,778,983 thousand as at 31 December 2017 to RMB62,051,733 thousand as at 31 December 2018.

SCOPE OF RESTRICTED ASSETS

As at the end of 2018, the bank acceptance bond deposits of the Group amounted to RMB882,340 thousand (opening balance for the year: RMB300,000 thousand), the loan guarantee deposits amounted to RMB1,903,364 thousand (opening balance for the year: RMB1,701,421 thousand), the special security deposits for the mine environment restoration and rehabilitation amounted to RMB39,534 thousand (opening balance for the year: RMB24,421 thousand), and other deposits amounted to RMB500 thousand (opening balance for the year: RMB1,500 thousand).

Save for the above, the Group has no other asset collateral or pledge.

CURRENT LIABILITIES

As at 31 December 2018, the current liabilities of the Group increased by RMB2,475,628 thousand or 18.33% to RMB15,978,735 thousand from RMB13,503,107 thousand as at 31 December 2017.

NON-CURRENT LIABILITIES

As at 31 December 2018, the non-current liabilities of the Group decreased by RMB2,785,558 thousand or 7.25% to RMB35,639,445 thousand from RMB38,425,003 thousand as at 31 December 2017.

Explanation to the balance sheet items

Unit: RMB thousand

Items	**Balance as at the end of the Current period**	**Balance as at the end of the Current period as a percentage of total assets** *(%)*	Balance as at the end of the corresponding period of last year (restated)	Balance as at the end of the corresponding period of last year as a percentage of total assets *(%)*	Change in balance as at the end of the Current period as compared with balance as at the end of the corresponding period of last year *(%)*	Explanation
Interests receivable	**226,187**	**0.22**	656,703	0.67	-65.56	Recovery of the due deposit interest during the period
Long-term equity investments	**2,522,865**	**2.49**	1,136,373	1.16	122.01	Increase in investment in natural resources funds during the period
Other non-current financial assets	**3,906,622**	**3.86**	2,746,900	2.81	42.22	Increase in the equity investments of unlisted companies and medium and long-term wealth management products during the period
Construction in progress	**1,893,822**	**1.87**	950,111	0.97	99.33	Increase in building construction and production process improvement projects during the period
Deferred tax assets	**525,598**	**0.52**	311,683	0.32	68.63	Influence on overseas business from changes in exchange rate during the period
Short-term borrowings	**4,588,153**	**4.53**	1,478,132	1.51	210.40	Increase in loans due to business needs during the period
Non-current liabilities due within one year	**2,929,839**	**2.89**	4,797,816	4.91	-38.93	Repayment of long-term loans due within a year during the period

PENDING LITIGATION

The Group's business within China

On 30 January 2013, the Group received relevant documents from the Luoyang City Intermediate People's Court, Henan Province, notifying that Luanchuan County Yangshuao West Lead Mine ("**Yangshuao**") filed a litigation against a branch of a subsidiary of the Group, Third Mineral Processing Company, for the tailings pond constructed by the branch within its range of mining area. Due to the increase of height of tailings dam, the tailings pond intruded upward and underground water level rose, which caused damages to its mining facilities and equipment and failure of mining project, failure in mining proven Pb-Zn orebody and economic losses to the plaintiff. To this end, the plaintiff requested Third Mineral Processing Company cease infringement and compensate the plaintiff for direct economic losses, approximately RMB18 million and relevant losses in acquirable interests. According to the result of judicial authentication, appraised value of mining rights of Yangshuao involved in this litigation was RMB1.724 million. Currently relevant litigation is still in trial. The Group considered that it was unable to determine the existence of the infringement alleged by Yangshuao according to existing conditions and evidences submitted. To this end, it was deemed as that this litigation would not cast significant effect on the financial position of the Group. Aforementioned claim amount was not accrued in the financial statements as at 31 December 2018.

Copper and cobalt businesses of the Group in the DRC

At the end of 2015, TFM negotiated with Société Nationale d' Electricité of DRC ("**SNEL**") for addressing the effectiveness, power supply quality and power supply capacity of current power supply. According to the revised terms to electric power agreement included in the settlement plan, TFM agreed to, since January 2016, pay the tariff of USD0.0569/kWh (tariff was USD0.0350/kWh in the past), and pay USD10 million as settlement compensation, so as to acquire more continuous power supply from SNEL. As at the date of this announcement, both parties have not signed any formal agreement and negotiation is still in progress. For contingent liabilities regarding this item, TFM has accrued an expenditure of USD10 million in the previous year.

Copper and cobalt salesmen of the Group in the DRC may incur some legal proceedings, claims and liability appeals in their daily operations. The management considered that based on the existing available information, the results of such contingencies would not cast material adverse impact on the financial position, business results or cash flow of relevant business.

Niobium-phosphate business of the Group in Brazil

The Niobium-phosphate business of the Group in Brazil may face various litigations in daily operation activities. According to the available information and professional advices of external legal experts, the management determined the possibility of losing in relevant litigations and thus outflow of economic benefits; outflow of economic benefits was deemed as a contingency due to a low possibility; the results of such contingencies would not cast material adverse impact on the financial position, business results or cash flow of relevant business.

GUARANTEES

As at 31 December 2018, the Group's Northparkes copper and gold mining business in Australia provided guarantees for its related business operations to the government agencies of New South Wales, with a guarantee amount of AUD32.92 million (equivalent to RMB159.22 million). The joint venture of relevant business had agreed that any liability arising out of this business shall be enforced from this guarantee. As at 31 December 2018, no major guarantee responsibility occurred.

GEARING RATIO

Gearing ratio (total liabilities divided by total assets) of the Group decreased to 51.00% as at 31 December 2018 from 53.09% as at 31 December 2017. The decrease in the gearing ratio was mainly due to the contribution from the net profit attributable to owners of the parent Company during the year 2018.

CASH FLOW

As at 31 December 2018, cash and cash equivalents of the Group increased by RMB3,459,286 thousand or 17.49% to RMB23,240,705 thousand from RMB19,781,419 thousand as at 31 December 2017.

For the year ended 31 December 2018, net cash inflow generated from operating activities was RMB9,434,533 thousand; net cash outflow from investment activities was RMB2,397,187 thousand; and net cash outflow generated from financing activities was RMB3,846,449 thousand.

The following table sets forth our cash flow position

Unit: RMB thousand

Item	**Amount of Current Period**	Amount of Prior Period	Change (%)	Explanation
Other cash receipts relating to operating activities	**1,136,281**	654,815	73.53	Deposits interests received in the current period increased over the same period last year.
Taxes and fees paid	**3,876,806**	2,040,127	90.03	Revenue and profit for the period increased over the same period last year, with a corresponding increase in taxes and fees paid.
Cash receipts from disposal or withdrawal of Investments	**6,076,816**	2,002,813	203.41	Structured deposits due at maturing and wealth management products received in the current period increased over the same period last year.
Cash receipts from investment income	**207,157**	93,331	121.96	Dividends from associates and income from wealth management products received in the current period increased over the same period last year.
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets	**2,807,367**	1,066,476	163.24	Payment for acquisition or construction of projects under construction in the current period increased over the same period last year.
Cash paid for other investment activities	**1,065,210**	331,597	221.24	Amount lent to the third parties in the current period increased over the same period last year.

Item	Amount of Current Period	Amount of Prior Period	Change (%)	Explanation
Cash received from absorbing investment	**–**	17,858,633	-100.00	Non-public issuance of A shares was completed in the third quarter of 2017, and capital increase business was not conducted in the current period.
Cash received from other financing activities	**3,013,969**	1,485,196	102.93	Gold lease and notes financing businesses conducted in the current period increased over the same period last year.
Cash paid for other related financing activities	**2,786,560**	9,346,043	-70.18	Acquisition consideration payable to minority shareholders, which was consolidated, was paid in the same period last year, and such business was not conducted during the current period.

CAPITAL STRUCTURE

As at 31 December 2018, the shareholders' equity of the Company was RMB49.6 billion, among which the shareholders' equity attributable to the parent company was RMB40.9 billion. During the year 2018, there was no change in the capital of the Company.

As at 31 December 2018, the issued shares of the Company was 21,599,240,583 shares, including 17,665,772,583 A shares and 3,933,468,000 H shares.

RISK WARNING

1. EXPOSURE TO RISKS RELATED TO PRICE FLUCTUATIONS OF PRINCIPAL PRODUCTS

The revenue of the Company primarily generates from the sale of metals and phosphate products, including electrolytic copper, copper concentrates, cobalt hydroxide, ferromolybdenum, tungsten concentrates, ferroniobium, phosphate fertilizer and other related products. Its operating results are largely subject to fluctuations in the market prices thereof. The NPM copper and gold mine of the Company also has sales of gold as a by-product. Accordingly, the price fluctuations in gold will also have an impact on the Company. Since the fluctuations in the costs of mining and smelting process are relatively insignificant, the Company's profit and profit margin in 2018 are closely related to the price trend of the commodities. Therefore, significant fluctuation in the prices of resource products and gold may cause instability of the operating results of the Company. Particularly, if the prices of resource products record sharp decrease, the operating results of the Company will fluctuate significantly.

Given the relatively significant fluctuations in the prices of copper products and the existence of products in transit, rolling settlement and other factors, the 2016 Annual General Meeting of the Company authorized the Board of Directors to take actions in a timely manner during 2017 and 2019 on the hedging of copper and gold products in line with market conditions, production plans and pursuant to the required procedures of the "Hedging Management System" of the Company, capped at the total annual production volume planned on the basis of equity interests. The Company will deepen market research and adopt appropriate hedging plans to guard against risks related to price fluctuations.

2. EXPOSURE TO RISKS RELATED TO RELIANCE ON MINERAL RESOURCES

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

Technical staff of the Company will regularly review and update the reserve of resources and grade according to the development of resources, and optimize mining schemes and plans, thereby verifying resources of the Company and implementing the best mining plans.

3. EXPOSURE TO RISKS RELATED TO PRODUCTION SAFETY OR NATURAL DISASTERS

The Company engages in the mining business and mineral resources processing, and invested substantial resources to form a relatively complete system of production safety management, risk prevention and supervision, established a sound management system for safe production and continuously push forward the safety standardization management. However, safety incidents cannot be totally avoided. As an enterprise for mineral resource development, large amounts of waste rocks and tailings are produced in the production process. Inefficient management of slag discharge fields and tailing storage facilities may result in disaster in certain area. The Company uses explosives in the mining process. If there are defects in the storage and use of such materials, there may be possible risk of casualties. In addition, tailing storage facilities and slag discharge fields may be damaged if serious natural disaster occurs such as rainstorms or debris flows.

The Company will continue to prevent and control safety risks by formulating and improving safety system, intensifying accountability and assessment in relation to safety and environmental protection, investing more in production safety and environmental protection and promoting standardized safety management. It will improve the prevention and control of safety risk through the formulation and drills of natural disaster emergency plans such as “rainy season” emergency plan and issue of the “Corporate Governance Standard for Tailings and Mineral Residue Management” and other measures applicable to global businesses.

4. EXPOSURE TO RISKS RELATED TO INTEREST RATES

The interest rate risk comes from changes in bank loan rates. The risk of changes in cash flows of financial instruments arising from change in interest rate is mainly related to bank borrowings with floating rates.

The Company has adopted interest rate swaps to hedge against interest rate fluctuations on certain US$- denominated loans, therefore minimizing the impact of interest rate hikes resulting from higher United States interest rates. During 2018, the Company hedged the interest rate risk arising from loans of mergers and acquisitions with an amount of US$1.1 billion through particular interest rate swap.

5. EXPOSURE TO RISKS RELATED TO EXCHANGE RATE

The exchange rate risk exposure of the Company is primarily arising from assets and liabilities held in foreign currencies other than the function currency, and is mainly associated with US$, HK$, EUR, CAD, RMB, BRL, GBP, CDF and AUD. All principal business operations of domestic subsidiaries are denominated and settled in RMB; the principal business operations of subsidiaries of the Group in Australia are mainly denominated and settled in AUD or US$; the niobium and phosphates businesses of the Group in Brazil are mainly denominated and settled in US$ and BRL; and the copper and cobalt business of the Group in the DRC is mainly denominated and settled in US$ and CDF. Therefore, the exposure of the Group to changes in exchange rates is not significant, as its foreign currency transactions mainly comprise the financing activities of subsidiaries in mainland and Hong Kong which are denominated and settled in US$, the operational activities of subsidiaries (whose functional currency is US$) Australia which are settled in AUD, the operational activities of subsidiaries (whose functional currency is US$) in Brazil which are settled in BRL (Brazil) and the operating activities of subsidiaries (whose functional currency is US$) in the DRC which are settled in CDF.

The exchange rate risks arising from assets and liabilities with balances denominated in foreign currencies may affect the operating results of the Company. The Company has paid close attention to the effect of the changes in exchange rates, and made use of financial instruments, such as forward foreign exchange contracts to hedge against foreign exchange rate risk in due course. The Company currently has had certain hedging arrangements for the exchange rate risk of BRL133.91 million and EUR160 million relating to daily operation.

6. EXPOSURE TO RISKS RELATED TO POLICY

The primary operation of the Company is distributed in countries and regions including China, DRC, Brazil and Australia. As there is major discrepancy in state politics and economy development level among different countries and there are major risks relating to policy implementation and adjustments in developing countries and underdeveloped countries, such as state macroeconomic control policies, foreign exchange administration policies, industry policies and tax policies in operating countries.

In 2018, the DRC government introduced the new law for mining industry and its implementation regulations, involving substantial changes on equity funds, financial tax policies and foreign exchange management policies. Even though the DRC government is willing to continue carrying out discussion and negotiation in respect of the above matters, failure of reaching consensus through negotiation will still incur significant impact on the operation of the Company in the future.

The Company maintains close communication with government authorities in each of its business operating areas and pays attention to changes in political and economic circumstances in relevant countries so as to improve its ability in preventing and responding to policy risks.

7. EXPOSURE TO RISKS RELATED TO POLITICS

TFM operated by the Company is located in the DRC, which is one of the underdeveloped countries in the world with social problems that cause public concern. If the political and security situation of the DRC deteriorates in the future, it will cause adverse effects on the production and operation of the Company. The foreign assets operational philosophy of the Company underlines positive relations with local government, communities and social organizations. As the political ties between China and the DRC stabilize and draw ever closer, outbound investments into the DRC have been encouraged by the China government and have become a trend. To further reduce potential economic losses of the Company incurred by relevant risks in operations, the Company has purchased overseas equity investment insurance for the DRC project from China Export & Credit Insurance Corporation. The insured investment includes: paid-up capital, retained profit and investment for equity acquisition. The insured risks include: foreign exchange restrictions, confiscation, war and political riots.

8. EXPOSURE TO RISKS RELATED TO OPERATIONS OF OVERSEAS ASSETS

Through operating the NPM copper and gold mine in Australia, the Company has accumulated certain experience in operation and management of overseas mineral resources, which serves as the reference for successful mining operations in Brazil and the DRC; however, significant differences of operational environments and business attributes in different countries are likely to pose material challenges to asset operation and management in Brazil and the DRC. As the Company quickens its pace of internationalization, the expansion of its scale also increases the difficulty in corporate management and operations, including higher requirements of organizational structure, competence of the management team and professionalism of the staff. As such, the Company may be affected to a certain degree by the shortage of talents.

The Company actively introduces a talent team with extensive industry operation experience and international management capabilities, organizes a new team of senior management personnel with rich industry experience and international management level, and reconstructs domestic and overseas business structure of management and control in order to achieve efficient governance of the Company's global business and reduce operational risks.

EMPLOYEES AND PENSION PLAN

As at 31 December 2018, the Group had approximately 10,900 full-time employees, classified as follows by function and department:

Department	Employees	Proportion
Management & administration	1,571	14.40%
Quality control, research and development	1,540	14.10%
Production	6,777	62.20%
Finance, sales and other support	1,012	9.30%
Total	10,900	100%

The remuneration policy for the employees of the Company principally consists of a salary point and performance remuneration system, based on employees' positions and responsibilities and their quantified assessment results. The employees' remuneration is evaluated in line with the Company's operating results and personal performance in order to provide a consistent, fair and equitable remuneration system for all employees. The subsidiaries of the Company domiciled in China participate in the social insurance contribution plans introduced by China's local governments. In accordance with the laws and regulations regarding the national and local labor and social welfares in China, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, health insurance, unemployment insurance and housing provident fund, etc. Pursuant to current applicable local regulations in China, the percentages of certain insurances are as follows: the pension insurance, health insurance, unemployment insurance, maternity insurance, work injury insurance and the contribution to housing provident fund of our Chinese employees represent 19%, 7%, 0.7%, 0.5%, 0.2% to 0.95% and 5% to 12% of his or her total basic monthly salary respectively. In accordance with applicable PRC regulations, the Company currently participates in pension contribution plans organized by the governments. The overseas employees are enrolled in pension and/or healthcare plans under the requirement of the laws in the countries where they reside.

ANALYSIS ON MAJOR SUBSIDIARIES

(1) Major Subsidiaries

Company name	Principal products	Registered capital	Total assets *(RMB thousand)*	Net assets *(RMB thousand)*	Operating income *(RMB thousand)*	Net profit attributable to owners of the parent company *(RMB thousand)*
CMOC Mining Pty Limited	Copper and gold related products	US$346 million	5,696,398	2,830,616	1,474,194	211,976
CMOC DRC Limited	Copper and cobalt related products	HK$1	46,499,806	12,411,852	14,373,798	1,758,612
Luxembourg SPV	Niobium and phosphates related products	US$20,000	13,901,648	4,170,621	4,816,601	514,375

RESOURCE AND RESERVES

As at 31 December 2018, the ore resources and reserves of the Company were as follows:

Name of mine	Main category	Resources *(million tonnes)*	Grade	Recoverable reserve *(million tonnes)*	Grade	Annual production *(million tonnes)*[4]	Remaining exploitable years of resources[1]	Validity period of the exploration right/ License
Sandaozhuang Molybdenum and Tungsten Mine	Molybdenum	468.33	0.100%	244.76	0.104%	20.18	12	2 years
Sandaozhuang Molybdenum and Tungsten Mine	Tungsten	468.33	0.092%	224.76	0.122%	/	12	/
Shangfanggou Molybdenum Mine[2] [5]	Molybdenum	463	0.139%	41.22	0.181%	0	45	15 years
Xinjiang Molybdenum Mine[3] [5]	Molybdenum	441	0.115%	141.58	0.139%	0	38	26 years
NPM copper and gold mine in Australia	Copper	605.0	0.55%	140.27	0.55%	6.48	22	10–18 years
NPM copper and gold mine in Australia	Gold	605.0	0.19(g/t)	140.27	0.21(g/t)	/	22	
TFM in the DRC	Copper	824.6	2.95%	177.7	2.4%	5.31	34	7–16 years
TFM in the DRC	Cobalt	824.6	0.29%	177.7	0.33%	/	34	
Brazil Mine area I	Niobium	144.2	1.08%	48.3	0.99%	2.27	21	Until completion of exploration in the mine
Brazil Mine area II	Niobium	458.7	0.22%	209.1	0.34%		37	Until completion of exploration in the mine
Brazil Mine area II	Phosphate	458.7	11.22%	209.1	12.23%	5.64	37	Until completion of exploration in the mine

Notes:

(1) Calculation of remaining exploitable years of resources: calculated by dividing the recoverable reserve in the mine under exploration at the end of 2018 by the actual production scale (annual production volume) in 2018. Update on the reserve and changes in the actual production scale (due to technology, equipment, etc.) will affect the changes in the remaining exploitable years of resources of the Company. The remaining exploitable term of resources of Shangfanggou and Xinjiang Molybdenum Mine is the term of design and service.

(2) The Shangfanggou molybdenum mine is owned by Luoyang Fuchuan Mining Co., Ltd., a joint venture of the Company. Its shareholding structure as at the date of this announcement is as follows: a 10% equity interest of which is owned by Luanchuan Fukai Business and Trading Company Limited (欒川縣富凱商貿有限公司), a wholly-owned subsidiary of the Company and a 90% equity interest of which is owned by Xuzhou Huanyu Molybdenum Industry Co., Ltd. (徐州環宇鉬業有限公司) ("**Xuzhou Huanyu**"), a joint venture of the Company (the Company holds a 50% equity interest in Xuzhou Huanyu and Luoyang Guo'an Trade Co., Ltd. (洛陽國安商貿有限公司) holds a 50% equity interest in Xuzhou Huanyu).

(3) Resources and reserves of mines are measured under the standard of the Joint Ore Reserves Committee (聯合礦山儲量委員會) ("**Joint Ore Reserves Committee**"), except for those of Xinjiang Molybdenum Mine that are measured under the PRC standard. The above ore resources include reserve and both have been confirmed by internal expert of the Company.

(4) The annual production volume above were the actual ore consumption (processing volume) during 2018, excluding comprehensive utilization amount of tailings.

(5) During 2018, no mining activities were conducted in Xinjiang Mine and Shangfanggou Mine.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

(I) Exploration

TFM Mine in the DRC:

During 2018, the main exploration activity of the Company was around the Dipeta Syncline and the Fungurume 88 deposits to develop the sulfide resource for underground mining. Some limited greenfield exploration was also conducted in the Mambilima Dome, Union Miniere Sept and Kamakonde areas. The Pumpi and Shinkusu deposits were drilled at the same time for exploration and infill programs. Total diamond drilling for the second half of 2018 was 74,038m of core drilling (58,962m of exploration and 20,744m of 15,076m of infill). The annual total of core drilling is 145,673m (114,394m of exploration and 31,279m of infill). The Kwatebala shaft was fully rehabilitated and sinking toward the -200m level has started from the -130m level.

Niobium and Phosphate Mine in Brazil:

Regarding brownfield activities to support Long Term mine planning, the Company performed drilling in the Boa Vista Mine, drilling and geophysics surveys in Chapadão Mine. The 2018 drilling campaign in the Boa Vista Mine were started in September and finished in December with 3 diamond drill holes in the southern portion of the mine, totalizing 2,420.20 meters using 2 drill rigs. In the Chapadão Mine drilling campaign, the Company performed 68 diamond drill holes totalizing 7,776.35 meters using 2 drill rigs in the Fundo de Mina, Depósito de Esteril Antigo and FFG-04 areas. In terms of geophysics studies in Chapadão Mine, the Company surveyed 6 lines totalizing 16.44 kilometers of eletro-resistivity method in the FFG-04 and MCG-01 Areas to identify rock/soil contacts, main fractures and hard material bodies signature, and performed density measurements using gamma-gamma method in 8 drill holes totalizing 927.00 meters in FFG-04 Area.

Regarding greenfield activities to support Mineral Research, the Company submitted reports to Agencia National de Mineracao ("**ANM**") (Brazilian National Mining Agency), and conducted geophysics surveys and visit of new opportunities/projects. In terms of Mineral Rights, the Company delivered two Partial Report for ANM areas 860.205/2015 (DGF-007) and 861.461/2015 (FFG007/B) to ask 3 more years of mineral research in these areas near to CMOC Brazil Operations in Goias State. The geophysical activities performed in Britânia target included data acquisition of 30.95 kilometers of terrestrial magnetometry method. About new opportunities/ projects, five new areas were visited to check development potential for: niobium, tantalum, rare earth elements, vanadium and titanium grades.

Mines in the PRC:

No exploration activities were conducted in Sandaozhuang molybdenum/ tungsten mine, Shangtanggou molybdenum/ iron mine and Xinjing molybdenum mine during 2018.

NPM Copper and Gold Mine in Australia:

Surface and Underground drill programs were completed in the second half of 2018 focused on the mining lease ML1247, with some Aircore drilling completed in December 2018, on EL5801. A total of 12,635m were completed during the second half of 2018 consisting of 5,078m of Surface Diamond core (DD), 4,483m of UG diamond core (DD), 1,888m of reserve circulation (RC) and 1,186m of Aircore (AC). Drilling focused on near mine targets MJH, Nerrad and Hendrix, with the AC drilling on early stage exploration at Mascot and Beechmore.

(II) Development

TFM in the DRC

Mine Development focused on work for the KT2 (tailings expansion) project, continuation of dewatering drilling, and completion of haul road construction and clearing and grubbing required for opening the Pumpi region and for continuation of mining in Mambilima and Kansalawili. Contract bids have been received for most 2019 earthwork; the Company will enter into contracts as soon as possible for continuation of work.

Brazil Niobium and Phosphates Mine

Regarding grade control activities to support mining plan, in the Boa Vista Mine, the Company conducted 899 drill holes with Reverse Circulation (RC), totalizing 26,315 meters drilled. In the Chapadão Mine, the Company performed 25 drill holes with Reverse Circulation (RC), totalizing 750 meters drilled. In terms of infrastructure, in the Boa Vista site a new crushing station was built in September 2018. None infrastructure was built in the Chapadão site.

Mines in the PRC

During 2018, the Company did not have any development activities in Sandaozhuang Mine, Shangfanggou Mine and Xinjiang Mine.

NPM Copper and Gold Mine in Australia

Development of the E26 SLC third level (9700mRL) was completed in May 2018, while development of the fourth level (9670mRL) commenced in March 2018 and continued throughout the year. Development rates higher than planned were achieved through the year (completion of this level has been realized in January), allowing the development team to transit to E26L1N. For the full year 26,147m of drilling was completed consisting of 9,887m Surface DD, 4,483m UG DD, 6,430m RC, 5,347m AC.

EXPLORATION, DEVELOPMENT AND MINING EXPENSES OF THE COMPANY

For the year ended 31 December 2018, the summary of the expenditures of exploration, development and mining activities of the Company is as follows:

(1) Domestic segment mining expenses: The mining expenses of Sandaozhuang Mine amounted to RMB465.42 million; (Note: ore processing is not included)

(2) Overseas segment mining expenses (in US$ Million) are stated as follows:

Project	Exploration	Development	Mining
Niobium Mine	0.52	1.62	20.74
Phosphates Mine	1.47	53.44	15.87
TFM Copper and Cobalt Mine	37.00	38.00	269.00
NPM	4.10	9.22	36.70
Total	43.09	102.28	342.31

III. MARKET REVIEW

For the year ended 31 December 2018, the Company generated revenue mainly from the sales of copper, cobalt, molybdenum, tungsten, niobium, phosphates and other relevant products. The Company's results are largely subject to the fluctuations in the prices of the above resources. At the same time, NPM of the Company also has sales of gold as a by-product. Accordingly, the fluctuation of the prices in gold would also have an impact on results of the Company.

MARKET PRICES OF MAJOR PRODUCTS OF THE COMPANY FOR THE YEAR OF 2018

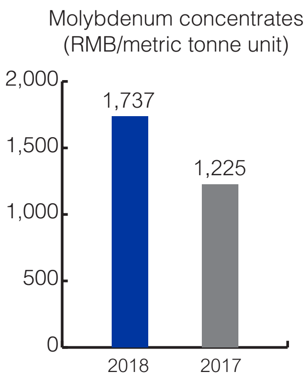
Products		Domestic market price of the relevant products of the Company		
		2018	2017	**Increase/ decrease on a year-on-year basis** *(%)*
Molybdenum	Molybdenum concentrates *(RMB/metric tonne unit)*	**1,737.00**	1,225.00	41.80
	Ferromolybdenum *(RMB0'000/tonne)*	**12.02**	8.61	39.61
Tungsten	Black tungsten concentrates *(RMB/metric tonne unit)*	**1,629.23**	1,378.00	18.21
	APT *(RMB0'000/tonne)*	**16.80**	13.86	21.21

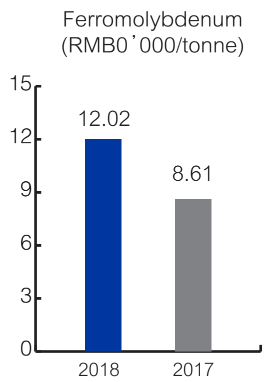
Note: The prices of relevant products in the above table are extracted from relevant domestic websites.

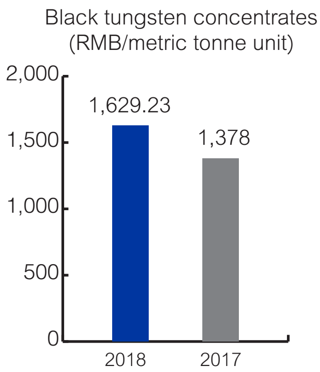
Products		International market price of relevant products of the Company 2018	2017	Increase/ decrease on a year-on-year basis (%)
Molybdenum	Molybdenum oxide *(US$/pound)*	**11.96**	8.21	45.68
Copper	Copper cathode *(US$/tonne)*	**6,525.68**	6,190.00	5.42
Cobalt	Cobalt metal *(US$/pound)*	**36.68**	27.06	35.55
Phosphate	MAP *(US$/tonne)*	**435.00**	367.00	18.53

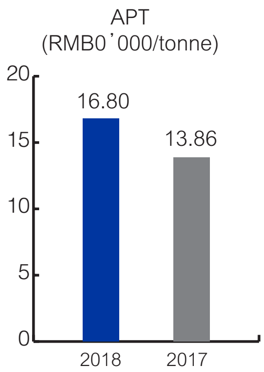
Note: The above prices of copper cathode are from LME Cash Ask Close Price, and the prices of metal cobalt are from (Fastmarkets) MB Low Grade Cobalt Price. The price of Phosphates fertilizer is the average price of Brazil MPA calculated by CRU.

DOMESTIC MARKET PRICE OF RELEVANT PRODUCTS OF THE COMPANY

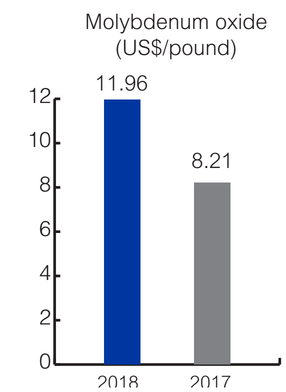


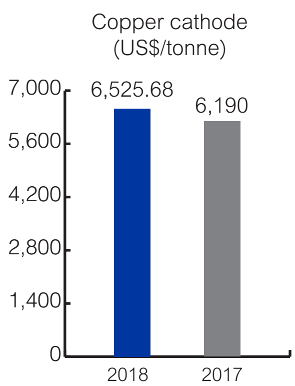


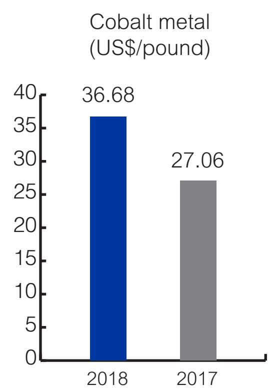


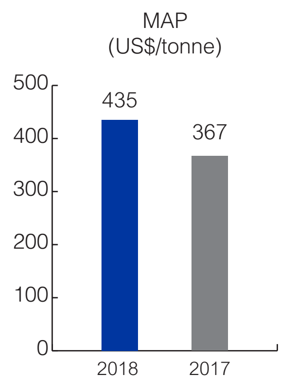


INTERNATIONAL MARKET PRICE OF RELEVANT PRODUCTS OF THE COMPANY









MARKET REVIEW ON EACH METAL SEGMENT IN 2018

(1) Copper market

The Company sells both copper concentrate and copper cathode to the international markets. Driven by emerging markets including China, global demand for copper achieved a steady growth in 2018, around 3% increase on a year-on-year basis, according to the estimation made by Wood Mackenzie, in its Long-term Copper Outlook Q3 2018. Due to the demand growth and in anticipation of potential supply disruptions caused by labor negotiations, copper price maintained their positive momentum in 2018.

As China accounts for approximately 50% of global refined copper consumption, the change in demand is crucial to the supply and demand of copper in the world. China continued the investment in primary smelting capacity, with TC/RC (treatment and refining charges for processing concentrates) declining to the lowest level in the last five years, while the demand for copper concentrates was robust. In the first half of 2018, the overall sentiment was strong in copper markets, with LME copper price reaching a high of $7,348/tonne in early June.

In the second half of 2018, however, several factors including US and China trade dispute escalation, Chinese economy's slowdown and the potential rise on US dollar interest rate brought about the uncertainty of the global economic growth and negatively impacted the market sentiment. The copper prices began to decrease, with LME cash settlement price at the end of 2018 at $5,965/tonne ($2.71/lb.), 17% lower than the beginning of the year.

(2) Cobalt market

The Company is the second largest cobalt producer in the world and a major raw material supplier. After the LME cash settlement price hit a record high of $44.45/lb. In April 2018, the price of cobalt fell sharply due to strong competition in the cobalt chemicals sector as a result of an increase in the smelting capacity in China, and an oversupply in the primary market for cobalt concentrates and intermediate products. The LME cash cobalt price finished the year at $25.17/lb. In 2018, the Metal Bulletin standard grade benchmark, which moved comparably to the LME, reached a peak of $43.70/lb at the end of April, and receded to a close price of $26.50/lb at the end of 2018, representing a decline of 39% from the peak price. Demand for cobalt is expected to remain strong in the future due to the strong demand in EV market.

(3) Molybdenum market

The major molybdenum product of the Company is ferromolybdenum, which is sold mainly in the domestic market. Although the steel sector has been affected by the supply-side reform and normalized environmental supervisions in 2018, annual output of stainless steel increased by 7.3% to 27.65 million tonnes, and the profitability of steel enterprises reached a new high record in recent years. As the molybdenum supply continued to shrink while downstream demand continued expansion, overseas molybdenum market also presented a fluctuating upward trend. In 2018, domestic molybdenum market was first seen rising but was then repressed, evidencing a fluctuating upward trend. Affected by a retracted production volume of molybdenum mines for maintenance and steel plants stocking up before the Lunar New Year, domestic molybdenum market carried on its upward trend from 2017 at the beginning of the first quarter. In late March, although market supply of molybdenum concentrate tightened, total amount of tender of steel plants also diminished, which made molybdenum smelting enterprises face severe pressure and the ferromolybdenum market evidenced a fluctuating downward trend. In the second quarter, the amount of tender for steel plants remained at a high level, but the supply of molybdenum concentrate continued to increase during the same period. In the third quarter, there was a serious imbalance between supply and demand as a result of factors such as environmental supervision and high temperature monsoon season, output of major domestic mines declined significantly with unstable output quality caused by the shutdown for maintenance of large-scale mines, the price of domestic molybdenum products increased rapidly in the third quarter, and the price of ferromolybdenum reached its peak price of about RMB140,000/tonne in the last five years in mid-November. Afterwards, the market curbed and the demand was sluggish, while the market supply increased, the market price of molybdenum products dropped to around RMB110,000/tonne at the end of the year.

In 2018, the average price of molybdenum concentrate was RMB1,737/metric tonne unit, representing an increase of 41.80% as compared with the same period last year. The lowest price was RMB1,450/metric tonne unit, and the highest price was RMB2,010/metric tonne unit. The average price of ferromolybdenum was RMB120,200/tonne, representing an increase of 39.61% as compared with the same period last year. The lowest price was RMB100,000/tonne, and the highest price was RMB143,000/tonne.

The average MW price of molybdenum oxide in 2018 was US$11.96/pound of molybdenum, representing a year-on-year increase of 45.68%. The lowest price was US$10.50/pound of molybdenum, and the highest price was US$13.10/pound of molybdenum.

(4) Tungsten market

Major tungsten products of the Company are tungsten concentrate and ammonium paratungstate (APT), which are sold mainly in the domestic market in China. In 2018, operation rate of the mines slightly declined, as affected by domestic environmental protection requirement and high mining cost. Due to a tightened supply of concentrates after the Lunar New Year, market price of tungsten raised in the first quarter. In the second quarter, due to the expected increase in tariffs caused by Sino-US trade friction, demand for tungsten products from international market increased, and the price of the entire tungsten industry chain began to rise gradually. In the third quarter, with the end of China's environmental supervision, incongruity between supply and demand began to ease, and the domestic tungsten market price declined rapidly. Due to the sluggish domestic short-term demand, the tungsten market had not seen apparent recovery in the fourth quarter despite a portion of the international market demand recovered at the end of the third quarter.

In 2018, the average domestic price of 65% black tungsten concentrates was RMB105,900/tonne, representing a year-on-year increase of 18.21%. The lowest price was RMB95,000/tonne, and the highest price was RMB113,000/tonne. The average price of APT was RMB168,000/tonne, representing a year-on-year increase of 21.21%. The lowest price was RMB150,000/tonne, and the highest price was RMB182,000/tonne.

According to the data of Metal Bulletin, the average price of APT in the European market in 2018 was US$312.76/metric tonne unit, representing a year-on-year increase of 28.55%. The lowest price was US$270/metric tonne unit, and the highest price was US$354/metric tonne unit.

(5) Niobium market

The Company is the second largest producer of ferroniobium in the world. The steel industry is the largest consumer of niobium, with ferroniobium accounting for 90% of the total demand. In 2018, the global ferroniobium demand remained strong, driving Brazilian export volumes up by 17% as compared to the same period last year. In 2018, the most significant increase in ferroniobium trade volumes occurred in China, which imported a record volume of material, increasing by nearly 50% as compared with 2017. Demand for ferroniobium increased significantly as the steel manufacturing industry remained strong during the year, the global steel production increased by 5% on a year-on-year basis, led by China which increased by almost 7% and by the U.S. which increased by approximately 6% on a year-on-year basis. Moreover, the changes to the rebar standards in China also increased the demand for both niobium and vanadium and drove the substitution from vanadium containing steel grade to niobium containing grades to the extent possible due to the high price of vanadium.

(6) Phosphates market

Brazil is one of the world's main producers and exporters of agricultural products, including soybeans, corn, sugarcane, coffee, orange, beef and chicken. With high demand for fertilizers, Brazil is the fourth largest fertilizer consumer in the world, with annual demand significantly exceeding its domestic production capacity. Mono-ammonium phosphate ("**MAP**") and single superphosphate ("**SSP**") are the main high- and low-concentrated phosphate fertilizer products in the Brazilian market, respectively.

In 2018, Brazilian grain production reached 238 million tonnes, representing a growth of 4.6% over 2017. Such increase in grain production led to an increase in fertilizer demand in Brazil. Brazilian phosphate demand remained healthy despite a less favorable barter ratio (the ratio of fertilizer cost relative to crop commodity prices), driven by a combination of currency devaluation (increasing Brazilian farmers profitability) and a premium paid to Brazilian soybeans in international market (as consequence of US-China trade war). According to market analysis, phosphate (MAP + GTSP + DAP + SSP) demand in Brazil reached 12.4 million tonnes in 2018, higher than 12 million tonnes in 2017. Imports remained robust and are the major source of phosphate supply to Brazilian market.

In 2018, some major Brazilian exporters were imposed export limitation to the international market, which underpinned a price recovery for phosphate products of Brazil to around $460/tonne (MAP CFR) levels in September, representing an increase in approximately 26.72% as compared with $363/tonne in the same period of 2017. Average MAP CFR pricing in 2018 was $435/tonne, representing an increase in approximately 18.53% as compared with $367/tonne in 2017.

IV. BUSINESS REVIEW

1. Copper and cobalt sector

During the reporting period, TFM Copper and Cobalt Mine achieved a production volume of 168,309 tonnes of copper metal with C1 cash cost of negative US$0.31 per pound, and it achieved a production volume of 18,747 tonnes of cobalt metal.

2. Molybdenum and tungsten sector

During the reporting period, the Company achieved a production volume of molybdenum metal of 15,380 tonnes, with the unit cash production cost being RMB64,467/tonne, and achieved a production volume of tungsten metal of 11,697 tonnes (excluding Luoyang Yulu Mining Co., Ltd.), with the unit cash production cost being RMB21,937/tonne.

3. Niobium and phosphate sector

During the reporting period, the business conducted in Brazil achieved a production volume of phosphate fertilizer (high concentration fertilizer and low concentration fertilizer) of 1,116,342 tonnes and niobium metal of 8,957 tonnes.

4. Copper and gold sector

During the reporting period, where calculated based on 80% of equity interests, NPM copper and gold mine achieved a production volume of copper metal of 31,931 tonnes, with C1 cash cost of US$1.08 per pound, and it achieved a production volume of 25,324 ounces for gold.

2018 OPERATION REVIEW

Along with the continued recovery in the economy of developed countries led by the U.S., the 2017 supply-side reforms and industrial structure adjustment of China, being a country with the colossal demand it has to a great extent brought about a new round of reallocation towards the supply-and-demand of the metal market, the demand and supply patterns encountered fundamental change. The average price of commodities (led by copper) and minor metals (led by molybdenum, tungsten, cobalt and niobium) represented a year-on-year improvement. The overall operating results of the Company continue to improve:

1. **Expanding industry chain, developing synergies, and reinforcing its right of speech and influence in the industry**

During the year 2018, the Company signed the agreement to acquire 100% equity interest of IXM B.V.. IXM has been engaged in the procurement, mix, export, transportation and trade of copper, zinc, lead concentrate, blister copper and refined basic metals. The products are mainly sold to Asia and Europe. The acquisition of IXM will help the Company improve its international competitiveness, and its position and influence in the global resources market. IXM's advanced metal procurement, mix, transportation and trade service system will help the Company expand its business scope, develop new growth engines and follow the supply-demand adjustments in the industry, therefore extending the industry chain and creating synergy for existing businesses. At present, the project has been filed to the Ministry of Commerce, the National Development and Reform Commission, reviewed and approved by some countries for antitrust. The acquisition is being steadily promoted.

2. **Optimizing governance structure of the Company and improving operation and management efficiency**

2018 was a year of management improvement. The optimization and re-establishment of the governance structure of the Company and the improvement of the operation efficiency and capability laid the foundation for consolidating the industry competitiveness of the Company. During the year 2018, the Company completed the change and adjustment of the Board of Directors, Supervisory Committee and senior management team, building a more pragmatic, efficient and internationalized governance and management team. Guided by the corporate strategic development objective, it adjusted and re-defined duties and functions of the committees under the Board of Directors to strengthen the governance foundation of the Company in sustainable development, corporate governance and risk management. Guided by the 16-character corporate culture of "meritocracy, cost control, continuous improvements and to share the achievements", the Company made continuous efforts to promote global management and healthy development.

3. **Promoting the integration and development of technology, process and management in its business sectors and enhancing the industry competitiveness based on the technology innovation**

The Company strengthened the integration and exchange of each operation sectors in the aspects of talents, technology and management, realizing synergetic business development through integration, and sharing technology and overcoming bottleneck in exchange. During 2018, the Company has implemented a series of technology and process reformation projects to achieve the long-term improvement of operation efficiency and continuing cost optimization. For instance, the molybdenum grinding system optimization project in the PRC improved grinding efficiency and offset the impact of grade decrease, and the Company intended to promote this technology's application in the molybdenum beneficiation business. The APT expansion project was successfully put into operation. Through the cobalt dryer system and the copper and cobalt blending optimization project, the TFM copper and cobalt mine realized cost reduction and maximum benefits. The business in Brazil took advantage of technical means to improve the recovery rate of niobium and promoted the feasibility study of polymetallic recovery; NPM in Australia implemented E26 mine development and expansion plans, effectively curbing grade decrease and reducing production costs.

4. **Practicing the concept of sustainable development and constantly improving safety and environmental management**

The Company strives for constant enhancement and improvement in the field of sustainable development while coordinating operations of production. The Company keeps on reinforcing technological innovations, optimizations and re-establishment of work flows for the purpose of cost reduction. Meanwhile, we make more investment in production safety, environmental protection and the community, achieving sound development in areas of production, safety and environment. Our environmental and sustainability team is composed of experienced domestic and international experts in the mining industry. The Company also formulated the development roadmap for the coming years which clarified the goals and timetables of all levels in the company. Unswervingly undertaking its social responsibility, the Company realizes harmonious and win-win situation of production activities and the environment, safety and its employees, shares the achievements of development with investors, residents in the community and the government, and put the sustainable development concepts of the Company into practice.

5. Continuous enhancement of Party building and anti-corruption and providing great support to production and operation

The Company initiated publicity and education of "Two Studies and One Action", and promoted in-depth development of such party building study activity. The Company strictly executed participation and supervision system of major sensitive issues, clearly defined the inspection responsibility of grass-root disciplinary organization, and launched the campaign of "work by heart, serve the grass-root units" promotion year to further raise awareness and concept of working by heart and serving the grass-root units and improve the delicacy management level.

MATERIAL EVENTS

(I) Acquisition of 100% equity interests of IXM

On 4 December 2018, CMOC Limited ("**CMOC Limited**"), a wholly-owned subsidiary of the Company, and New Silk Road Commodities Limited ("**NSR**"), a wholly-owned subsidiary of NCCL Natural Resources Investment Fund LP, entered into a share purchase agreement. Pursuant to such agreement, CMOC Limited agreed to purchase the 100% equity interests of New Silk Road Commodities SA, which in turn holds the 100% equity interests of IXM (formerly known as Louis Dreyfus Company Metals B.V), from NSR with a consideration of US$495 million plus an agreed final net profits.

At the date of this announcement, the above transaction has received filing approvals from the China's National Development and Reform Committee (NDRC) and Ministry of Commence (MOC) and has also received anti-monopoly approvals from Korea, Turkey, Brazil, the PRC and the U.S., but are still subject to approvals by the shareholders meeting, anti-trust review of the European Union and the relevant regulatory authorities, and upon satisfaction of certain conditions precedent. Please refer to the relevant announcements published by the Company for the relevant details.

(II) Acquisition of 24% minority equity interests in TFM

On 14 April 2017, the Company convened the 2017 first extraordinary general meeting to consider and approve the "Resolution in relation to Seeking a Mandate from the Shareholders to Authorise the Board with Full Discretion to Deal with the Investment Cooperation between the Company, BHR and its Shareholders or the Shareholders of its Shareholders at the Tenke Fungurume Mining Area" (《關於提請股東大會授權董事會全權處理公司與BHR Newwood Investment Management Limited(以下簡稱"BHR")及其股東或上層投資人就Tenke Fungurume礦區投資進行的合作事宜的議案》). The general meeting of the Company authorized the Board with full discretion to deal with the investment cooperation at the Tenke Fungurume mining area.

On 18 January 2019, CMOC Limited and BHR entered into the Share Purchase Agreement. Pursuant to the agreement, CMOC Limited purchased 100% equity interests in BHR Newwood DRC Holdings Ltd. from BHR, with a consideration of US$1,135,993,578.71. After the transaction is completed, CMOC Limited will hold 100% equity interests of TF Holdings Limited through BHR Newwood DRC Holdings Ltd. and CMOC International DRC Holdings Ltd., an indirect wholly-owned subsidiary of the Company, and will further control a total of 80% equity interests in TFM, which owns the Tenke Fungurume Mining Complex.

At the date of this announcement, the above transactions were approved by and have filed with MOC. Please refer to the relevant announcements published by the Company for the relevant details.

(III) Issuance of US Dollar denominated bonds

Pursuant to "the proposal in respect of seeking authorization from the shareholders' meeting of the Company to the board of directors of the Company for issue of debt financing instruments" considered and approved by the 2017 annual general meeting, the first extraordinary general meeting of the fifth session of the Board of the Company has determined to approve CMOC Capital Limited (being a wholly-owned subsidiary) to issue oversea bonds to qualified foreign institutional investor.

As at 1 February 2019, the Company issued USD0.3 billion bonds; the annual interest rate being 5.48%; interest is paid semi-annually; the bond maturity date is 1 February 2022. The issuance of US dollar bonds was listed on The Stock Exchange of Hong Kong Limited on 4 February 2019.

Please refer to the relevant announcements published by the Company for relevant details.

(IV) Large-scale tax cuts in the PRC

According to the Notice of Policies in Relation to the Deepening of Value-added Tax Reforms issued by Ministry of Finance of the People's Republic of China, State Administration of Taxation and General Administration of Customs on 21 March 2019, since 1 April 2019, the tax rate of 16% and 10% originally applicable to general value-added tax ("**VAT**") taxpayers' value-added tax taxable sale or import of goods shall be adjusted to 13% and 9%, respectively.

Current VAT on major domestic products of the Company is 16%, as an upstream industry in the manufacturing sector, the Company will enjoy fully the tax-cut dividends.

V. PROSPECTS

(1) Copper market

Demand for copper is expected to rise modestly during 2019 while lower supply-side growth forecasts should support pricing. Commodities analyst Wood Mackenzie estimates that total global refined consumption will increase by 2.5% in 2019. This global growth estimate, against a supply growth forecast of just 0.3% (including disruptions) is forecast to lead to a gap of approximately 300kt in the market and reduce global stocks below average normal levels of consumption. Wood Mackenzie forecasts an average annual price of $7,496/t ($3.40/lb) in 2019, albeit risks grow to this upside forecast originated from the trade dispute between China and the USA.

(2) Cobalt market

It is expected that the prices may decline in the first half of 2019 as supplies of metal and upstream cobalt products continue to outweigh demand. Raw material in the form of cobalt concentrates and intermediate cobalt hydroxide feed continue to be a weight on the market as new supply is forecast in 2019. Metals analyst CRU forecasts a small surplus in cobalt supply over the next several years moving into under supply over the mid-term following the increase in growth rate of demand for cobalt in electric vehicle industry. Consensus price forecasts suggest cobalt prices should range between $20 – $30/lb.

(3) Molybdenum market

It is expected in 2019 domestic economy will maintain a steady developing trend, investment in "shoring up of weakness" for railways, highways and infrastructure will be continuously augmented, the intended large-scale tax cuts in China will energize the real economy, attracting additional investment increments, stimulating the overall demand for steel. With regard to the demand-side, additional design capacity for domestic stainless steel is expected to reach approximately 5.50 million tonnes, if expected full production was reached, newly-added capacity would then represents 20% of production volume for the year 2018. With regard to the supply-side, the molybdenum market price rebound will bring about a small increase in production, and some of the discontinued mines are expected to be reopened. The market supply volume will increase by about 20,000 tonnes, which is an expected increase of about 9.7%. Overall, increase in domestic demand looks promising, while the supply side will benefit from reforms on the supply-side and environmental inspections. The molybdenum market will gradually improve.

In the international market, emerging economies are expected to continue steady growth, it is expected that market demand will maintain moderate growth. As for international molybdenum supply, since copper grade from mines such as Sierra Gorda has been gradually declining and slowdown in economic growth slows the acceleration in copper demand, production volume of major copper mines in South America is expected to reduce slightly, indirectly affecting the supply volume of by-product molybdenum, market supply and demand are expected to achieve tight balance.

(4) Tungsten market

In 2019, subsequent to constant implementation of policies in environmental protection administration and resource tax law, as well as declining grades of tungsten ore resources, mining cost of tungsten ores has seen rigid surge, while the overall production of domestic tungsten concentrate is steadily decreasing. This will gradually balance the slight excess of supply in 2019, gradually stabilizing the tungsten primary products price. From the perspective of domestic economic development, under the stimulus of tax-cut measures, China has vigorously promoted the upgrading of high-tech industries and equipment manufacturing. With the growth of emerging strategic industries and investment in the construction of infrastructure, it is expected that the demand for tungsten will have a rapid growth. The overall market of the tungsten will have an accelerated upward trend.

(5) Niobium market

The World Steel Association's latest Short-Range Outlook forecasts world steel production to decrease to a growth rate of just over 1% during 2019. Chinese steel production is expected to remain the same due to the expectations of fewer stimulus measures, continued economic transformation and stricter environmental protection standards. Elsewhere, US steel production is expected to rise just 1% as auto manufacturing and construction activity mark slower growth against better performance in the machinery and equipment manufacturing sectors. After contracting during 2018, the EU steel sector should rebound, expanding near 2% with a better business confidence and greater construction activity. These expectations for decelerating steel production may translate to a moderation in ferroniobium demand; however, substitution due to higher vanadium requirements and ferrovanadium prices could resume and help offset any check in ferroniobium demand.

(6) Phosphates market in Brazil

Global phosphates demand is expected to remain robust in 2019 as barter ratio is forecast to improve with slightly higher grain prices and slightly lower fertilizer prices. Brazil's relatively weak currency is also expected to maintain profitability of farmers and therefore, fertilizer demand is also expected to be strong during 2019. In terms of pricing, international market are expected to remain stable with slight pressure from additional supply coming from Saudi Arabia and Morocco. Benchmark MAP CFR Brazil is expected to remain above $400/tonne in 2019.

2019 BUSINESS PROSPECT

Based on future economic and market dynamics, the Company sets the following budgeted targets:

Copper and cobalt business: The budgeted production volume of copper metal is 170,000 tonnes to 200,000 tonnes, and the budgeted production volume of cobalt metal is 16,500 tonnes to 19,000 tonnes;

Molybdenum and tungsten business: The budgeted production volume of molybdenum metal is 14,500 tonnes to 16,000 tonnes, and the budgeted production volume of tungsten metal is 9,000 tonnes to 10,000 tonnes (excluding Luoyang Yulu Mining Co., Ltd);

Copper and gold business (calculated based on 80% of equity interests): The budgeted production volume of NPM copper metal is 30,000 tonnes to 32,000 tonnes, and the budgeted production volume of gold is 25,000 ounces to 28,000 ounces;

Niobium and phosphates business: The budgeted production volume of niobium metal is 9,500 tonnes to 11,000 tonnes, and the budgeted production volume of phosphates fertilizer (high concentration fertilizer and low concentration fertilizer) is 1,000,000 tonnes to 1,150,000 tonnes.

The above budgeted targets are based on the judgement of current economic environment and expected economic development trend. Whether it may realize or not depends on the macro-economic environment, industry development, market circumstance, efforts of the management team of the Company and other factors, which is subject to uncertainty. The Board decided to apply for the authorization at the general meeting of the Company to adjust the above budgeted targets as appropriate based on the market conditions and the business of the Company.

The above budgeted targets do not constitute substantive commitments to investors, and investors shall exercise caution about investment risk.

VI. MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

The Group did not have any material acquisition and disposal of subsidiaries, joint ventures and associates during the year ended 31 December 2018.

VII. PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2018.

VIII. CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group has strived to uphold high standards of corporate governance to safeguard the interests of shareholders, to enhance corporate value and to implement accountability for the Group.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Hong Kong Listing Rules**").

In the opinion of the Board, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code throughout the period from 1 January 2018 to 31 December 2018, save as the deviation from the code provision E.1.2 of the Corporate Governance Code.

Pursuant to the code provision E.1.2, the chairman of the Board should invite the chairmen of its Board committees to attend the annual general meeting. In their absence, the chairman of the Board should invite another committee member (or his duly appointed delegate if such committee member is absent) to attend. All members of the Audit Committee and the Remuneration Committee were unable to attend the annual general meeting of the Company held on 25 May 2018 due to other business commitments. The attendance of the vice chairman of the Nomination Committee, the chairman of the Strategic Committee and the Supervisory Committee and the chief financial officer and some senior management at such annual general meeting was sufficient for (i) answering the questions raised by the shareholders who attended the annual general meeting and (ii) effectively communicating with shareholders who attended the annual general meeting. The Company will strive to optimize the planning and procedures of annual general meetings, give adequate time to all Directors to accommodate their work arrangement and provide all necessary support for their presence at and participation in the general meetings so that all Directors will be able to attend future annual general meetings of the Company.

The Company reviews its corporate governance practices regularly to ensure compliance with the Corporate Governance Code.

IX. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has reviewed with the management and external auditor the audited consolidated results of the Group for the year ended 31 December 2018, according to the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters.

X. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors and Supervisors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Hong Kong Listing Rules in respect of dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries, all Directors and Supervisors confirmed that the required standards set out in the Model Code have been complied with for the year ended 31 December 2018.

The Company has also formulated written guidelines (the "**Employees Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees of the Company who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance against the Employees Written Guidelines by the employees has been noted by the Company after making reasonable enquiry.

XI. FURTHER ANNOUNCEMENT ON THE DATE OF AGM AND 2019 SECOND CLASS MEETING OF H SHAREHOLDERS ("H SHAREHOLDERS' CLASS MEETING") AND THE CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Board authorized Mr. Li Chaochun, the Chairman, to determine the date of the forthcoming AGM and H Shareholders' Class Meeting and the closure of register of members of H shares of the Company pursuant to the relevant laws, regulations and articles of association of the Company.

Upon determination of the date of the meetings and the closure of register of members of H shares, the Company will publish relevant notices and despatch the circular containing further information to H shareholders as soon as possible.

XII. DIVIDEND

In order to maintain the continuity and stability of the Company's dividend policy and to adhere to the commitment of providing shareholders with cash return, in accordance with the Company's principle of profit distribution and cash dividend policy, the Board recommended to distribute a final cash dividend of RMB0.11 per share (tax inclusive) for the year ended 31 December 2018 to all shareholders of the Company on the basis of a total number of 21,599,240,583 shares as at 31 December 2018, totaling approximately RMB2,375.92 million (tax inclusive), accounting for 51.25% of the net profit attributable to the listed shareholder for the year. The proposal has been considered and approved at the fourth meeting of the fifth session of the Board of the Company, and is subject to the approval of shareholders of the Company at the forthcoming AGM.

The Company will dispatch a circular containing, among other matters, further information relating to the proposed distribution of final dividend and the AGM to shareholders of the Company as soon as practicable.

XIII. AUDITOR'S OPINIONS

The consolidated financial statements of the Company for the year ended 31 December 2018 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and an auditor's report for 2018 prepared under the PRC accounting standards with unqualified opinions has been issued.

XIV. SUBSEQUENT EVENTS

Save as disclosed in "Material Events" of this announcement, the Group did not have any material subsequent events after 31 December 2018.

XV. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement has been published on the websites of the Hong Kong Stock Exchange at (www.hkexnews.hk), the Shanghai Stock Exchange at (www.sse.com.cn) and the Company at (www.chinamoly.com). The 2018 annual report of the Company will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

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

Luoyang City, Henan Province, the People's Republic of China, 28 March 2019

As at the date of this announcement, the Company's executive directors are Mr. Li Chaochun and Mr. Li Faben; the Company's non-executive directors are Mr. Yuan Honglin and Mr. Cheng Yunlei; and the Company's independent non-executive directors are Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua.

* *For identification purposes only*