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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)*

(Stock Code: 03993)

## **VOLUNTARY ANNOUNCEMENT**

### **STREAMING TRANSACTION ON THE NORTHPARKES MINES OF THE COMPANY**

This announcement is made by China Molybdenum Co., Ltd. (the “**Company**” or “**CMOC**”) on a voluntary basis.

The Company is pleased to announce that on 10 July 2020, CMOC’s wholly-owned subsidiaries entered into a metal purchase and sale agreement (the “**Streaming Agreement**”) with Triple Flag Mining Finance Bermuda Ltd., a whole-owned subsidiary of Triple Flag Precious Metals Corp. (collectively, “**Triple Flag**”), pursuant to which, Triple Flag will advance an upfront cash payment of US\$550 million and CMOC shall deliver to Triple Flag an amount of gold and silver calculated by reference to a percentage of gold and silver produced from the agreed mining areas of the Northparkes Mines (“**NPM**”) located in New South Wales, Australia (the “**Streaming Transaction**”).

#### **KEY TERMS OF THE STREAMING TRANSACTION**

According to the Streaming Agreement, Triple Flag will advance an upfront cash payment of US\$550 million (the “**Advance Amount**”). In addition, Triple Flag will pay 10% of the spot gold and silver prices for each ounce delivered under the Streaming Agreement.

In exchange, CMOC has committed to deliver to Triple Flag the equivalent of:

- 54% of the gold production of NPM (or 67.5% of CMOC's share of total production of NPM) until a cumulative amount of 630 koz is delivered, and 27% thereafter (or 33.75% of CMOC's share); and,
- 80% of the silver production of NPM (or 100% of CMOC's share) until a cumulative amount of 9 Moz is delivered, and 40% thereafter (or 50% of CMOC's share).

## **RATIONALE FOR THE STREAMING TRANSACTION**

- **Crystalize significant value from NPM** – NPM delivers outstanding safety record, consistent performance and presents outstanding resource potential; Streaming Transaction ensures significant value realization by reference to a portion of NPM's gold and silver by-product production while maintaining full exposure to the primary copper production, which is in line with its long-term planning made by CMOC.
- **Alternative long-term funding source with competitive financing cost** – the Streaming Agreement is a long-term financing instrument with no repayment and no minimum delivery obligations, at a cost of capital that is significantly more attractive than alternatives in global capital markets.
- **Align long-term incentives with ability to benefit from a favorable commodity price outlook** – CMOC maintains exposure to gold and silver prices through residual ownership in gold and silver production, with a coordinated objective to expand and extend the mine over time depending on market conditions due to a 50% step-down in the percentage of gold and silver to be delivered under the Streaming Agreement once certain thresholds are reached.
- **Create a broader partnership with a leading stream investor** – Streaming Transaction establishes a long-term relationship for exploring future strategic opportunities with a globally well-regarded partner with a track record of successful investment across the global mining sector.

## **BENEFITS OF THE STREAMING TRANSACTION**

- The Streaming Transaction helps diversify CMOC's capital structure by providing a source of long-term funding at a cost of capital which is competitive to CMOC's current funding and alternatives in international capital markets.
- The Streaming Transaction crystallizes significant value for CMOC from gold and silver by-product production from NPM, while keeping a competitive cost profile of the operation.

- The Streaming Agreement is tied to the operational performance of the NPM operations and to the performance of the gold and silver by-product, and does not require any fixed or minimum deliveries or payments from CMOC.
- CMOC's obligations under the Streaming Agreement are limited to the delivery of a percentage of actual gold and silver production, without repayment of the Advance Amount under any circumstances.
- The 50% step-down reduction in the obligation for CMOC to provide gold and silver to Triple Flag (from 54% of total gold production to 27%, and from 80% of total silver production to 40%) when certain milestones are reached, as well as ongoing payments of 10% of gold and silver spot price upon delivery of each ounce, ensure that CMOC maintains exposure to spot prices over the long term and encourages growth and exploration at NPM.
- The Streaming Transaction manifests NPM's operational consistency, resource longevity and attractive economics through industry cycles.

## **BACKGROUND ON STREAMING TRANSACTION**

A streaming transaction is an agreement where a financing party (in this case, Triple Flag) agrees to purchase an amount of mineral products calculated by reference to a percentage of future deliveries of minerals (usually by-product of the main business) from a mining company (in this case, CMOC) in exchange for an upfront advance payment, as well as additional ongoing agreed payments (which are a portion of the market price) as the minerals are delivered. Such transaction is essentially a long-term commodity purchase contract with the delivery obligations contingent on an amount by reference to future production. All parties are treating the transaction as equivalent to a long-term bullion forward sale agreement under which they share exposure to ongoing production and the ultimate size and grade of the underlying resource. Bullion delivered under the transaction is not required to be sourced from NPM. The mining company is able to raise long-term funding at an attractive cost of capital while not being required to take the liability of making fixed or minimum deliveries or payments.

## **INFORMATION ABOUT NPM**

NPM is a well-established producing copper and gold mine located in central New South Wales, Australia, approximately 27 kilometres north-northwest of the town of Parkes. Discovered in 1976, the mine has been operating since 1993 and is one of the lowest cost copper mines in the world, driven by its highly mechanized and efficient block caving and sub-level caving mining methods. Ore is processed through a 6.4 million tonnes per annum conventional floatation plant, which is undergoing a throughput expansion to 7.6 million tonnes per annum with completion targeted for late 2020. NPM has a decades-long mine life based on an existing reserve base of 0.73 million tonnes of copper, 0.95 million ounces of gold and 8.2 million ounces of silver as of December 31, 2019, additional resources of 2.67 million tonnes of copper, 3.11

million ounces of gold and 28.91 million ounces of silver, and a significant exploration potential on a large 1,060 km<sup>2</sup> land position with limited drilling below 200 meters on the mining licenses. NPM has a long history of reserve replacement and mine life extension, with approximately 0.9 million tonnes of copper and 1.0 million ounces of gold produced since 2001, and a production of 36 thousand tonnes of copper, 25 thousand ounces of gold and 308 thousand ounces of silver in 2019.

NPM was operated by Rio Tinto Group from 2000 to 2013 following Rio Tinto Group's acquisition of North Limited. CMOC acquired Rio Tinto Group's 80% stake in November 2013, with the remaining 20% stake held by Sumitomo through its subsidiaries SC Mineral Resources Pty Ltd. (6.7%) and Sumitomo Metal Mining Oceania Pty Limited (13.3%).

## **INFORMATION ABOUT CMOC**

CMOC is an international mineral resources company engaged in exploration, mining, processing, refining, marketing and trading of mineral products. With its main business presence in Asia, Africa, South America, Oceania and Europe, CMOC is a leading producer of tungsten, molybdenum, cobalt and niobium as well as an important copper producer in the world. CMOC is also the second largest producer of phosphate fertilizers in Brazil. CMOC's wholly-owned subsidiary IXM is the third largest base metals merchandizer in the world. CMOC is dual-listed on the Hong Kong Exchanges (HK: 03993) and Shanghai Stock Exchange (SH: 603993).

## **INFORMATION ABOUT TRIPLE FLAG**

Triple Flag is a precious metals streaming and royalty company offering bespoke financing solutions to the metals and mining industry. Since its inception in 2016, Triple Flag has rapidly developed a diversified portfolio of streams and royalties providing exposure primarily to gold and silver in the Americas and Australia.

By Order of the Board  
**China Molybdenum Co., Ltd.\***  
**Yuan Honglin**  
*Chairman*

Luoyang City, Henan Province, the People's Republic of China, 12 July 2020

*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, Mr. Guo Yimin 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