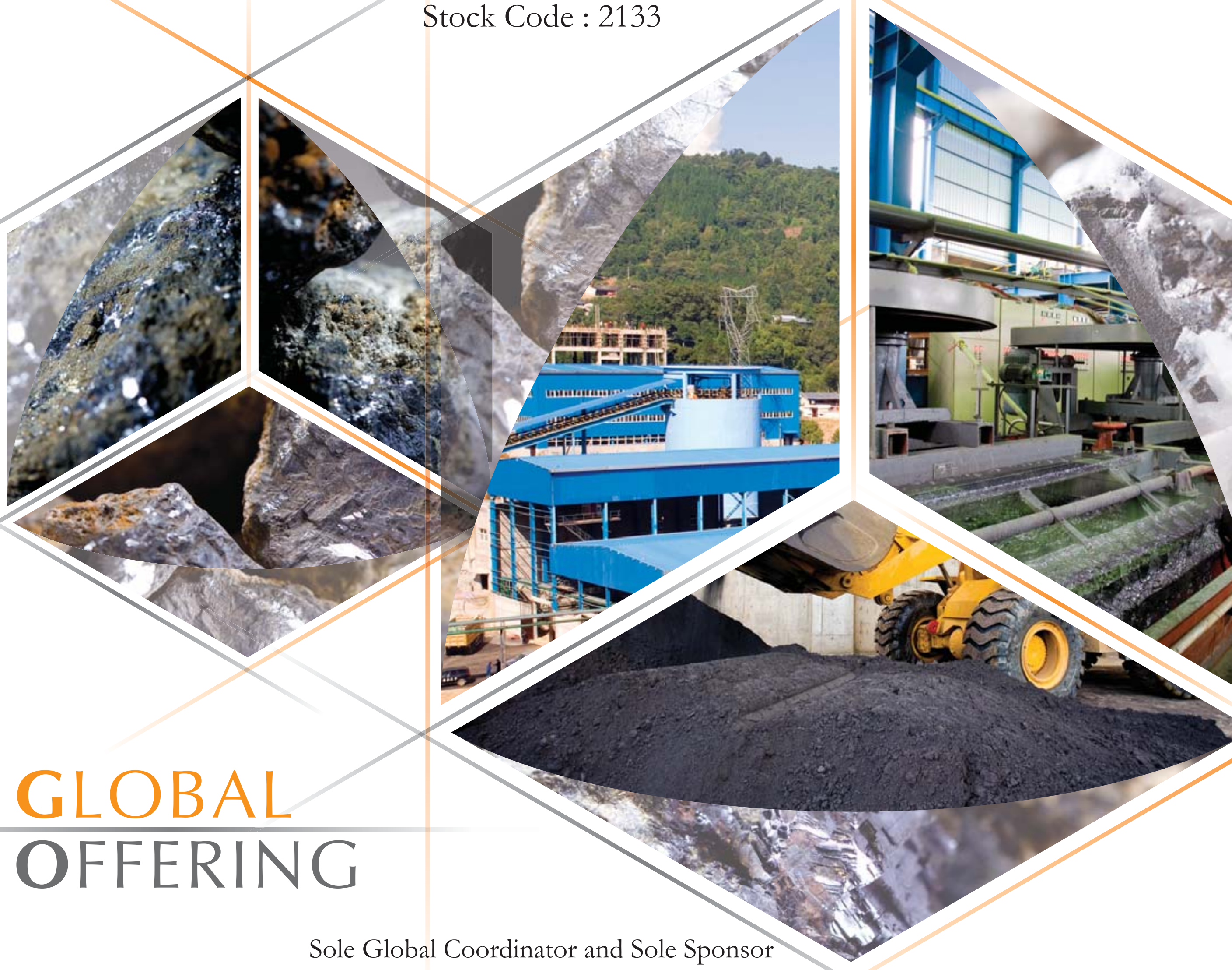
中国多金属矿业
CHINA POLYMETALLIC MINING

China Polymetallic Mining Limited
中國多金屬礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2133



GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor

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Joint Bookrunners

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Renaissance Capital

交銀國際
BOCOM INTERNATIONAL

Joint Lead Managers

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BOCOM INTERNATIONAL

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**500,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**50,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	**450,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**HK$2.54 per Hong Kong Offer Share plus brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**HK$0.00001 per Share**
Stock code	**2133**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix IX to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around Wednesday, December 7, 2011 and, in any event, not later than Monday, December 12, 2011. The Offer Price will be not more than HK$2.54 and is currently expected to be not less than HK$2.22. If, for any reason, the Offer Price is not agreed by Monday, December 12, 2011 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that is stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, an announcement will be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares and/or the indicative offer price range is so reduced, such applications cannot be subsequently withdrawn. For further information, see the section headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus. If, for whatever reason, the Sole Global Coordinator on behalf of the Underwriters and we are unable to agree on the Offer Price, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8: 00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this Prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States except that the Offer Shares may be offered, sold or delivered to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A under the U.S. Securities Act or outside the United States in reliance on Regulation S under the U.S. Securities Act.

December 2, 2011

Application lists open[2]	11:45 a.m. on Wednesday, December 7, 2011
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, December 7, 2011
Latest time to give **electronic application instructions** to HKSCC[3]	12:00 noon on Wednesday, December 7, 2011
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[4]	11:30 a.m. on Wednesday, December 7, 2011
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, December 7, 2011
Application lists close	12:00 noon on Wednesday, December 7, 2011
Expected price determination date	Wednesday, December 7, 2011

Announcement of:

- the offer price for the Offer Shares;
- an indication of the level of interest in the International Placing;
- an indication of the level of interest in the Hong Kong Public Offer; and
- the basis of allocation of the Hong Kong Offer Shares,

to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese), the website of the Stock Exchange at http://www.hkexnews.hk and our website (http://www.chinapolymetallic.com) (in both English and Chinese)[5] on or before	Tuesday, December 13, 2011
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the section headed "How to Apply for Hong Kong Offer Shares" in the prospectus) from	Tuesday, December 13, 2011
Results of allocations in the Hong Kong Public Offer will be available at **www.iporesults.com.hk** with a "search by ID" function from	Tuesday, December 13, 2011
Despatch of share certificates on or before[6]	Tuesday, December 13, 2011
Despatch of White Form e-Refund payment instructions and/or refund cheques (if applicable) on or before	Tuesday, December 13, 2011
Dealings in Shares on the Stock Exchange expected to commence on	Wednesday, December 14, 2011

Notes:

(1) All times refer to Hong Kong local time.

(2) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 7, 2011, the application lists will not open on that day. See the section "How to apply for Hong Kong Offer Shares — (h). Effect of bad weather on the opening of the application lists."

(3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section "How to Apply for Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC."

(4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) The website, and all of the information contained on the website, does not form part of this Prospectus.

(6) Share certificates are expected to be issued on Tuesday, December 13, 2011 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Wednesday, December 14, 2011.

You should read carefully the sections entitled "Underwriting," "How to Apply for Hong Kong Offer Shares," and "Structure and Conditions of the Global Offering," for details relating to the structure and Conditions of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the despatch of refund cheques and share certificates.

IMPORTANT NOTE TO INVESTORS

We have issued this Prospectus solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offer. No person may use this Prospectus for the purpose of, and it does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should reply only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, any of the Underwriters, any of their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves, according to the Hatch Report. On the Listing Date, we will also be the first non-ferrous metal pure mining company[1] listed on the Stock Exchange. As a pure mining company, we only conduct upstream operations in exploration, mining and primary processing of mineral resources with no downstream operations in smelting and refining. We currently own and operate a large-scale, high-grade lead-zinc-silver polymetallic mine in Yunnan Province, the Shizishan Mine, which contains abundant and high-grade silver reserves. The mining permit for the Shizishan Mine has a term of 15 years ending in April 2026 and covers an area of 3.20 sq. km. We are currently at the commercial production stage of the Shizishan Mine with a current mining capacity of 700 tpd. We started trial production at the Shizishan Mine at the end of July 2011 and commenced commercial production in October 2011. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. We also own an exploration permit to the Dazhupeng Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. We have not obtained a mining permit for the Dazhupeng Mine and may not conduct mining activities at the Dazhupeng Mine at this stage. In line with our vision to be a leading non-ferrous metal pure mining company in China and in order to leverage on our transferable experience and skills of processing lead-zinc-silver ore, we have also secured exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine in Yunnan Province. Such exclusive raw ore supply arrangement is expected to enable us to capitalize on any potential increase in the market price of tungsten and tin.

Yunnan Province has the second largest lead reserves, the second largest zinc reserves and the third largest silver resources in China, according to the Hatch Report. To tap into the abundant non-ferrous metal resources in Yunnan Province, we have entered into an agreement to acquire the Liziping Mine, a lead-zinc-silver polymetallic mine in Yunnan Province, and have an option to acquire the Dakuangshan Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. With our abundant and high-grade lead, zinc and silver resources and reserves and strategic proximity to local mineral assets and smelters in Yunnan Province, we believe that we are well-positioned to capture the market opportunities presented by the increasing demand for refined lead and zinc and the resulting significant supply shortfall in lead and zinc concentrates in China. In addition, we believe that non-ferrous metal concentrate producers enjoy and will continue to enjoy the highest margin in the non-ferrous metal value chain. Therefore, our strategy is to continue to focus on our business

Note:

(1) Non-ferrous metal pure mining company refers to a pure mining company that operates mines containing metals other than iron, manganese and chromium and alloys that do not contain appreciable amounts of iron, manganese or chromium, which includes lead, zinc, silver, tungsten and tin.

operation as a pure mining company and currently we do not intend to expand our operations to downstream business such as metal smelting and refining. In line with common industry practice, we outsource substantially all our exploration, mine construction and mining works to third-party contractors.

Our Owned Mine Projects

We currently own and operate a large-scale, high-grade lead-zinc-silver polymetallic mine in Yunnan Province, the Shizishan Mine, the mining permit for which has a term of 15 years ending in April 2026. Minarco has completed the Competent Person's Report for the Shizishan Mine, under which Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine. We also own an exploration permit to the Dazhupeng Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. The following table provides certain information on our owned mine projects:

Mine	Company's rights in the mine	Current stage	Whether completed feasibility study	Whether covered by Competent Person's Report	Amount of IPO net proceeds to be applied (mid-point, assuming the Over-allotment Option is not exercised)
Shizishan Mine	Mining right	Commercial production	Yes	Yes, with resources and reserves estimation [(1)]	Approximately 18% of the net proceeds from the Global Offering, or HK$195 million
Dazhupeng Mine	Exploration right	Early stage exploration	No	No [(2)]	Approximately 17% of the net proceeds from the Global Offering, or HK$184 million

Notes:

(1) Information of the Shizishan Mine contained in the Competent Person's Report includes its mineral resource and ore reserve estimation, planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans and environmental and social setting.

(2) The Competent Person's Report does not include information of the Dazhupeng Mine because the Dazhupeng Mine is still at its early stage exploration. Therefore, there is no sufficient information available for the Competent Person to conduct JORC compliant geological and exploration reviews at the Dazhupeng Mine that can be included in the Competent Person's Report. We have not conducted advanced exploration at this stage at the Dazhupeng Mine as we already owned its exploration rights and therefore have greater flexibility with regard to the timing of conducting further exploration at the Dazhupeng Mine. Further exploration activities at the Dazhupeng Mine will be funded out of the net proceeds from the Global Offering.

Our Mineral Resources

The Shizishan Mine contains abundant and high-grade lead, zinc and silver resources and reserves. According to the Competent Person's Report, as of October 25, 2011, the Shizishan Mine had an aggregate of 8,829,000 tonnes of JORC measured and indicated resources and 8,024,000 tonnes of JORC reserves, containing 745,900 tonnes of lead metal, 477,300 tonnes of zinc metal and 2,000 tonnes (64.3 million ounces) of silver metal in JORC reserves. The estimated average resource and reserve grades for lead, zinc and silver of the Shizishan Mine are 9.4% and 9.3%, 6.0% and 6.0%, and 256 g/t and 250 g/t, respectively. These are significantly higher than 3.3%, 5.4% and 100 g/t, which are the industry average grades for underground lead mines, underground zinc mines and the silver content threshold for silver ore in China, respectively, according to the Hatch Report. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. In addition, according to the Competent Person's Report, there is excellent potential to expand the currently defined resources at the Shizishan Mine. Our abundant and high-grade lead, zinc and silver polymetallic resources and reserves position us well to capitalize on any increase in the market demand for and price of lead, zinc and silver. See "Business — Our Mineral Resources."

The following table, which is based on Table 2.4-1 in the Competent Person's Report, provides information on the lead-zinc-silver polymetallic resources and the average grade of lead, zinc and silver at the Shizishan Mine as of October 25, 2011:

JORC Resources	Quantity(t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Measured	2,431,000	10.9	6.6	271	263,800	160,000	700
Indicated	6,398,000	9.0	5.9	250	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247	39,600	24,500	100
Total	**9,345,000**	**9.4**	**6.0**	**256**	**878,500**	**563,000**	**2,400**

Note: The above indicated and inferred resource data for the Shizishan Mine includes a total of 108,800 tonnes of indicated and inferred mineral resources containing 4.7% of lead, 4.4% of zinc and 171 g/t of silver that are below the 1,000 m elevation limit of our current mining permit.

The following table, which is based on Table 2.5-1 in the Competent Person's Report, provides information on the lead-zinc-silver polymetallic reserves and the average grade of lead, zinc and silver at the Shizishan Mine as of October 25, 2011:

JORC Ore Reserve	Quantity(t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	2,311,000	10.0	6.1	251	231,400	140,400	600
Probable	5,713,000	9.0	5.9	250	514,500	336,900	1,400
Total	**8,024,000**	**9.3**	**6.0**	**250**	**745,900**	**477,300**	**2,000**

Our Current Operations and Ramp-Up Plans

We are currently at the commercial production stage of the Shizishan Mine with a current mining capacity of 700 tpd. We started trial production at the Shizishan Mine at the end of July 2011 and commenced commercial production in October 2011. In August, September and October of 2011, we mined a total of approximately 24,800 tonnes of raw ore and processed a total of approximately

22,690 tonnes of raw ore, out of which we produced approximately 1,035 tonnes and 1,769 tonnes of lead-silver concentrates and zinc-silver concentrates, respectively. During this period, we sold a total of approximately 355 tonnes and 777 tonnes of lead-silver concentrates and zinc-silver concentrates, with an average selling price of approximately RMB9,596 and RMB3,880 per tonne, respectively, to our customers. We sell our concentrate products to both smelter customers and concentrate traders who resell them to smelters. Based on the terms of the offtake agreements and concentrate supply agreements we entered into with our five customers as of the Latest Practicable Date, these customers agreed to purchase from us lead-silver concentrate and/or zinc-silver concentrate which would enable us to sell concentrates containing, in the aggregate, at least 47,900 tonnes of lead metal and 47,800 tonnes of zinc metal, respectively, in 2011 and 2012. We price our concentrates based on the prevailing spot market prices of metals contained in the concentrates.

We are undertaking a ramp-up of our mining capacity, which is expected to enable us to attain a planned mining capacity of 1,000 tpd in the second quarter of 2012 and 2,000 tpd (our full planned mining capacity) in the fourth quarter of 2012. We have completed the construction of a large ore processing facility at the Shizishan Mine and attained a full planned processing capacity of 2,000 tpd at the end of July 2011. The table below, which is based on Table 2.7-2 in the Competent Person's Report, summaries the processing production schedule for the Shizishan Mine for the periods indicated:

	Items	Unit	Actual 2011			Planned			
			Aug	Sept	Oct	2011	2012	2013-2023 (annual)	2024
ROM Ore	Mined	kt	6.2	8.8	9.8	48	419	660	297
	Processed	kt	5.1	7.8	9.8	48	419	660	297
	Annualized processed*	ktpa	25.5	36.3	42.3	48	419	660	297
Feed Grade	Lead	%	2.7	3.6	3.6	9.3	9.3	9.3	9.3
	Zinc	%	4.4	4.3	4.2	6.0	6.0	6.0	6.0
	Silver	g/t	41	40	44	250	250	250	250
Recovery	Lead	%	71.8	75.0	76.2	74.4	93	93	93
	Zinc	%	83.8	84.1	84.1	71.2	89	89	89
	Silver in lead concentrate	%	64.1	71.5	72.4	71.2	89	89	89
	Silver in zinc concentrate	%	5.9	6.4	5.9	5.9	7.4	7.4	7.4
Concentrate Grade	Lead	%	60	55	55	55	55	55	55
	Zinc	%	45	46	46	55	55	55	55
	Silver in lead concentrate	g/t	808	595	632	1,414	1,414	1,414	1,414
	Silver in zinc concentrate	g/t	30	33	34	192	192	192	192
Concentrate Tonnes	Lead-silver concentrate	kt	0.164	0.378	0.493	6.0	65.9	103.8	46.71
	Zinc-silver concentrate	kt	0.409	0.611	0.749	3.7	40.3	63.6	28.62
Metal Contained in Concentrate	Lead	t	98	209	270	3,320	36,220	57,080	25,686
	Zinc	t	184	279	348	2,030	22,180	34,950	15,728
	Silver in lead concentrate	kg	133	225	311	8,540	93,130	146,790	66,056
	Silver in zinc concentrate	kg	12	20	25	710	7,740	12,200	5,490

* *Annualized rate assumes 2011 year commenced in August*

The table below, which is based on Table 2.8-2 in the Competent Person's Report, summarizes the actual and planned capital expenditure in relation to the ramp-up plan for the Shizishan Mine for the periods indicated:

	Apr 23, 2009 to Dec 31, 2009	2010	2011	2012	Total
Mining	6.0	34.7	68.5	120.5	229.7
Mining Infrastructure	0.3	0.3	35.7	120.5	156.8
Mining Right and Exploration	5.7	34.4	32.8	0.0	72.9
Processing	1.3	48.7	91.5	4.5	146.0
Processing Factory and Equipment	0.3	40.0	77.3	0.5	118.1
Tailing Storage Facilities	1.0	8.7	14.2	4.0	27.9
Land Use Right	0.0	7.2	10.3	0.0	17.5
Buildings	0.0	0.0	10.0	0.0	10.0
Total	**7.3**	**90.6**	**180.3**	**125.0**	**403.2**

Because of the high-grade and polymetallic nature of our lead-zinc ore from the Shizishan Mine that also includes abundant and high-grade silver content, we believe that we will become a low-cost producer in the lead and zinc mining industry in China after we complete the full ramp-up plan of our mining and processing capacities. According to the Competent Person's Report, the estimated total cash cost, which includes mining costs, processing costs, general administration and other costs, taxes and royalties, and total production cost, which includes total cash costs and depreciation and amortization costs, for the Shizishan Mine will be approximately RMB1,313 (approximately US$207) and RMB1,511 (approximately US$238), respectively, per tonne of concentrate in 2013, the first year in which we will operate at our full planned mining and processing capacities. Silver is a byproduct of our processing process due to the polymetallic nature of the lead-zinc ore of the Shizishan Mine. As a result, revenue from silver can be deducted from the estimated total cash cost and production cost for the Shizishan Mine as a byproduct credit, which is consistent with common industry practice to deduct byproduct credit from cash cost and production cost of main stream products. Because of the high degree of silver contained in our concentrate products, both of the estimated total cash cost and total production cost for the Shizishan Mine are negative after deducting revenue from silver which is higher than the estimated total cash cost and total production cost at the Shizishan Mine. After deducting the value of silver contained in our concentrates based on the average spot price of silver for October 2011 on the Shanghai White Platinum & Silver Exchange, which is RMB6.89 per gram, our estimated total cash cost and total production cost will be approximately RMB-3,022 (approximately US$-475) and RMB-2,825 (approximately US$-444), respectively, per tonne of concentrate in 2013. See "Business — Ramp-up Plans for Our Mining and Processing Capacities."

The table below, which is based on Table 2.8-1 in the Competent Person's Report, sets forth a summary of the forecast total cash cost and total production cost for the Shizishan Mine for the periods indicated:

Cost Item	Unit	Aug 2011 (Actual)	Sep 2011 (Actual)	Oct 2011 (Actual)	2011	2012	2013	2014	2015
Mining cost	RMB/t ore mined	**62**	**58**	**58**	**62**	**62**	**62**	**62**	**62**
Subcontracting fee	RMB/t ore mined	**62**	**58**	**58**	**62**	**62**	**62**	**62**	**62**
Processing cost	RMB/t ore processed	**153**	**129**	**146**	**121**	**89**	**82**	**82**	**82**
Materials cost	RMB/t ore processed	51	53	60	40	38	38	38	38
Labor	RMB/t ore processed	49	35	32	41	13	8	8	8
Electricity and Water	RMB/t ore processed	39	37	46	23	23	23	23	23
Maintenance and Others	RMB/t ore processed	14	4	8	17	15	13	13	13
G&A and Other Costs	RMB/t ore processed	**84**	**113**	**103**	**270**	**55**	**39**	**40**	**42**
Total Operating Cash Cost	RMB/t ore processed	**299**	**300**	**307**	**453**	**206**	**183**	**184**	**186**
Total Operating Cash Cost	RMB/t concentrate	**2,633**	**2,366**	**2,419**	**2,232**	**812**	**722**	**726**	**734**
Total Taxes and Royalties	RMB/t ore processed	55	63	79	176	154	150	150	150
Total Cash Cost	RMB/t ore processed	**354**	**363**	**386**	**629**	**360**	**333**	**334**	**336**
Total Cash Cost	RMB/t concentrate	**3,117**	**2,863**	**3,041**	**3,100**	**1,420**	**1,313**	**1,317**	**1,325**
Total Depreciation and Amortization(1)	RMB/t ore processed	38	28	123	110	52	50	50	50
Total Production Cost	RMB/t ore processed	**392**	**391**	**509**	**739**	**412**	**383**	**384**	**386**
Total Production Cost	RMB/t concentrate	**3,452**	**3,083**	**4,010**	**3,642**	**1,625**	**1,511**	**1,515**	**1,522**

Note:

(1) Total depreciation and amortization includes depletion charges arising from the capital expenditures for the mining infrastructure and mining right of the Shizishan Mine, which are depreciated and amortized over the entire mine life of the Shizishan Mine and account for approximately 56% of total depreciation and amortization from year 2013 (i.e. the first year in which we will operate at our full planned mining and processing capacities) and onwards.

In line with common industry practice, we outsource substantially all of our exploration, mine construction and mining works to third-party contractors. We process extracted ore ourselves at our ore processing facilities and sell our concentrate products through our own sales team. We have a dedicated exploration team to identify exploration opportunities and to assess the prospect, scale, nature and timing of the exploration activities for each specific exploration target. In addition, we manage and supervise the exploration, mine construction and mining activities undertaken by our third-party contractors to ensure that they meet our quality, budgetary, production safety and environmental protection standards.

Our Mining Rights and Exploration Rights

We obtained an initial mining permit for the Shizishan Mine in February 2010 and a renewed mining permit in April 2011 for a term of 15 years ending in April 2026. Our renewed mining permit covers an area of 3.20 sq. km with an elevation limit from 1,000 m to 1,498 m above sea level. In April 2011, we mortgaged our mining right to the Shizishan Mine to the Agricultural Bank of China to secure banking facilities amounting to RMB130 million, which has been completely drawn down as of September 30, 2011. Such mining right mortgage will be released upon repayment of all borrowings under the banking facilities in 2014. We also received a production safety permit for our mining activities at the Shizishan Mine on May 10, 2011 for a term of three years and a production safety permit for our tailing storage facility on October 14, 2011 for a term of three year.

The table below summarizes the information, including the mining and processing activities, in relation to the Shizishan Mine:

Items	
Permits and approvals obtained	Mining permit and production safety permit
Mining permit number	C5300002010023220056038
Validity period	April 6, 2011 to April 5, 2026
Mining areas and extraction limits	3.20 sq. km with an elevation limit from 1,000 m to 1,498 m above sea level
JORC ore resources (tonnes)	9,345,000
JORC ore resources grade	Lead: 9.4%; zinc: 6.0%; silver: 256 g/t
JORC ore reserve (tonnes)	8,024,000
JORC ore reserves grade	Lead: 9.3%; zinc: 6.0%; silver: 250 g/t
Commencement date of trial and commercial production	Trial production commenced at the end of July 2011 Commercial production commenced in October 2011
Average concentrate grade	Lead: 55%; Zinc: 55%; Silver in lead concentrate: 1,414 g/t; Silver in zinc concentrate: 192 g/t
Estimate mine life	12.5 years
Capital expenditure incurred as of October 31, 2011	RMB253.1 million
Remaining capital expenditure to be incurred	RMB150.2 million
Current status	Commercial production
Technical Report	The Competent Person's Report, dated November 25, 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult

We obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km. We are currently at the early exploration stage of the Dazhupeng Mine and expect to complete such exploration activities in the second quarter of 2012. Upon completion of our exploration activities at the Dazhupeng Mine and if we consider beneficial to do so, we will apply for a mining permit for the Dazhupeng Mine and start to evaluate its economic feasibility and make detailed production and capital investment plans then.

We have not obtained a mining permit for the Dazhupeng Mine and may not conduct mining activities at the Dazhupeng Mine at this stage. We cannot guarantee that we will be able to obtain the mining permit for the Dazhupeng Mine in a timely manner.

The table below summarizes certain information, including the exploration activities, in relation to the Dazhupeng Mine:

Items	
Permits and approvals obtained	Exploration permit
Exploration permit number	T53420110402044608
Validity period	April 26, 2011 to April 26, 2014
Exploration area	15.19 sq. km.
Capital expenditure incurred as of October 31, 2011	RMB3.2 million
Remaining capital expenditure to be incurred	RMB221.9 million(1)
Current status	Early stage exploration; expected to complete exploration in the second quarter of 2012 and start production in the second quarter of 2014
Technical Report	The Dazhupeng Preliminary Survey, dated April 2011, prepared by 106 Geological Team of Sichuan Bureau of Geology and Mineral Resource (四川省地質礦產勘查開發局106地質隊)

Note:

(1) The Dazhupeng Mine is currently at its early stage exploration, therefore, our capital expenditure plan for the Dazhupeng Mine is only a preliminary plan based on our current estimation of its exploration potential and assumes that we will apply for its mining permit and develop the mine. The actual capital expenditure may be adjusted substantially and will be determined according to the final exploration results and development plan.

As advised by our PRC legal advisor, we have obtained all the necessary licenses, approvals and permits which are material for our current operations in China. As also advised by our PRC legal advisor, we have obtained all the licenses, permits and approvals required for the commencement of our commercial production at the Shizishan Mine in October 2011. See "Business — Mining Rights, Exploration Permit and Production Safety Permit."

Mine Projects not Currently Owned

We have secured exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine owned by Xiangcaopo Mining, an Independent Third Party. We have also entered into an agreement to acquire the Liziping Mine, a lead-zinc-silver polymetallic mine owned by the Liziping Company, an Independent Third Party, and have an option to acquire the Dakuangshan Mine, a lead-zinc-silver polymetallic mine owned by Dakuangshan Company, an Independent Third Party. All these three mining projects are located in Yunnan Province.

The following table provides certain information on the three mine projects that are not currently owned by us:

Mine	Company's rights in the mine	Expected completion date of acquisition	Current stage	Whether covered by Competent Person's Report	Amount of IPO net proceeds to be applied (mid-point, assuming the Over-allotment Option is not exercised)
Lushan Mine	All polymetallic tungsten-tin raw ore from the Lushan Mine will be supplied to us for a period of at least 15 years, with the price for the raw ore of RMB260/t for the first five years	N/A	Preliminary exploration	No [(1)]	Approximately 5% of the net proceeds from the Global Offering, or HK$54 million[(2)]
Liziping Mine	We agreed to purchase 90% equity interests in the Liziping Company from Song Denghong and will complete the purchase if all conditions are met	May 2012, subject to fulfillment of the relevant conditions	Preliminary exploration	Yes, without resources and reserves estimation [(3)]	Approximately 48% of the net proceeds from the Global Offering, or HK$519 million
Dakuangshan Mine	We obtained a right (with no obligation) to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011	Prior to November 2012, subject to satisfactory exploration results	In small-scale operation	No [(4)]	Approximately 12% of the net proceeds from the Global Offering, or HK$130 million

Notes:

(1) The Competent Person's Report does not include information of the Lushan Mine because we have only secured long-term exclusive raw ore supply from the Lushan Mine through exclusive ore supply agreement and do not have legal ownership right to the Lushan Mine.

(2) These net proceeds will be primarily used to fund the construction of a new gravity-selection processing line at the Shizishan Mine ore processing plant to process the tungsten-tin raw ore sourced from the Lushan Mines.

(3) Information of the Liziping Mine contained in the Competent Person's Report includes its JORC compliant geological and exploration reviews without mineral resource and ore reserve estimation, or information relating to its planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, or

environmental and social setting. Please also see the section "Risk Factors — Information of the Liziping Mine contained in the Competent Person's Report is a geological and exploration review based on preliminary exploration activities at the Liziping Mine and the actual resources and/or exploration potential of the Liziping Mine may be subject to substantial changes pending findings of further exploration activities." for further details.

(4) The Competent Person's Report does not include information of the Dakuangshan Mine. We have not conducted advanced exploration at this stage at the Dakuangshan Mine because we only hold an option at present that provides us the right (but not the obligation) to acquire the mine and such option will only expire in November 2012. The relatively late expiration date of the option allows us the practical possibility of utilizing the net proceeds from the Global Offering for the payment of the acquisition consideration. More importantly, we have not made any decision on whether to exercise the option to acquire the Dakuangshan Mine. Further exploration activities at the Dakuangshan Mine will be funded out of net proceeds from the Global Offering.

Lushan Mine and Our Exclusive Ore Supply Agreement

On December 31, 2010, we secured an exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine in Yunnan Province located only approximately 30 km away from the Shizishan Mine. Pursuant to our exclusive supply agreement with Xiangcaopo Mining and its owner, Li Jincheng, Xiangcaopo Mining, which owns the exploration right to the Lushan Mine, will supply all its polymetallic tungsten-tin raw ore to us for a period of at least 15 years, with the price for the tungsten-tin raw ore of RMB260/t for the first five years. Such prefixed price was determined based on arms-length negotiations among the parties after taking into account the prevailing market price of tungsten concentrate which is usually 65% grade and tin concentrate which is usually 45%-55% grade according to the Hatch Report and the estimated normal costs for processing tungsten-tin raw ore with 0.6% tungsten grade and 0.4% tin grade, according to the minimum grade undertaken in the Lushan Mine exclusive supply agreement, into concentrate. As of December 2010, when the raw ore supply agreement was executed, the prevailing market price of tungsten concentrate and tin concentrate was RMB108,500/t and RMB80,582/t (calculated based on tin metal price of RMB161,163/t and concentrate grade of 50%), respectively. This prefixed price is expected to enable us to capitalize on any potential increase in the market price of tungsten and tin. According to the Lushan Geological Report, the results of the drill holes, and geological logging and underground sampling of the Lushan Mine have been highly encouraging to date, and clearly highlight the exploration potential within the exploration permit. With successful completion of the exploration, it is highly likely a significant mineral resource will be defined within the exploration limits of the Lushan Mine. The drilling and sampling will also likely result in further identification of mineralization along strike of the known mineralization. We plan to construct a new gravity-selection processing line at the Shizishan Mine ore processing plant to process tungsten-tin raw ore sourced from the Lushan Mine. See "Business — Lushan Mine and Exclusive Ore Supply Agreement."

The table below summarizes certain information for the Lushan Mine:

Items	
Date of agreement	December 31, 2010, as amended
Key rights obtained	Xiangcaopo Mining will supply all its polymetallic tungsten-tin raw ore to us for a period of at least 15 years, with the price for the raw ore of RMB260/t for the first five years
Pledges/guarantees provided by the seller	Li Jincheng pledged 100% of his equity interests in Xiangcaopo Mining to us and entered into a guarantee agreement with us

Items	
Prepayment	We made a prepayment of RMB18 million, representing approximately 49% of the purchase price for the total raw ore to be supplied by Xiangcaopo Mining by the end of 2012
Loans provided	We provided interest-free loans of RMB72.6 million to Li Jincheng as of October 31, 2011 to be used solely in connection with the exploration activities at the Lushan Mine. The Lushan Mine contains valuable tungsten and tin resources, and its owner, Li Jincheng, pledged his entire interest in the Lushan Mine to us and agreed to personally guarantee its performance and to refund any loan and prepayment amount advanced by us if Xiangcaopo Mining defaults in its raw ore supply to us, all of which provide relatively good assurance for the recoverability of the prepayment and loan made by us.
Raw ore to be supplied	Xiangcaopo Mining undertakes to supply us an annual amount of at least 120 kt, 240 kt and 330 kt of tungsten and tin raw ore with an average grade of no less than 0.6% for tungsten and no less than 0.4% for tin in 2012, 2013 and 2014. It also undertakes to us that the tungsten and tin resources that are category 332 and above are no less than 100 kt (in terms of metal contained) pursuant to the agreement.
License and approvals	Exploration permit with validity date from January 1, 2010 to January 1, 2013
Areas covered under exploration permit	81.55 sq. km
Commencement date of raw ore supply	Xiangcaopo Mining expects to complete its first phase exploration activities in the first quarter of 2012 and commence its polymetallic tungsten-tin raw ore supply to us from the third quarter of 2012
Capital expenditure incurred as of October 31, 2011	RMB0.0
Remaining capital expenditure to be incurred	RMB41.0 million[(1)]
Current status	Preliminary exploration, expected to complete exploration in the first quarter of 2013

Items	
Technical Report	Lushan Preliminary Exploration Report, dated January 2011, prepared by 101 Geological Team of Sichuan Bureau of Geology and Mineral Resource (四川省地質礦產勘查開發局101地質隊); Lushan Geological Report, dated October 25, 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult

Note:

(1) The Lushan Mine is currently at the preliminary exploration stage, therefore, our capital expenditure plan for the Lushan Mine is only a preliminary plan based on our current estimation of its exploration potential and assumes that the mining permit will be obtained and the mine will be developed. The actual capital expenditure may be adjusted substantially and will be determined according to the final exploration results and development plan.

Our Agreement and Option to Acquire Additional Mine Assets in Yunnan Province

To expand our resources and reserves in Yunnan Province, we entered into a share transfer agreement on June 9, 2011 with Song Denghong (an Independent Third Party), the owner of the Liziping Company which owns the exploration right (covering an area of 18.29 sq.km and with a validity term from December 2010 to December 2012) to the Liziping Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. Pursuant the share transfer agreement, we agreed to purchase 90% equity interests in the Liziping Company from Song Denghong. Under the share transfer agreement, Song Denghong undertakes to us that the lead and zinc resources of the Liziping Mine are not less than 1,000 kt in terms of metal contained. According to the Competent Person's Report, the Competent Person considers the likelihood of the definition of resources in the area of the Liziping Mine that will be drilled to be high and the mineralization tenor and geometry observed likely to be continuous. The Competent Person also considers the potential identification of the mineralized structures at depth to be encouraging for future exploration and the likelihood for discovery of significant mineralization at depth to be likely. Information of the Liziping Mine contained in the Competent Person's Report is a JORC compliant geological and exploration review without mineral resource and ore reserve estimation, or information relating to the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, or environmental and social setting, for the Liziping Mine. As we have signed the share transfer agreement with the Liziping Company, we included the geological and exploration information of the Liziping Mine in the Competent Persons's Report. As at the Latest Practicable Date, we have not completed such acquisition, therefore, we have no legal ownership right to the Liziping Mine. We currently expect to complete such acquisition in May 2012.

On May 21, 2011, we also entered into an option agreement with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011. As of the Latest Practicable Date, we have not exercised such option, therefore, we have no legal ownership right to the Dakuangshan Mine. The Dakuangshan Mine is a lead-zinc-silver polymetallic mine and has a mining permit covering an area of 1.56 sq. km. Under the option agreement, Xi Wanli undertakes to us that the Dakuangshan Mine has lead and zinc resources of no less than 400 kt in terms of metals contained, with the grades for lead, zinc and silver contained being no less than 3%, 7% and 50 g/t, respectively. See "Business — Competitive Strength — We are well-positioned to expand our resources and reserves through selective acquisitions" and "Business — Our agreement and option to acquire additional mine assets."

The table below summarizes certain information for the Liziping Mine and the Dakuangshan Mine:

Items	Liziping Mine	Dakuangshan Mine
Date of agreement	June 9, 2011, as amended	May 21, 2011, as amended
Key rights obtained	We conditionally agreed to purchase 90% equity interests in the Liziping Company from Song Denghong and will complete the purchase if all conditions are met	We obtained a right (with no obligation) to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011
Considerations range under the agreement	Consideration to be determined based on the amount of lead and zinc metals contained in the estimated resources of the Liziping Mine, and will be no less than RMB216 million and no more than RMB756 million	Consideration to be determined based on the amount of lead and zinc metals contained in the estimated resources of the Dakuangshan Mine and will be no more than RMB145.0 million
Pledges/guarantees provided by theseller	Song Denghong pledged his entire interest in the Liziping Company to us	Xi Wanli pledged 50% of his equity interests in the Dakuangshan Company to us
Deposits made	We made deposit of RMB100.0 million as of October 31, 2011, which can be deducted from the total consideration if the acquisition is completed. The Liziping Mine contains valuable lead and zinc resources and its owner Song Denghong has also pledged his entire interest in the Liziping Mine to us to secure his performance under the share transfer agreement, all of which provide relatively good assurance for the recoverability of the deposit made by us	We made a good-faith deposit of RMB40.0 million as of October 31, 2011, which is fully refundable if we decide not to exercise the option. The Dakuangshan Mine contains valuable lead and zinc resources, its owner Xi Wanli has pledged his 50% interest in the Dakuangshan Mine to us to secure his performance under the option agreement, and we also have a right to unilaterally terminate option agreement and request a full refund of all the deposit made by us, all of which provide relatively good assurance for the recoverability of the deposit made by us
Agreed resources	The lead and zinc resources of the Liziping Mine must not be less than 1,000 kt in terms of metal contained according to the agreement	The lead and zinc resources of the Dakuangshan Mine (in terms of metals contained) shall be no less than 400 kt according to the agreement
License and approvals	Exploration permit with validity date from December 2010 to December 2012	In the process of renewing mining permit
Areas covered under the mining/ exploration permit	18.29 sq. km.	1.56 sq. km
Commencement date of trial and commercial production	At preliminary exploration stage, estimated to commence trial production at the end of 2013	Has a current mining capacity of approximately 500 tpd and processing capacity of approximately 100 tpd
Estimated total consideration	RMB495 million(1)	RMB145.0 million(2)
Capital expenditure incurred as of October 31, 2011	RMB9.7 million	RMB12.6 million
Remaining capital expenditure to be incurred	RMB395.3 million(1)	RMB83.4 million(2)

Items	Liziping Mine	Dakuangshan Mine
Current status	Preliminary exploration, expected to complete exploration in the third quarter of 2012 and start production at end of 2013	In small-scale operation
Technical Report	The Competent Person's Report, dated November 25, 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult	The Dakuangshan Preliminary Survey, dated August 2011, prepared by Sichuan Geological Project Group Company (四川省地質工程集團公司)

Notes:

(1) The Liziping Mine is currently at the preliminary exploration stage and we have not yet completed our acquisition of the Liziping Mine. As a result, the estimated consideration to be paid by us and our capital expenditure plan for the Liziping Mine are only preliminary estimations based on the resources agreed in the share transfer agreement and our current estimation of its exploration potential, may be substantially adjusted after its exploration activities (and the feasibility study, in the case of our capital expenditure plan) are completed, and is subject to satisfaction of all the conditions to close the acquisitions as stipulated in the share transfer agreement.

(2) Preliminary stage exploration is currently being conducted at the Dakuangshan Mine and we have not yet exercised the option to acquire the Dakuangshan Mine. As a result, the estimated consideration to be paid by us and our capital expenditure plan for the Dakuangshan Mine are only preliminary estimations based on our current estimation of its exploration potential, may be substantially adjusted after its exploration activities (and the feasibility study, in the case of our capital expenditure plan) are completed, and is subject to our final decision to exercise the option to acquire the Dakuangshan Mine.

OUR STRENGTHS

We believe that we possess the following competitive strengths:

- We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves and, on the Listing Date, will be the first non-ferrous metal pure mining company listed on the Stock Exchange with abundant and high-grade silver reserves
- The Shizishan Mine has abundant and high-grade polymetallic resources and reserves
- Our favorable cost position will enable us to enjoy high profitability
- We will enjoy stable and low-cost polymetallic ore supply from the Lushan Mine on an exclusive basis
- We are well-positioned to expand our resources and reserves through selective acquisitions
- The Shizishan Mine, Dazhupeng Mine and Lushan Mine have significant exploration potential
- We benefit from our strategic location in Yunnan Province and our mine's close proximity to end customers and readily accessible infrastructure
- We have a strong management team with extensive industry and management experience, and a high standard of corporate governance enhanced by a significant composition of our Board comprised of our independent non-executive Directors

OUR STRATEGIES

Our goal is to become a leading non-ferrous metal pure mining company in China, which we plan to accomplish through implementing the following strategies:

- Ramp up our mining and processing capacities
- Expand our resources and reserves through selective acquisitions
- Expand our resources and reserves through further exploration
- Pursue technological innovation to improve operational efficiency, mining safety and environmental protection
- Strengthen our customer relationships and broaden our customer base

RESULTS OF OPERATIONS

Since our inception in April, 2009, we have primarily focused our business activities on exploration, mine planning, and construction and infrastructure development to prepare for the commercial production of lead-silver and zinc-silver concentrates and did not generate revenue from our operations during the Track Record Period. As a result, our loss for the period from April 23, 2009 to December 31, 2009, the year ended December 31, 2010, and the six months ended June 30, 2011 were RMB1.5 million, RMB5.1 million, and RMB245.6 million, respectively.

The summary financial information of (i) our consolidated statements of comprehensive income and statements of cash flows for the period from April 23, 2009 (date of the business combination of our Group under common control) to December 31, 2009, the year ended December 31, 2010, and the six months ended June 30, 2010 and 2011, and (ii) our consolidated statements of financial position as of December 31, 2009 and 2010 and June 30, 2011 as set forth below, are derived from the Accountants' Report included in Appendix I to this Prospectus, and should be read in conjunction with the Accountants' Report, including the notes thereto, and the discussions included herein.

Summary Consolidated Statements of Comprehensive Income

	Period from April 23, 2009 to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	(RMB'000)			
Other income and gains	—	5,576	773	4,439
Administrative expenses	(1,939)	(11,987)	(4,328)	(16,667)
Recognition of equity-settled share-based payment	—	—	—	(233,000)[1]
Other operating expenses	—	(235)	—	(1,248)
Loss before tax	(1,939)	(6,646)	(3,555)	(246,476)
Income tax credit	435	1,586	766	847
Loss for the year/period and total comprehensive loss for the year/period	(1,504)	(5,060)	(2,789)	(245,629)
Attributable to:				
Owners of the Company	(1,178)	(4,840)	(2,685)	(245,356)
Non-controlling interest	(326)	(220)	(104)	(273)
	(1,504)	(5,060)	(2,789)	(245,629)

Note:

(1) Representing share-based compensation expense of approximately RMB233.0 million arising from shares allotted and issued to our chief executive officer, Mr. Zhu Xiaolin, in recognition for his valuable and indispensable contribution to the Group, which was a one-off non-cash expense.

Summary Consolidated Statements of Financial Position

	As of December 31, 2009	As of December 31, 2010	As of June 30, 2011
	(RMB'000)		
Non-current assets	7,815	128,723	353,152
Current assets	25,550	75,252	275,235
Current liabilities	30,969	206,279	55,071
Net current assets/(liabilities)	(5,419)	(131,027)	220,164
Total assets less current liabilities	2,396	(2,304)	573,316
Non-current liabilities	—	351	73,796
Net assets/(liabilities)	2,396	(2,655)	499,520
Total equity/(deficit)	2,396	(2,655)	499,520

Summary Consolidated Statements of Cash Flows

	Period from April 23, 2009 to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	(RMB'000)			
Net cash flows used in operating activities	(1,720)	(62,482)	(8,574)	(33,160)
Net cash flows used in investing activities	(7,382)	(106,399)	(46,511)	(179,301)
Net cash flows from financing activities	34,421	163,986	165,169	392,799
Net increase/(decrease) in cash and cash equivalents	25,319	(4,895)	110,084	180,338
Cash and cash equivalents at beginning of the year/period	—	25,319	25,319	20,320
Effect of foreign exchange rate changes	—	(104)	(28)	(762)
Cash and cash equivalents at end of year/period	25,319	20,320	135,375	199,896

CAPITAL REQUIREMENTS FOR MINE PROJECTS

The following table sets forth our estimated capital requirements in relation to the acquisition considerations, capital expenditure and working capital for the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine for the periods indicated:

	Estimated maximum acquisition consideration to be paid	Estimated capital expenditure to be incurred[4]	Estimated working capital requirement
	December 1, 2011-December 31, 2012		
	(RMB million)		
Shizishan Mine	N/A	135.3	421.0
Dazhupeng Mine	N/A	26.9	N/A[2]
Lushan Mine	N/A	41.0	36.5[3]
Liziping Mine	636.0[1]	66.5	N/A[2]
Dakuangshan Mine	105.0[1]	83.5	N/A[2]
Total	**741.0**	**353.2**	**457.5**

Notes:

(1) The estimated acquisition consideration for the Liziping Mine and the Dakuangshan Mine is based on the maximum consideration stipulated in the share transfer agreement between Song Denghong and us and the option agreement between Xi Wanli and us, respectively, and is subject to adjustment. Such amounts exclude a deposit of RMB100 million, which can be deducted from the total consideration if the acquisition is completed, and a good-faith deposit of RMB40 million we made as of October 31, 2011 for the Liziping Mine and the Dakuangshan Mine, respectively, and a further deposit of RMB20 million to be paid by the end of 2011 for the Liziping Mine.

(2) The Dazhupeng Mine, Liziping Mine and Dakuangshan Mine are currently at preliminary exploration stage, therefore, information in relation to their working capital requirement is currently not available.

(3) The Lushan Mine's working capital requirement estimation only covers the purchase cost of the raw ore calculated based on the unit purchase cost excluding value-added tax of RMB260/t and the annual supply amount of 120 kt of raw ore in 2012 as stipulated in the exclusive raw ore supply agreement between Xiangcaopo Mining and us, excluding a prepayment of RMB18.0 million. Other working capital requirement of the Lushan Mine is not available because the Lushan Mine is still at the preliminary exploration stage. Given the market price of tungsten concentrate of approximately RMB140,400/t in October 2011 and the prefixed low-cost raw ore supply, we believe the operating cash flow generated from the processing of raw ore supplied from the Lushan Mine is sufficient to cover the related working capital requirement.

(4) Total outstanding capital expenditure to be spent from December 1, 2011 to December 31, 2012 for the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine is RMB135.3 million, RMB26.9 million, RMB41.0 million, RMB66.5 million and RMB83.5 million, respectively. We plan to fund these capital expenditure requirements by utilizing the net proceeds from the Global Offering which are estimated to be HK$1,005 million (equivalent to RMB820.1 million, assuming the Over-allotment Option is not exercised), based on the low end of the indicative Offer Price range.

We further plan to utilize our internal operating cash inflow and bank loans that we may receive from time to time to fund the gap between the total remaining capital expenditure to be incurred and the net proceeds from the Global Offering. For the capital expenditure incurred as of October 31, 2011 and the total remaining capital expenditure to be incurred for the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine, please refer to pages 7, 8, 11 and 13 of this Prospectus, respectively. Approximately RMB322 million and RMB195 million (totaling RMB517 million) of additional capital expenditure for the Liziping Mine and Dazhupeng Mine have not been taken into account in the above table, as they will be deployed only in 2013 and 2014 based on the respective development schedule of these two mines. It is currently planned that the Liziping Mine and the Dazhupeng Mine will only commence production by the end of 2013 and the second quarter of 2014, respectively. We intend to also fund the capital expenditures for the Liziping Mine and Dazhupeng Mine in 2013 and 2014 through operating cash inflow generated from our operating activities at the Shizishan Mine and bank loans that we may obtain from time to time in the future.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including the cash generated from our operations following the commencement of production of the Shizishan Mine and the estimated net proceeds of approximately HK$1,005 million (equivalent to approximately RMB820.1 million, assuming the Over-allotment Option is not exercised) from the Global Offering, based on the low end of the indicative Offer Price range, and the estimated capital expenditure requirements and acquisition considerations of the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have available sufficient working capital for 125% of our present requirements for at least 12 months from the date of this Prospectus.

The following table sets forth our existing and estimated source of funding and estimated major working capital requirements for the Shizishan Mine for the 12 months from the date of Prospectus:

	(RMB million)
Source of funding:	
Estimated net proceeds from the Global Offering	820.1[(1)]
Cash and cash equivalents as at October 31, 2011	73.8
Estimated operating cash inflow from the Shizishan Mine from December 1, 2011 to December 31, 2012	1,012.3[(2)]
Less:	
Estimated acquisition considerations and capital expenditure to be incurred from December 1, 2011 to December 31, 2012	1,094.2
	812.0
Cash requirement for the Shizishan Mine from December 1, 2011 to December 31, 2012:	
Production costs	57.0
VAT and other business taxes and royalties	151.0
Income taxes	107.0
Staff costs	27.0
Administrative expenses and others	79.0
Total	421.0

Notes:

(1) Approximately HK$1,005 million equivalent, based on the low end of the indicative Offer Price range and assuming the Over-allotment Option is not exercised.

(2) Estimated operating cash inflow from the Shizishan Mine for the period from December 1, 2011 to December 31, 2012 is prepared by our Directors and is unaudited and for indicative purpose only. Actual results may vary from the estimates.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,082 million from the Global Offering (assuming the Over-allotment Option is not exercised), after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$2.38 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 60%, or HK$649 million, is expected to be used primarily to acquire and develop additional non-ferrous and/or precious metal resources identified and to be identified by us, which may include two mines with respect to which we have entered into a share transfer agreement and an option agreement as described below. Our growth model includes the acquisition of non-ferrous metal and/or precious metal mines in Yunnan Province and other regions in China. We have begun to identify potential acquisition targets since inception. In particular, we have entered into a share transfer agreement with Song Denghong, the owner of the Liziping Company which owns the exploration right to the Liziping Mine, pursuant to which we agreed to purchase 90% equity interests in the Liziping Company from Song Denghong. We currently expect to complete such acquisition in May 2012. The consideration payable for the 90% equity interests of the Liziping Company will be determined based on the amount of lead and zinc resources of the Liziping Mine, and will in any event be no less than RMB216 million and no more than RMB756 million. If (i) the lead and zinc resources of the Liziping Mine are less than 1,000 kt (in terms of metal contained) according to the final reviewed exploration report prepared by an Independent Third Party exploration entity designated by us or (ii) we are not satisfied with the results of our legal due diligence or audit on the Liziping Company and/or the Liziping Mine, we have the right to unilaterally terminate the share purchase agreement and Song Denghong shall refund all the deposit and payment made, and all the exploration expenses incurred, by us. We currently expect to spend a total of approximately RMB900.0 million for the acquisition, exploration and development of the Liziping Mine and as of October 31, 2011, the remaining acquisition and capital expenditure to be incurred is approximately RMB790.3 million. Such estimated amount is subject to a number of factors, including the estimated resource and reserve amounts to be determined and the actual conclusion of the Liziping Mine's feasibility study, and is further subject to satisfaction of all the conditions to complete the acquisition. We have also entered into an option agreement with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011. The consideration for the 90% equity interests in the Dakuangshan Company will be determined based on the lead and zinc metals contained in the estimated resources of the Dakuangshan Mine that are category 332 and above at a price not less than RMB500/t and not more than RMB700/t (which was determined based on arms-length negotiations among the parties and was not referenced to any specific prevailing market price or benchmark) and will not exceed RMB145.0 million. If we decide to exercise our option, the terms of purchase would be subject to further negotiations with Xi Wanli and such purchase will comply with the applicable requirements of the Listing Rules. If we were to elect to exercise the option, we expect to spend a total of approximately RMB241.0 million for the acquisition, exploration and development of the Dakuangshan Mine. Such estimated amount is subject to a number of factors, including the estimated resource and reserve amounts to be determined and the actual conclusion of the Dakuangshan Mine's feasibility study report. Please see the section headed "Business — Competitive Strength — We are well-positioned to expand our resources and reserves through selective acquisitions" and "Business — Our agreement and option to acquire additional mine assets" in this Prospectus for additional information on the share transfer agreement and the option agreement.

- approximately 18%, or HK$195 million, is expected to be used to finance the ramp-up of the mining capacity of the Shizishan Mine and the expansion of the tailing storage facility capacity at the Shizishan Mine. We believe that the amount is sufficient to finance our ramp-up activities at the Shizishan Mine, based on our current operations and ramp-up plan at the Shizishan Mine; and

- approximately 22%, or HK$238 million, is expected to be used to finance our activities relating to the Dazhupeng Mine and the Lushan Mine owned by Xiangcaopo Mining, an Independent Third Party, including: (i) the exploration activities at the Dazhupeng Mine and the construction of the mining and processing facilities at the Dazhupeng Mine after we complete its exploration activities and obtain the mining permit for the Dazhupeng Mine; and (ii) the construction of the gravity-selection processing line to be used to process polymetallic tungsten-tin raw ore from the Lushan Mine. See "Business — Lushan Mine and Exclusive Ore Supply Agreement."

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorized financial institutions in Hong Kong or China.

If the Offer Price is set above the mid-point of the proposed Offer Price range, we intend to increase the amount of net proceeds allocated for the acquisition and development of additional non-ferrous and/or precious metal resources. If the Offer Price is set below the mid-point of the proposed Offer Price range, we intend to decrease the amount of net proceeds allocated for the acquisition and development of additional non-ferrous metal and/or precious resources.

In the event that the Over-allotment Option is exercised in full, we estimate we will receive additional net proceeds of approximately HK$170 million, assuming an Offer Price of HK$2.38 per Share, being the mid-point of the offer price range stated in this Prospectus. We intend to use the additional net proceeds to acquire and develop additional non-ferrous and/or precious metal resources by leveraging our strategic location in Yunnan Province and our dedicated and experienced asset acquisition team led by our chief executive officer, Mr. Zhu Xiaolin. However, whether or not and how we will proceed with any acquisition depends on the potential of the target, if any, the nature and condition of the target, and the market condition in general. Any such acquisition will comply with the applicable requirements of the Listing Rules.

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and bank borrowings.

EXCHANGEABLE BONDS

Silver Lion issued two rounds of Exchangeable Bonds for an aggregate principal sum of US$85,000,000 to several investors, including leading international financial institutions and reputable private equity firms such as Challenger Mining 8 Limited ("Challenger"), Deutsche Bank AG, London Branch and MS China 3 Limited, an affiliate of Morgan Stanley. The Directors believe bringing in investors of such caliber will enhance the profile of the Group. We expect to benefit from the investors' commitment to the Company, and to leverage on their global perspective and corporate governance measures, together with their investment experience, local knowledge and relationship network to enhance our strategic business model.

On February 8, 2010, Challenger subscribed for the Round 1 Bond in the aggregate principal amount of US$25,000,000 issued by Silver Lion. The Round 1 Bond is convertible into our Shares owned and held by Silver Lion, representing approximately 8.6% of the issued share capital of the Company immediately prior to the Global Offering (without taking into account the exercise of the Over-allotment Option). If Challenger does not exercise its exchange right to exchange the Round 1 Bond into our Shares prior to the Global Offering, all outstanding principal sum and accrued interest (which was pre-determined to be 200% of the outstanding principal amount on date of redemption) will be mandatorily redeemed on the Business Day before the Listing Date.

On April 20, 2011, the Round 2 Bond Investors (including Deutsche Bank AG, London Branch and MS China 3 Limited, an affiliate of Morgan Stanley) subscribed for secured bonds in the aggregate principal amount of US$60,000,000 issued by Silver Lion. The Round 2 Bond Investors have the automatic right to exchange the Round 2 Bond into our Shares on the Listing Date, representing approximately 15.7% of the issued share capital of the Company immediately prior to the Global Offering (without taking into account the exercise of the Over-allotment Option). If any of the Round 2 Bond Investors does not exercise its exchange right to exchange into our Shares prior to the Global Offering, such outstanding principal sum and accrued interest (which was pre-determined to be 140% of the outstanding principal amount on the date of redemption) will be mandatorily redeemed on the Business Day before the Listing Date.

We are not and will not be obliged to issue any new Shares in connection with the exchange of the Round 1 Bond and Round 2 Bond. As a result, any exchange of the Round 1 Bond and Round 2 Bond will not affect the number of Shares in issue and there will be no dilutive effect on our shareholding. The Shares that would be exchanged and held by each of Challenger and the Round 2 Bond Investors are subject to a lock-up period of six months immediately after the Listing Date. All obligations imposed on us in connection with the Round 1 Bond and Round 2 Bond would lapse upon the Listing. See the section headed "Exchangeable Bonds" for further details.

SHARE AWARD

On June 27, 2011, Grow Brilliant, a company wholly owned by Mr. Zhu Xiaolin, our executive Director and chief executive officer, was allotted and issued 6,399 Shares in our Company, which will represent 6.01% of our share capital immediately before the Global Offering (without taking into account any exercise of the Over-allotment Option and options granted under the Share Option Scheme), in recognition of Mr. Zhu Xiaolin's valuable and indispensable contribution to the Group. The fair value of these Shares was RMB233.0 million as of June 30, 2011. Please see the sections headed "Financial Information — Results of Operations — Six months ended June 30, 2011 compared with six months ended June 30, 2010 — Administrative expenses" and "History and Organization — Information on Our Shareholders — Reorganization at the Level of Our Shareholders" for further details.

DIVIDEND POLICY

Following completion of the Global Offering, our Shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividends will be at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our Share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividends are to be paid.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under the PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. In general, we will not declare dividends in a year when we do not have any distributable earnings.

We currently intend to retain most, if not all, of our available funds and any future earnings until the end of 2012 to operate and expand our business, primarily through production ramp-up and selective acquisitions. Subject to the considerations and constraints above, we currently intend to distribute as dividends to all of our Shareholders no less than 20% of our consolidated net profit after tax in respect of the year ending December 31, 2013 and each year thereafter. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

CORPORATE GOVERNANCE

We have six experienced independent non-executive directors to enhance our high standard of corporate governance. They all possess strong experiences and stellar reputations in their respective fields of expertise in finance, accounting, investments, consulting and mining and all have long track-record of serving managerial roles and supervising corporate governance in public companies listed in the world's major stock exchanges, leading investment banks, consulting firms or accounting firms. Our audit, remuneration and nomination committees consist of a majority of independent non-executive directors and are chaired by independent non-executive directors. We believe that our independent non-executive directors, who comprise nearly half of the Board seats and a majority of the members of our audit, remuneration and nomination committees, will significantly enhance the standard of corporate governance of the Company and improve transparency and soundness of the Board's decision-making process, which in turn will better serve the interests of our public investors and our Company as a whole. For instance, our management will prepare a detailed monthly management report to the independent non-executive directors, which would include the monthly sales price and sales volume of our products. Further, our management will report to the independent non-executive directors every quarter on our Group's financial position at the board meetings to be held every quarter. For details of the biography of our six independent non-executive directors, please refer to the section headed "Directors, senior management and employees".

THE GLOBAL OFFERING

The Global Offering by us consists of:

- the offer by us of initially 50,000,000 Shares, or Hong Kong Offer Shares, for subscription by the public in Hong Kong, referred to in this Prospectus as the Hong Kong Public Offer; and

- the offering of initially 450,000,000 Shares, or International Placing Shares, by us outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act, referred to in this Prospectus as the International Placing.

The number of Hong Kong Offer Shares and International Placing Shares, or together, Offer Shares, is subject to adjustment and reallocation as described in the section headed "Structure and Conditions of the Global Offering."

Mr. Ran Chenghao, Mr. Ran Xiaochuan, Hover Wealth, Silver Lion and Total Flourish have agreed to extend the lock-up period for **thirty-six months** from the Listing Date to the Company, the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters); and will not during the same period dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the securities of the Company held by them now or in the future unless the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) consents otherwise. Such extended lock-up period is longer than the lock-up period required under Rule 10.07 of the Listing Rules which indicates that the Controlling Shareholders are confident of the prospects and the future of our Group.

LOSS FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

The loss forecast has been prepared by our Directors based on the bases and assumptions set out in Appendix III to this Prospectus.

Consolidated loss forecast attributable to owners of the Company(1) . . .	RMB246.6 million (HK$302.2 million)(3)
Unaudited pro forma forecast loss per Share for the year ending December 31, 2011(2) . . .	RMB0.123 (HK$0.150)

Notes:

(1) The bases and assumptions on which the consolidated loss forecast attributable to owners of the Company for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this Prospectus.

(2) The calculation of unaudited pro forma forecast loss per Share is based on the consolidated loss forecast attributable to owners of the Company for the year ending December 31, 2011 of RMB246.6 million and on the assumption that the Company has been listed since January 1, 2011 and a total number of 2,000,000,000 Shares were in issue during the year ending December 31, 2011.

(3) The consolidated loss forecast attributable to owners of the Company includes a one-off equity-settled share-based expense of RMB233.0 million and the expenses in relation to the Global Offering.

We have analyzed the sensitivity of the loss forecast of the Group for the year ending December 31, 2011 with reference to the potential movements in the key bases in the loss forecast, such as the selling price of lead-silver concentrates and zinc-silver concentrates, the sales volume of lead-silver concentrates and zinc-silver concentrates and the unit cost of sales of lead-sliver concentrates and zinc-sliver concentrates for the year ending December 31, 2011.

The sensitivity of the loss forecast for the movements in average selling price of lead-silver concentrates and zinc-silver concentrates, sales volume of lead-sliver concentrates and zinc-sliver concentrates and average unit cost of sales of lead-sliver concentrates and zinc-sliver concentrates is analyzed as follows:

	For the year ending December 31, 2011
	RMB'000 Increase/(decrease) in profit attributable to the owners of the Company
(A) Movement in average selling price of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	2,496
Increase 10%	4,991
Increase 15%	7,487
Increase 20%	9,983
Increase 25%	12,479
Increase 30%	14,974
Decrease 5%	(2,496)
Decrease 10%	(4,991)
Decrease 15%	(7,487)
Decrease 20%	(9,983)
Decrease 25%	(12,479)
Decrease 30%	(14,974)
(B) Movement in sales volume of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	2,029
Increase 10%	4,059
Decrease 5%	(2,029)
Decrease 10%	(4,059)
(C) Movement in average unit cost of sales of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	(471)
Increase 10%	(941)
Decrease 5%	471
Decrease 10%	941

GLOBAL OFFERING STATISTICS[1]

	Based on Offer Price of HK$2.22	Based on Offer Price of HK$2.54
Market capitalization of our Shares[2]	HK$4,440 million	HK$5,080 million
Unaudited pro forma adjusted net tangible asset value per Share[3]	HK$0.761	HK$0.838

Notes:

(1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 2,000,000,000 Shares expected to be in issue immediately after completion of the Global Offering.

(3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 2,000,000,000 Shares expected to be issued and outstanding immediately after completion of the Global Offering.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$2.22 and HK$2.54, respectively, the unaudited pro forma adjusted net tangible asset value per Share will be HK$0.810 per Share and HK$0.895 per Share, respectively.

RISK FACTORS

These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting operations in China and (iii) risks relating to the Shares and the Global Offering. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our business, financial condition and results of operations.

Risks Relating to Our Business and Industry

- As a developing mining company with limited operating history, we cannot guarantee that we will generate revenue or positive cash flow and grow our business as planned.

- The market price for lead, zinc, silver and other non-ferrous metal concentrates may fluctuate.

- Our operations are primarily exposed to uncertainties in relation to one major project, the Shizishan Mine.

- Our existing and future major capital expenditure projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.

- Our failure or inability to obtain and renew required government approvals, permits and licenses for our exploration and mining activities could prevent us from continuing operations.

- Our inability to develop existing mineral reserves or acquire additional ones may adversely impact our financial condition and interfere with our development plans.

- Our exploration and mining projects, acquisition activities and expansion plans require substantial capital investment, and may not achieve the intended economic results.

- If we fail to manage our liquidity situation carefully, our ability to expand and, in turn, our results of operations may be materially and adversely affected.

- Our business, financial condition and results of operations may be adversely affected if Xiangcaopo Mining fails or refuses to perform the agreed upon transaction with us or if our exclusive supply agreement with Xiangcaopo Mining fails to yield anticipated benefits.

- Our business, financial condition, results of operations and expansion plan may be adversely affected if the owners of the Liziping Mine and the Dakuangshan Mine fail to refund the deposits made by us in connection with the proposed acquisition of the Liziping Mine and the option to acquire the Dakuangshan Mine in the event of an abortion of the related acquisition or otherwise default in the share transfer agreement or the option agreement.

- We may have difficulty in managing our future growth and the associated increased scale of our operations.

- The resource and reserve data cited in this Prospectus are estimates based on a number of assumptions and may be inaccurate.

- Information of the Liziping Mine contained in the Competent Person's Report is a geological and exploration review based on preliminary exploration activities at the Liziping Mine and the actual resources and/or exploration potential of the Liziping Mine may be subject to substantial changes pending findings of further exploration activities.

- We depend on a few major customers.

- We face certain risks and uncertainties beyond our control from manmade and natural disasters that may negatively impact our and our customers' operations.

- We engage third-party contractors for our mining operations and are subject to risks inherent in such arrangements.

- Our business depends on reliable and adequate transportation capacity for our concentrate products.

- Our operations are subject to risks relating to occupational hazards and production safety.

- Our operations are subject to risks relating to environmental protection and rehabilitation.

- Our mining operations have a finite life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

- We may not be able to retain or secure key qualified personnel.
- We may not be adequately insured against losses and liabilities arising from our operations.
- Changes to the PRC regulatory regime for the mining industry may adversely affect our business, prospects, financial condition and results of operations.
- Our business depends on the health and outlook of the Chinese and global economy.
- Our operations depend on adequate and timely supply of water, electricity and other critical supplies and equipment.
- Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.

Risks Relating to Conducting Operations in China

- We are vulnerable to adverse changes in political, social and economic policies of the PRC government that may affect economic growth in China.
- Uncertainties with respect to the PRC legal system could have a material adverse effect on us.
- We may not be able to obtain necessary approvals from the relevant governmental authority for capital investments.
- Government control of currency conversion and fluctuations in the exchange rate between the Renminbi and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.
- It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce non-PRC court judgments against them in China.
- We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC corporate Shareholders.
- Restrictions on the payment of dividends under applicable regulations may limit the ability of our PRC operating subsidiary to remit dividends to us, which could affect our liquidity and our ability to pay dividends.
- Any widespread outbreak of contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.
- PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make

loans or capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

- Failure to comply with PRC regulations relating to the registration of share options that belong to our employees who are PRC citizens may subject such employees or us to legal or administrative sanctions.

Risks Relating to the Shares and the Global Offering

- There has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

- Future sales of Shares could adversely affect our Company's Share price.

- The market price of our Shares when trading begins could be lower than the Offer Price.

- Future financing may cause a dilution in your shareholding or place restrictions on our operations.

- Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

- Our financial results are expected to be affected by the expenses in relation to the Global Offering.

- You may face difficulties in protecting your interests under Cayman Islands law.

- Information, forecasts and other statistics obtained from industry organization and official government sources contained in this Prospectus may not be accurate.

- Facts and statistics in this Prospectus relating to the PRC economy, mineral products and mining industry in the PRC may not be fully reliable.

- You should read the entire Prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

- This Prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which are subject to risks and uncertainties.

In this Prospectus, the following expressions shall have the meanings set out below unless the context otherwise requires.

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AL Stone"	AL Stone Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands on May 30, 2011
"Antaike"	Beijing Antaike Information Development Co., Ltd., an experienced consultant in the metal industry and an Independent Third Party
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and GREEN application form(s) or where the context so requires, any of them
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles of Association"	the articles of association of the Company, conditionally adopted on November 24, 2011 and as amended from time to time
"associate"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board"	the board of directors of our Company
"BOCOM International"	BOCOM International Securities Limited
"Business Day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"BVI Law Amendment Agreement"	a deed of amendment and restatement in relation to certain documents governed by British Virgin Islands law entered into among Ran Chenghao, Hover Wealth, Shi Xiangdong, our Company, Gilberta, Silver Lion, Challenger and DB Trustees (Hong Kong) Limited, dated April 20, 2011
"CAGR"	compound annual growth rate
"Cayman Law Amendment Agreement"	a deed of amendment and restatement in relation to certain documents governed by Cayman Islands law entered into among Silver Lion, our Company, Challenger and DB Trustees (Hong Kong) Limited, dated April 20, 2011
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Challenger"	Challenger Mining 8 Limited, incorporated and registered in Jersey whose registered office is at 15 Esplanade, St. Helier, Jersey JE1 1RB
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this Prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chinaccm"	Chinaccm.com
"China Customs"	China Customs (中國海關), a governmental agency that manages all arrivals and departures from the customs territory of the PRC
"CISA"	China Iron and Steel Association (中國鋼鐵工業協會網)
"Citi"	Citigroup Global Markets Asia Limited
"CNIA"	China Nonferrous Metals Industry Association (中國有色金屬工業協會)
"COMEX"	Commodity Exchange, Inc., a division of the New York Mercantile Exchange
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company" or "our Company"	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on November 30, 2009
"Competent Person" or "Minarco"	Runge Asia Limited, trading as Minarco-MineConsult, a company commissioned by the Group to undertake an

	independent technical review and assessment of the Shizishan Mine and the associated ore processing facility, and the Liziping Mine
"Competent Person's Report"	the Independent Technical Review and Competent Person's Report, dated November 25, 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult with respect to the independent technical review and assessment of the Shizishan Mine and its associated ore processing facility and the Liziping Mine; under such report, Minarco completed JORC compliant geological and exploration reviews only for the Liziping Mine, and reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine
"Connected person"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules, and for the purpose of this Prospectus, refers to Mr. Ran Chenghao, Mr. Ran Xiaochuan, Mr. Shi Xiangdong, Mr. Zhu Xiaolin, Hover Wealth, Silver Lion, Total Flourish, Grow Brilliant and AL Stone
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"CTIA"	China Tungsten Industry Association (中國鎢工業協會)
"Dakuangshan Company"	a company owned by Xi Wanli, an Independent Third Party, who entered into an option agreement in relation to the Dakuangshan Mine with the Group on May 21, 2011
"Dakuangshan Mine"	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
"Dakuangshan Preliminary Survey"	the polymetallic mine survey report prepared in August 2011 by Sichuan Geological Project Group Company (四川省地質工程集團公司), an Independent Third Party company commissioned by Kunrun to undertake an independent preliminary geological survey of the Dakuangshan Mine
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, with respect to which we hold an exploration permit
"Dazhupeng Preliminary Survey"	the polymetallic mine survey report prepared in April 2011 by 106 Geological Team of Sichuan Bureau of Geology and

	Mineral Resource (四川省地質礦產勘查開發局106地質隊), a company commissioned by the Group to undertake an independent preliminary geological survey of the Dazhupeng Mine
"Dehong Yinbang"	Dehong Yinbang Mining Technology Development Company Limited (德宏銀邦礦業技術發展有限公司), incorporated in China with business license number 533100400000416 whose registered office is at No. 69 Menghuan Road, Mang City, Luxi City, Yunnan Province, China, currently an indirect wholly-owned subsidiary of the Company
"Dehong Yinrun"	Dehong Yinrun Mining Technology Development Company Limited (德宏銀潤礦業技術發展有限公司), incorporated in China with business license number 533123100003143 whose registered office is at Opposite to the Chinese Medicine Hospital, Yingdong Road, Pingyuan Town, Yingjiang County, Yunnan Province, China, currently an indirect wholly-owned subsidiary of the Company
"Diamond Century"	Diamond Century International Limited, an Independent Third Party
"Director(s)"	director(s) of our Company
"Enlarged Group"	the Group immediately after completion of the proposed acquisition of 90% equity interest in the Liziping Company
"Exchangeable Bonds"	exchangeable bonds issued by Silver Lion to Challenger and the Round 2 Bond Investors
"ETFs"	exchange-traded funds
"Gilberta"	Gilberta Holdings Limited, a limit liability company incorporated in BVI with company number 1554826 whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI, and is currently the direct wholly-owned subsidiary of the Company
"Global Offering"	the Hong Kong Public Offer and the International Placing
"**Green** Application Form(s)"	the application form(s) to be completed by **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "we" or "us"	our Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of the Company at the time
"Grow Brilliant"	Grow Brilliant Limited, a limited liability company incorporated in BVI with company number 1565801 whose

	registered address is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
"Hatch"	the Hatch Group, an international consulting firm specializing in providing data and analyses in relation to the mining, metallurgical, manufacturing and energy industries, which is an Independent Third Party
"Hatch Report"	the "Polymetallic Industry Report" prepared by Hatch
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Hong Kong dollars" or "HK dollars" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Law Amendment Agreement"	an amendment and restatement agreement in relation to certain documents governed by Hong Kong law entered into among Gilberta, Next Horizon, Challenger and DB Trustees (Hong Kong) Limited dated April 20, 2011
"Hong Kong Offer Shares"	the 50,000,000 new Shares (subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering") being offered by us for subscription pursuant to the Hong Kong Public Offer
"Hong Kong Public Offer"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offer listed in the section headed "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 1, 2011 relating to the Hong Kong Public Offer entered into between, among others, us, the Hong Kong Underwriters and the Sole Global Coordinator
"Hover Wealth"	Hover Wealth Limited, a limited liability company incorporated in BVI with company number 1587690 whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI

"IFRSs"	International Financial Reporting Standards, including International Accounting Standards and interpretations, promulgated by the International Accounting Standard Board
"Independent Third Party(ies)"	an individual or a company who is not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates.
"ILA"	International Lead Association
"ILZSG"	International Lead and Zinc Study Group
"International Placing"	the conditional placing of the International Placing Shares to institutional, professional and other investors
"International Placing Shares"	the 450,000,000 new Shares (subject to adjustment as described in the section headed "Structure and Condition of the Global Offering") being offered by us for subscription pursuant to the International Placing together, where relevant, with any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
"International Underwriters"	the underwriters of the International Placing whose names are set out in the section headed "Underwriting — International Underwriters"
"International Underwriting Agreement"	the international underwriting agreement relating to the International Placing to be entered into among us, the International Underwriters and the Sole Global Coordinator on or around December 7, 2011
"ITIA"	International Tungsten Industry Association
"ITRI"	International Tin Research Institute
"IZA"	International Zinc Association
"Joint Bookrunners"	Citigroup Global Markets Asia Limited, Renaissance Capital (Hong Kong) Limited and BOCOM International Securities Limited
"Joint Lead Managers"	Citigroup Global Markets Asia Limited and BOCOM International Securities Limited
"KR Lenders"	Kevin Russell, Evan Marks, Keith Wayne Abell and JC Del Real, all are Independent Third Parties save as Keith Wayne Abell, our independent non-executive Director
"KR Loan Agreement"	a loan agreement entered into among the KR Lenders and Silver Lion, dated January 15, 2010
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), incorporated in China with business license number 533123100002302, whose registered office is opposite the Chinese Medicine Hospital, Yingdong Road,

	Pingyuan Town, Yingjiang County, Yunnan Province, China, and is currently an indirect subsidiary of the Company
"Latest Practicable Date"	November 25, 2011, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
"LBMA"	London Bullion Market Association
"Listing"	the listing of our Shares on the Stock Exchange
"Listing Date"	the date, expected to be on December 14, 2011, on which dealings in the Shares first commence on the Stock Exchange
"Listing Rules" and "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限責任公司), a company owned by Song Denghong who entered into a share transfer agreement in relation to the Liziping Mine with the Group on June 9, 2011
"Liziping Mine"	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right
"LME"	London Metal Exchange
"Lushan Geological Report"	the polymetallic mine geological report, dated October 25, 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult, a company commissioned by us to undertake an independent technical review on the exploration results of the Lushan Mine
"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, China, operated by Xiangcaopo Mining, an Independent Third Party
"Lushan Preliminary Exploration Report"	the polymetallic mine survey report, prepared in January 2011 by 101 Geological Team of Sichuan Bureau of Geology and Mineral Resource (四川省地質礦產勘查開發局101地質隊), a company commissioned by Xiangcaopo Mining to undertake an independent preliminary geological survey of the Lushan Mine
"Mandatory Redemption"	the right to demand redemption of the Exchangeable Bonds by Silver Lion, details of which are set out in the section headed "Exchangeable Bonds"
"Magic Delight"	Magic Delight Limited, a company incorporated in the Commonwealth of the Bahamas on September 1, 2011, with

	company number 162861B whose registered office is at the offices of Cititrust (Bahamas) Limited in the Citibank Building, Thompson Boulevard, Nassau, New Province, Commonwealth of the Bahamas, the entire issued share capital of which is ultimately owned by the Trustee as trustee of The Ran Family Trust
"Memorandum of Association"	the memorandum of association of our Company conditionally adopted on November 24, 2011 and as amended from time to time
"Mine Exploration Right Grant Agreement"	the mine exploration right grant agreement Kunrun entered into with the Yunnan Land and Resources Department in July 2010 with respect to the exploration right to the Dazhupeng Mine
"MLR"	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
"NBSC"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"Next Horizon"	Next Horizon Investments Limited, incorporated in Hong Kong with company number 1387635 whose registered office is at suite 401, 21st Floor, Two Pacific Place 88 Queensway, Hong Kong, and is currently an indirect wholly-owned subsidiary of the Company
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed pursuant to the Hong Kong Public Offer
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by us to the Sole Global Coordinator exercisable under the International Placing Agreement pursuant to which we may be required by the Sole Global Coordinator to issue up to an aggregate of 75,000,000 additional Shares, representing in aggregate approximately 15% of the initial number of Offer Shares, at the Offer Price, to, among other things, cover over-allocations in the International Placing, if any
"Price Determination Date"	the date, expected to be on or around December 7, 2011 but no later than December 12, 2011, on which the Offer Price is fixed for the purposes of the Global Offering

"Prospectus"	this Prospectus in connection with the Hong Kong Public Offering
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act
"Regulation S"	Regulation S under the U.S. Securities Act
"Renaissance Capital"	Renaissance Capital (Hong Kong) Limited
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to the Directors by the shareholders of the Company, particulars of which are further described in the section headed "Statutory and General Information — Repurchases of our own securities" in Appendix VIII to this Prospectus
"RMB" or "Renminbi"	the lawful currency of China
"Round 1 Bond Deed"	a bond deed entered into among Challenger, Silver Lion, Shi Xiangdong, our Company, Gilberta, Next Horizon, Dehong Yinbang, Dehong Yinrun, Kunrun and Ran Xiaochuan, dated February 8, 2010
"Round 2 Bond Investors"	Deutsche Bank AG, London Branch, CMS 2 Limited Partnership, F.S.B.S. Limited Partnership, RD 8 Limited Partnership and MS China 3 Limited, all of which are Independent Third Parties
"Round 2 Subscription Agreement"	a subscription agreement entered into among Silver Lion, Ran Chenghao, Ran Xiaochuan, our Company and the Round 2 Bond Investors dated April 20, 2011
"Rule 144A"	Rule 144A under U.S. Securities Act
"SAFE"	the PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
"Samoa"	the Independent State of Samoa
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"SHFE"	Shanghai Futures Exchange (上海期貨交易所)
"Shanghai White Exchange"	Shanghai White Platinum and Silver Exchange (上海華通鉑銀交易市場)
"Share(s)"	ordinary share(s) with nominal value of HK$0.00001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)

"Share Option Scheme"	our share option scheme conditionally adopted pursuant to a resolution passed by our shareholders on November 24, 2011, the principal terms of which are summarized in the section headed "Statutory and General Information — Share Option Scheme" in Appendix VIII to this Prospectus
"Shizishan Detailed Exploration Report"	the detailed exploration report for the lead-zinc-silver resources at the Shizishan Mine, prepared in August 2009 by Institute of Mineral Resources Chinese Academy of Geological Sciences, (中國地質科學院礦產資源研究所), a company commissioned by the Tengchao Mining Factory, an Independent Third Party, to undertake a detailed exploration survey of the Shizishan Mine
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, and operated by Kunrun
"Silver Institute"	the Silver Institute, a non-profit silver industry group established in 1971
"Silver Lion"	Silver Lion Investment Holdings Limited, a limited liability company incorporated in BVI with company number 1553896, whose registered office address is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
"Sole Global Coordinator" or "Sole Sponsor"	Citi
"Stock Exchange" and "Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Stock Borrowing Agreement"	has the meaning ascribed to it under the Hong Kong Underwriting Agreement
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers and Share Repurchases (as amended from time to time)
"The Ran Family Trust"	a discretionary trust established by Mr. Ran Chenghao on October 18, 2011, the beneficiaries of which include Mr. Ran Chenghao and his designated beneficiaries
"Total Cash Cost"	includes mining costs, processing costs, general administration and other costs, taxes and royalties
"Total Flourish"	Total Flourish Limited, a limited liability company incorporated in BVI with company number 1671892, whose registered office is at PO Box 757, Offshore Incorporations Centre, Road Town, Tortola, BVI
"Total Production Cost"	includes total cash costs and depreciation and amortization costs

"Track Record Period"	period comprising the period from April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011
"Trustee"	Cititrust (Singapore) Limited, the trustee of The Ran Family Trust
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USGS"	United States Geological Survey
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"WFOE"	wholly foreign-owned enterprise within the meaning prescribed under PRC laws
"**White Form eIPO**"	the application for Public Offer Shares to be issued in the applicant's own name by submitting an application online through the designated website of **White Form eIPO** www.eipo.com.hk
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Xiangcaopo Mining"	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in China, currently wholly owned by Li Jincheng, an Independent Third Party
"Yunnan Land and Resources Department"	Department of Land Resources of Yunnan Province (雲南省國土資源廳)
"Yunnan Non-ferrous Metal Development Plan"	the Development Plan of the Nonferrous Metal Industry in Yunnan Province (2009 — 2015) (雲南省有色產業發展規劃綱要)

* *English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.*

In this Prospectus, we have used a number of terms defined in the JORC Code. The JORC Code is an internationally accepted mineral resource or ore reserve classification system. The JORC Code has previously been used for mineral resource and ore reserve statements for other China-based public companies reporting to the Stock Exchange. The JORC Code is used by the Competent Person to report the mineral resources and ore reserves of the Shizishan Mine in this Prospectus.

The JORC Code definition of "**mineral resource**" or "**resource**" is provided in the section headed "Glossary" in this Prospectus. Mineral resources are sub-divided in order of the increasing geological confidence of the estimate into the following categories:

- ***inferred mineral resource*** — is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a *low* level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability;

- ***indicated mineral resource*** — is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a *reasonable* level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed; and

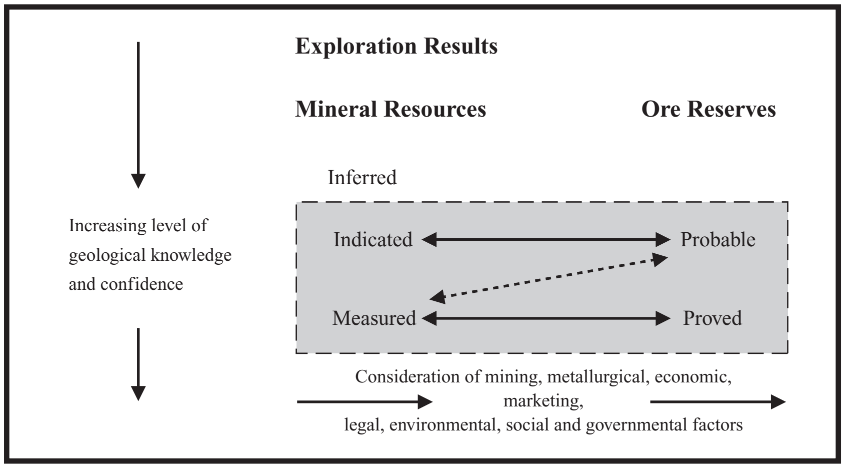
- ***measured mineral resource*** — is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a *high* level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

The JORC Code definition of "**ore reserve**" or "**reserve**" is provided in the section headed "Glossary" in this Prospectus. Ore reserves are selected from measured and indicated mineral resources after a consideration of the relevant modifying factors, which include mining, metallurgical, economic, marketing, legal, environmental, social and governmental considerations. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. The JORC Code deems inferred mineral resources to be too poorly delineated to be transferred into an ore reserve category. Ore reserve figures incorporate mining dilution, mining losses and are based on an appropriate level of mine planning, design and scheduling. Ore reserves are subdivided into the following categories:

- ***probable ore reserve or probable reserve*** — is the economically mineable part of an indicated mineral resource and, in some circumstances, a measured mineral resource which has a lower level of confidence than "proved ore reserves", but is of sufficient quality to serve as the basis for a decision on the development of the deposit; and

- ***proved ore reserve or proved reserve*** — is the economically mineable part of a measured mineral resource which has the highest confidence category of reserve estimates. The style of mineralization or other factors could mean proved ore reserves are not achievable in some deposits.

The following diagram summarizes the general relationships between exploration results, mineral resources and ore reserves under the JORC Code:



Ore reserves are generally quoted as comprising a portion of the total mineral resource rather than the mineral resources being additional to the ore reserves quoted. Under the JORC Code either procedure is acceptable, provided the method adopted is clearly identified.

This glossary contains definitions of certain terms used in this Prospectus in connection with us and our business. Some of these may not correspond to standard industry definitions.

"°"	degree
"adit"	a type of entrance to an underground mine which is horizontal or nearly horizontal, usually built into the side of a hill or mountain
"Ag"	the chemical symbol for silver
"Au"	the chemical symbol for gold
"beneficiation"	a process of crushing and separating ore into valuable substances or waste
"ball mill"	a rotating cylindrical mill that uses heavy iron balls to grind ore into fine particle powder
"category 332"	a term defined under the PRC Resources/Reserves Categories (中國固體礦產資源/儲量分類) (1999), a three-digit code system. Category 332 means the deposit is intrinsically economically viable, has had geological studies carried out and is reasonably understood geologically
"concentrate"	a powdery product containing an upgraded mineral content resulting from initial processing of mined ore to remove some waste materials. A concentrate is an intermediary product, which is subject to further processing, such as smelting, to effect recovery of metal
"crusher"	a machine for crushing solids to smaller grain sizes
"deposit" or "mineral deposit"	a body of mineralization containing a sufficient average grade of metal or metals to warrant further exploration and/or development expenditure. A deposit may not have a realistic expectation of being mined, therefore it may not be classified as a resource or a reserve
"dilution"	the reduction of grade for mined ore due to the inclusion of waste material in the mined ore
"drilling"	a technique or process of making a circular hole in the ground with a drilling machine, which is typically used to obtain a cylindrical sample of ore. Alternatively, blast hole drilling is where the drilling technique is used to create a hole to house an explosive charge in preparation for blasting a zone of rock
"exploration"	activity to prove the location, volume and quality of an ore body
"flotation"	a process by which some mineral particles are induced to become attached to bubbles of froth and float, and others to sink, so that the valuable minerals are concentrated and separated from the remaining rock or mineral material

"gangue"	waste rock
"grade"	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate
"gravity-selection" or "gravity (tabling) separation"	a mineral process using shaking tables to separate useful mineral from gangue in crushed or ground ore based on differences in their density
"g/t"	grams per tonne
"indicated resources"	mineral resource that has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability, as defined by the JORC Code
"inferred resources"	mineral resource that has geoscientific evidence from drill holes or other sampling procedures such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability, as defined by the JORC Code
"in-situ"	in its natural position
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the JORC, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004, a widely used and internationally recognized code setting out the minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and ore reserves
"km"	kilometer(s)
"km^2" or "sq. km"	square kilometer(s)
"kt"	thousand tonne(s), a metric unit of weight
"ktpa"	kt per annum, except as otherwise indicated, is calculated based on 330 production days per annum, taking into account holidays and equipment maintenance
"kV"	kilovolt
"kW"	kilowatt

"kYAh"	kilovolt ampere hour
"m"	meter(s)
"m^2" or "sq. m."	square meter(s)
"m^3"	cubic meter(s)
"mineral resource(s)" or "resource(s)"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into "inferred," "indicated," and "measured" categories
"mineralization"	an area with discontinuous distribution belts of mineralization, including the occurrence of deposits, mine sites and alteration of waste rock, as exploration indicators and under control of same geology conditions. It is a key zone for estimation and further planning of exploration of minerals
"mining dilution"	the waste material that is taken in the process of ore extraction
"mining loss"	that part of an ore reserve which is not recovered during the mining process
"mining rights"	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"mm"	millimeter(s)
"Mt"	megatonne(s)
"Mtpa"	Mt per annum
"non-ferrous metals"	metals other than iron, manganese and chromium and alloys that do not contain appreciable amounts of iron, manganese or chromium
"ore"	mineral bearing rock which can be mined and treated profitably under current or immediate foreseeable economic conditions
"ore body" or "lode"	natural mineral accumulations which can be extracted for use under existing economic conditions and using existing extraction techniques

"ore processing" or "processing"	the process which in general refers to the extraction of usable portions of ore by using physical and chemical methods
"ore reserve(s)" or "reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves
"ounce(s)", "troy ounce(s)" or "oz"	troy ounce(s), a unit of weight. One troy ounce equals 31.10348 grams
"panel ramp"	an inclined shaft used to transport workers, materials and ore to and from the underground working area in a mine
"Pb"	the chemical symbol for lead
"PPE"	personal protection equipment
"probable reserves"	the economically mineable part of an indicated, and in some circumstances, a measured mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined
"proved reserves"	the economically mineable part of a measured mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined
"pure mining company"	the mining company which only conducts upstream operations in exploration, mining and primary processing of mineral resources with no downstream operations in smelting, refining and others
"recovery rate"	the percentage of valuable mineral resource that is able to be recovered from mining and processing activities
"smelting"	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed
"Sn"	the chemical symbol for tin
"strike"	the direction of the line of intersection of a bed or vein with the horizontal plane. The strike of a bed is the direction of a straight line that connects two points of equal elevation on the bed

"t"	tonne(s), a metric unit of weight
"tailings" or "tail"	waste materials that are produced after processing of ore for extracting target minerals
"TSF"	tailings storage facility
"tpa"	tonnes per annum
"tpd"	tonnes per day
"underground mine"	openings in the earth accessed via shafts and adits below the land surface to extract minerals
"vein"	a tabular mass of minerals formed by fracture filling or replacement of host rock
"W"	the chemical symbol for tungsten
"Zn"	the chemical symbol for zinc

You should carefully consider all of the information set out in this Prospectus, including the risks and uncertainties described below and in "Appendix V — Competent Person's Report" in respect of, inter alia, our business and industry, before making an investment in the Shares being offered in this Global Offering. You should pay particular attention to the fact that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares being offered in this Global Offering could decline due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting operations in China; and (iii) risks relating to the Shares and the Global Offering. Prospective investors in the Shares should consider carefully all the information set forth in this Prospectus and, in particular, this section in connection with an investment in us.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

As a developing mining company with limited operating history, we cannot guarantee that we will generate revenue or positive cash flow and grow our business as planned.

You should consider our business and prospects in light of the risks, uncertainties, expenses and challenges that we face as a developing mining company. We have only been in existence since April 2009 and, since then, we have focused on constructing and developing our non-ferrous metal mines. We only commenced commercial production at the Shizishan Mine in October 2011. As a result, we have only recently begun to generate revenue and positive cash flow from our mining operations and there is limited historical information available upon which you can base your evaluation of our business operations and prospects.

Our limited operating history makes the prediction of our future operating results, operating costs and prospects difficult. For example, the Competent Person's Report provides a forecast of our operating costs. This forecast is based upon, among other things, (i) anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; (ii) anticipated recovery rates of minerals from the ore; (iii) operating costs of comparable facilities and equipment; and (iv) anticipated geographic and climatic conditions. If any of these factors change or if any of the assumptions is inaccurate, the actual operating costs, production and economic returns may differ significantly from the estimates.

The market price for lead, zinc, silver and other non-ferrous metal concentrates may fluctuate.

We expect to derive substantially all of our revenues from the sale of lead, zinc, silver and other non-ferrous metal concentrates. The prices of our non-ferrous metal concentrates are determined by the respective content and grade of the non-ferrous metals contained in our products and are affected by factors such as an imbalance in the supply of and demand for non-ferrous metal concentrates in local, national and global markets. Although we only operate in the PRC market, fluctuations in global pricing of lead, zinc, silver and other non-ferrous metal could also have an impact on our operations as they will affect demand and price competiveness of imports.

Government policies, macro-economic factors, including currency exchange, interest and inflation rates, global economic trends, inventory levels, actions by participants in the commodity markets and other factors beyond our control could result in fluctuations in the market price and demand for non-ferrous metal. Like our competitors, we have limited ability to anticipate and manage commodity price fluctuations. We did not carry out any activities to hedge the risk of market price fluctuations for lead, zinc, silver and other non-ferrous metal concentrates during the Track Record Period and as at the Latest Practicable Date. Since we focus on exploration, development and operations of mine projects, we currently do not plan to carry out any such hedging activities to mitigate risks associated with future commodity price fluctuation. There can be no assurance that the market price for any or all of the abovementioned metals will not decline in future or that such prices will otherwise remain at sufficiently high levels to support our profitability. A significant decline in the market prices of any of these metals, and in particular non-ferrous metal concentrates, could materially and adversely affect our business, financial condition and result of operations, and result in our actual financial performance significantly different from our profit forecast or loss forecast. For the sensitivity analysis of our current loss forecast for the year ending December 31, 2011 for the movements in average selling price of lead-silver concentrates and zinc-silver concentrates, please see "Financial Information — Loss Forecast for the Year ending December 31, 2011."

Our operations are primarily exposed to uncertainties in relation to one major project, the Shizishan Mine.

Our current operations are primarily focused on one project, the Shizishan Mine. We expect it to be our only operating mine on which we will depend for substantially all of our operating revenue and cash flows in the near term. The Shizishan Mine has commenced trial production at the end of July 2011 and commercial production in October 2011. If we fail to derive the expected economic benefits from the Shizishan Mine due to any delay or difficulty in its development, any problem that causes it to operate at less-than-optimal capacity, failure to obtain or renew related government approvals in time, or at all, or the occurrence of any other negative event described below and elsewhere in this Prospectus, our business, financial condition and results of operations could be materially and adversely affected.

The Competent Person has identified a number of risks and recommendation in estimating our resources and reserves and operating the Shizishan Mine, as set forth in "Appendix V — Competent Person's Report — Comments and Recommendations." The key risks and recommendations identified by the Competent Person include the following:

- Operating risks of cut-and-fill mining method: The cut-and-fill mining method adopted by the Shizishan Mine requires mining workers to operate in active stope areas, which exposes the workers to the risk of rock falls. Such risk will potentially increase as mining progresses, but can be mitigated through effective operational safety practices. We are undertaking a geotechnical testing program to assess the ground conditions and stability of the underground workings of the Shizishan Mine and expect to complete such program by the end of 2011. We are also developing a detailed ground control management plan and expect to finalize and implement such plan at the Shizishan Mine by the end of 2011. We will also closely monitor the underground workings of the Shizishan Mine and are committed to undertake high-standard operational safety measures and effective mine management to mitigate safety risks;

- Absence of a detailed geotechnical study: The Competent Person has noted that detailed geotechnical study has not been completed to determine the ground conditions or stability of the underground workings of the Shizishan Mine. Although it is not essential to have detailed geotechnical study to conduct efficient and/or profitable mining operation, the Competent Person recommends us to conduct a detailed geotechnical study for the project and develop and implement a ground control management plan in order to fully optimize the mining operation at the Shizishan Mine. If the ground conditions of the Shizishan Mine are less than expected, mining dilution may increase and recovery rate could be less than expected. As set forth above, we are undertaking a geotechnical testing program to assess the ground conditions and stability of the underground workings of the Shizishan Mine and developing a detailed ground control management plan that will be implemented at the Shizishan Mine; and

- Preliminary grade estimate: According to the Competent Person, detailed understanding of the mineralization style and control of mineralization in the deposit often rests with the identification of the characteristics which controls the internal high-grade domains. Although the closely spaced drill holes of the Shizishan Mine have confirmed the continuity of the high-grade lenses surrounded by lower-grade materials, the larger spacing of drill holes in some portions of the Shizishan Mine results in a lower level of confidence for the estimated grade. The Competent Person recommends us to conduct a detailed grade study for the project in order to fully optimize the mining operation at the Shizishan Mine. We will further review the mineralization style of and conduct grade control activities for the Shizishan Mine upon commencement of its underground production and will continue the mineralization style review and grade control activities for the Shizishan Mine on an ongoing basis as production at the Shizishan Mine progresses.

The Competent Person has confirmed that the risks identified by the Competent Person are classified as either low or moderate risks and none of these risks is critical. The Competent Person has further noted that the risk profile of the Shizishan Mine is typical of mining projects at similar levels of resource estimation, mine planning and project development and, in most instances, the risks indentified will be mitigated through provision of further documentation and additional technical studies.

In April 2011, we mortgaged our mining right to the Shizishan Mine to Agricultural Bank of China to secure banking facilities amounting to RMB130 million, which has been completely drawn down as of September 30, 2011. Such mining right mortgage will be released upon repayment of all borrowings under the banking facilities in 2014. If such mining right mortgage is ever foreclosed due to our failure to perform our obligations under the banking facilities, we may lose our mining right to the Shizishan Mine or our operations at the Shizishan Mine may be interrupted, in which case our business, financial condition and results of operations could be materially and adversely affected.

Our existing and future major capital expenditure projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.

In accordance with our ramp-up plan, we intend to further expand our mining capacity at the Shizishan Mine, construct a new gravity-selection processing line at the Shizishan Mine ore processing plant to process raw ore sourced from Xiangcaopo Mining, which owns rights to the Lushan Mine, and invest in other mining projects in the future. We are currently in the process of making significant capital expenditures in connection with the ramp-up of our mining capacity at the Shizishan Mine. See "Business — Ramp-Up Plan for Our Mining and Processing Capacities." This and other major capital expenditure projects may not be completed as planned and involve significant risks.

We typically conduct feasibility studies to determine whether to undertake significant construction projects. Anticipated results under our feasibility studies, however, may differ significantly from actual results. Such projects may be delayed or adversely affected by a variety of factors including discrepancies between the anticipated and actual levels of mineral resources, failure to obtain the necessary regulatory approvals and permits or sufficient funding, construction difficulties, technical difficulties and manpower or other resource constraints. In addition, disruptions, uncertainty or volatility in the capital and credit markets may limit our ability to obtain adequate financing to meet our funding requirements. We may postpone certain construction projects if we determine that doing so would be in our best interests after taking into consideration market conditions, our financial performance and other relevant factors. Costs of these projects may also exceed our planned investment budget. Even if we are able to complete the projects without any delay and within budget, we may not achieve the intended economic benefits of these projects due to changes in market circumstances or other factors. As a consequence of any delay in completing our capital expenditure projects, cost overruns, changes in market circumstances or other factors, the intended economic benefits from these capital expenditure projects may not materialize, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our failure or inability to obtain and renew required government approvals, permits and licenses for our exploration and mining activities could prevent us from continuing operations.

Under the PRC Mineral Resources Law, all mineral resources in China are owned by the state. Mining companies like ourselves are required to obtain certain government approvals, permits and licenses for each of their exploration and mining projects. Our ability to carry on our business is therefore subject to our ability to obtain and the government's willingness to issue, renew and not revoke such requisite exploration and mining rights and other requisite government approvals.

As advised by our PRC legal advisor, we have obtained the necessary licenses, approvals and permits which are material for our current operations in China. As also advised by our PRC legal advisor, we have obtained all the licenses, permits and approvals required for the commencement of our commercial production at the Shizishan Mine in October 2011. We cannot guarantee that we will be able to renew our existing approvals, permits and licenses in a timely manner, or at all, or that such approvals, permits and licenses will not be subsequently revoked by the relevant authorities. We are at the early exploration stage of the Dazhupeng Mine and plan to apply for its mining permit upon completion of such exploration activities. However, we cannot guarantee that we will be able to obtain its mining permit in a timely manner or at all. We may also be required to obtain additional licenses, permits and approvals following new PRC laws and regulations that may be promulgated in the future. Failure to obtain or renew such approvals, permits and licenses as planned may cause us to experience delays or, in extreme cases, may force us to halt our production or expansion plans, thereby materially and adversely affecting our business, financial condition and results of operations.

Furthermore, our mining permit for the Shizishan Mine are subject to annual verification by the competent bureau of land and resources in Yunnan Province. In the annual verification, the government will consider whether our mining activities in the past year have been in compliance with the relevant laws and regulations. If we do not pass the annual verification, we may be penalized according to the relevant laws and regulations, be given a deadline to rectify the situation or our mining permit may be revoked. Should our mining permit be suspended or revoked due to our failure to pass the annual verification, our business and results of operations will be materially and adversely affected.

Our inability to develop existing mineral reserves or acquire additional ones may adversely impact our financial condition and interfere with our development plans.

We have not explored and developed all of the mineralized bodies in the 3.20 sq. km area covered by our mining permit for the Shizishan Mine. We obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km. Because the Dazhupeng Mine is at the early stage of geological assessment, information regarding its estimated resources and reserves and ore quality are not yet available. Moreover, currently available information on the anticipated resources and reserves of the Shizishan Mine and the Dazhupeng Mine may turn out to be inaccurate. If we fail to discover mineable resources or develop them into commercially viable assets, our exploration and development plans for the Shizishan Mine and the Dazhupeng Mine may be adversely affected. Specifically, if we fail to discover mineable resources for the Dazhupeng Mine, we might need to write off, in part or in whole, the capital expenditures incurred in respect of the Dazhupeng exploration right, which was RMB2.1 million, RMB3.2 million and RMB3.2 million as of December 31, 2010, June 30, 2011 and October 31, 2011, respectively.

We entered into a share transfer agreement to acquire the Liziping Mine and an option agreement to acquire the Dakuangshan Mine. As at the Latest Practicable Date, we have not completed acquisition of the Liziping Mine, and have not exercised the option to acquire the Dakuangshan Mine. There is no assurance that we will do so or that we would be able to complete such acquisition in accordance with the current terms of the share transfer agreement and the option agreement. We also intend to acquire additional non-ferrous metal ore assets in the future to expand our mineral resources. We may encounter intense competition for such acquisitions and may fail to select or value our targeted assets appropriately. One of the important factors that we consider when selecting or evaluating target acquisitions is resource and reserve data. Such data are estimates that are affected by many factors and may be inaccurate. The failure to select or value our targeted assets appropriately may result in our inability to complete our acquisition plans at a reasonable cost, if at all. See also "Risk Factor — The resource and reserve data cited in this Prospectus are estimates based on a number of assumptions and may be inaccurate."

Future acquisitions may also expose us to potential risks, including risks associated with the assimilation of new technologies, business and personnel, unforeseen or hidden liabilities, diversion of management attention and resources and the inability to generate sufficient revenue to offset the costs and expenses of an acquisition. Any difficulty encountered in the acquisition and integration process may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our exploration and mining projects, acquisition activities and expansion plans require substantial capital investment, and may not achieve the intended economic results.

Exploration of mineral properties is speculative in nature. There is no assurance that our exploration activities will result in the discovery of mineable resources and that feasibility assessments will justify ore extraction. If a viable deposit is discovered, it can take several years and significant capital expenditure from the initial phases of exploration until commencement of commercial production, during which time the capital cost and economic feasibility may change. For example, we spent approximately RMB253.1 million to acquire and develop Shizishan Mine as of October 31, 2011, and the total capital expenditure for the Shizishan Mine project until its completion at the end of 2012 is estimated to be approximately RMB403.3 million. In addition, we obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km, and paid an exploration right fee of RMB2.02 million. We expect that the total capital expenditure for the exploration and construction of the Dazhupeng Mine to be approximately RMB225.1 million, assuming we determine it beneficial to, and will, develop the Dazhupeng Mine upon completion of its exploration activities. For additional information about our estimated financing needs for our expansion plan, see "Business — Ramp-up Plans for Our Mining and Processing Capacities." We also entered into a share transfer agreement and an option agreement that may enable us to acquire two additional mine assets in Yunnan Province, and such proposed acquisitions of the mine assets will also require substantial capital investments. In the event that we are unable to obtain adequate financing for these projects and plans on acceptable terms, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, actual production results may differ from those anticipated at the time of discovery for a variety of reasons, such as actual ore mined varying from estimates in grade, tonnage, metallurgical and other characteristics; industrial accidents, equipment failures and power shortages; natural disasters such as earthquakes, weather conditions, floods and rock slides; shortages of principal and auxiliary materials, as well as machinery and equipment needed for operation; and restrictions imposed by government authorities. Additionally, we may face delays due to our workers' or our third-party contractors' unfamiliarity with operational procedures, inherent shortcomings with such procedures and the need to recalibrate equipment settings. These will affect our ability to meet planned production targets during our initial stages of commercial production.

New operations are especially prone to unexpected problems during the initial development phase. Such occurrences could result in damage to mineral properties or processing facilities, interruptions in production, injury or death to persons, damage to the property, monetary losses and legal liabilities. Failure to achieve our production estimates as a result of these or other unfortunate occurrences could have a material and adverse effect on our future cash flow, results of operations and financial condition.

If we fail to manage our liquidity situation carefully, our ability to expand and, in turn, our results of operations may be materially and adversely affected.

As of December 31, 2009 and 2010, we had net current liabilities of RMB5.4 million and RMB131.0 million, respectively. We also had a net deficit of RMB2.7 million as of December 2010. As of June 30, 2011, we had net current assets of RMB220.2 million as a result of the subscription of one share by Silver Lion in our share capital by way of share premium in the amount of US$80,500,000 on June 27, 2011. Please see the section headed "Financial Information — Current assets and current liabilities" in this Prospectus for further details. In addition, we had negative operating cash flows during the period from April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011 of RMB1.7 million, RMB62.5 million and RMB33.2 million, respectively. Please see the section headed "Financial Information — Liquidity and Capital Resources — Cash Flow" for further details.

In the future, we expect to increasingly rely on cash flows from operations to fund our capital expenditure, but there is no assurance that our business will generate sufficient cash flows from operations in the future to serve any future debts and fund necessary capital expenditures. If we are unable to do so, we may be required to seek additional financing, dispose of certain assets or seek to refinance some or all of our future debts. We may also in the future seek to enter into additional borrowing facilities. If we are unable to repay any of our future debts when they fall due, our creditors may take action to recover such debts, which may have a material adverse effect on our business, financial condition and results of operations. If we are unable to raise additional funding or there is a delay in obtaining such funding, our business, financial condition and results of operations may be materially and adversely affected.

Our business, financial condition and results of operations may be adversely affected if Xiangcaopo Mining fails or refuses to perform the agreed upon transaction with us or if our exclusive supply agreement with Xiangcaopo Mining fails to yield anticipated benefits.

The Lushan Mine is a tungsten-tin polymetallic mine owned and operated by Xiangcaopo Mining, an Independent Third Party. We do not have legal ownership right to the Lushan Mine. On December 31, 2010, we entered into an exclusive supply agreement with Xiangcaopo Mining and Li Jincheng, the owner of Xiangcaopo Mining, pursuant to which Xiangcaopo Mining agreed to supply all its polymetallic raw ore mined from the Lushan Mine to us on an exclusive basis. As of October 31, 2011, we also made RMB90.6 million of prepayment, interest-free loans and other receivables to the Xiangcaopo Mining and Li Jincheng pursuant to the exclusive supply agreement. In connection with such exclusive supply agreement, Li Jincheng pledged 100% of his equity interests in Xiangcaopo Mining to us in May 2011. Li Jincheng also entered into a guarantee agreement with us on July 7, 2011. Pursuant to such guarantee agreement, Li Jincheng agrees to guarantee Xiangcaopo Mining's performance of its duties under the exclusive ore supply agreement, including Xiangcaopo Mining's refund of any prepayment amount advanced by us if Xiangcaopo Mining defaults in its raw ore supply to us. See "Business — Lushan Mine and Exclusive Ore Supply Agreement." Our exclusive supply agreement with Xiangcaopo Mining involves a number of risks, including:

- disputes with Xiangcaopo Mining and/or Li Jincheng in connection with the performance of each party's obligations under the agreement;
- financial difficulties encountered by Xiangcaopo Mining affecting its ability to perform its obligations under the agreement;
- conflicts between the policies or objectives adopted by Xiangcaopo Mining and those adopted by us;
- breaches by Xiangcaopo Mining and/or Li Jincheng of their obligations under the agreement, including failure to renew the mining permit by Xiangcaopo Mining during the term of the exclusive ore supply agreement; and
- failure by Xiangcaopo Mining and/or Li Jincheng to refund the prepayment, interest-free loans and other receivables we made pursuant to the exclusive supply agreement.

Any of these risks and other factors may lead to disputes with Xiangcaopo Mining and/or Li Jincheng and cause disruptions in the supply of polymetallic ore to us and, as a result, our business, financial condition and results of operations may be materially and adversely affected. In the event where Xiangcaopo Mining breaches its obligations under the exclusive ore supply agreement, it will be responsible for compensating us for the loss we may incur, and we can elect to foreclose the Xiangcaopo Mining equity interests pledged to us by Li Jincheng and have the right to make a claim against Li Jincheng, its guarantor, to compensate us for the loss we may incur.

However, we cannot assure you that we will be fully compensated for the loss that we may incur. In addition, we are in the process of constructing a new gravity-selection processing line at the Shizishan Mine ore processing plant to process tungsten-tin polymetallic ore from the Lushan Mine. If the Lushan Mine project does not meet our performance expectations or prematurely terminates for any reason, we may have difficulties in securing alternative tungsten-tin polymetallic ore for the gravity-selection processing line, which will negatively impact our financial results.

Our business, financial condition, results of operations and expansion plan may be adversely affected if the owners of the Liziping Mine and the Dakuangshan Mine fail to refund the deposits made by us in connection with the proposed acquisition of the Liziping Mine and the option to acquire the Dakuangshan Mine in the event of an abortion of the related acquisition or otherwise default in the share transfer agreement or the option agreement.

We entered into a share transfer agreement on June 9, 2011 with Song Denghong (an Independent Third Party), the owner of the Liziping Company which owns the exploration right to the Liziping Mine, a lead-zinc-silver polymetallic mine in Yunnan Province, pursuant to which we agreed to purchase 90% equity interests in the Liziping Company from Song Denghong. We also entered into an option agreement on May 21, 2011 with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011.

As of October 31, 2011, we made deposit of RMB100.0 million in connection with the potential acquisition of the Liziping Mine, and a good-faith deposit of RMB40.0 million in connection with the option to acquire the Dakuangshan Mine. Song Denghong, the owner of the Liziping Mine, pledged his entire interest in the Liziping Company to us and Xi Wanli, the owner of the Dakuangshan Mine, pledged 50% of his equity interests in the Dakuangshan Company to us to secure the performance of their respective obligations under the share transfer agreement and the option agreement, including their obligations to refund in full the deposits we made should we decide not to complete the acquisition of the Liziping Mine or exercise the option to acquire the Dakuangshan Mine.

In the event that the owners of the Liziping Mine and the Dakuangshan Mine refuse to refund the deposits made by us for the proposed acquisitions or otherwise default in the share transfer agreement or the option agreement, we can enforce the pledges and foreclose the equity interests in the Liziping Company and the Dakuangshan Company whose estimated values we believe would exceed the amount of deposits made by us. However, we cannot assure you that we will be fully compensated for the loss that we may incur, and our business, financial condition, results of operations and expansion plan may be adversely affected if we cannot recoup all of the deposits made by us or Song Denghong or Xi Wanli otherwise defaults on performing his obligations in the related agreement.

We may have difficulty in managing our future growth and the associated increased scale of our operations.

We expect to expand through both organic growth and acquisitions due to the significant exploration and mining potential of the Shizishan Mine and other non-ferrous metal ore assets in Yunnan Province. Our future expansion may place significant strains on our managerial, operational, technical and financial resources. In order to better allocate our resources, we must hire, recruit and manage our workforce effectively and implement adequate internal controls in a timely manner. If we fail to maintain sufficient internal sources of liquidity and secure external sources of funding for future growth, we may encounter, among other things, production delays and operational difficulties. If we are unable to effectively manage our growth and the associated increased scale of our operations, the quality of our products, our ability to attract and retain key personnel and our business or prospects may be materially and adversely affected.

The resource and reserve data cited in this Prospectus are estimates based on a number of assumptions and may be inaccurate.

We base our production, expenditure and revenue plans on our resource and reserve data, which are inherently speculative in nature and may prove to be inaccurate. The resource and reserve data are estimates based on a number of assumptions and variables beyond our control and involve professional judgment. The accuracy of these estimates may be affected by many factors, including the quality of the results of drilling, sampling and analysis of the ore samples, estimation procedures and the experience of the person making the estimates. As a result, our actual volume of resources and reserves and rates of production may differ materially from the estimates presented in this Prospectus.

Estimates of our resources and reserves may change significantly when new information becomes available or when new factors arise to change the assumptions underlying the resource and reserve estimates. Resource and reserve estimates locate in-situ mineral occurrences from which minerals may be recovered, but do not provide an analysis as to whether such resources are capable of being mined or whether minerals could be processed economically. Furthermore, they do not incorporate mining dilution or allow for mining losses. The estimates contained in this Prospectus represent the amount of resources and reserves such as non-ferrous metal that we presently believe can be mined and processed economically. In the future, we may need to revise our resource and reserve estimates, if, for instance, our production costs increase or the prices of our products decrease and render a portion or all of our reserves uneconomical to recover.

Unforeseen geological or geotechnical perils may also require us to revise our resource and reserve data. If such revisions result in a substantial reduction in recoverable reserves or the expected mining life of our mines, our business, prospects, financial condition and results of operations may be materially and adversely affected. For more information on our resources and reserves including qualifications and the risks involved in estimating our ore resources and reserves, see the "Competent Person's Report" attached as Appendix V to this Prospectus.

Information of the Liziping Mine contained in the Competent Person's Report is a geological and exploration review based on preliminary exploration activities at the Liziping Mine and the actual resources and/or exploration potential of the Liziping Mine may be subject to substantial changes pending findings of further exploration activities.

The Competent Person only completed geological and exploration reviews for the Liziping Mine. Information of the Liziping Mine contained in the Competent Person's Report is a JORC compliant geological and exploration review without mineral resource and ore reserve estimation, or information relating to the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, or environmental and social setting, for the Liziping Mine. Any information in the Competent Person's Report and elsewhere in this Prospectus with regard to the resource and/or exploration potential of the Liziping Mine is estimation based on the results of the preliminary exploration activities, and may be subject to substantial changes pending findings of further exploration activities. We cannot guarantee you that following the completion of the exploration activities at the Liziping Mine, the mineable resources contained in and the exploration potential of the Liziping Mine will not be less than as estimated in the Competent Person's Report. If we fail to discover mineable resources at the Liziping Mine or develop them into commercially viable assets, it may adversely affect our exploration and development plans.

In addition, as at the Latest Practicable Date, we had not completed the acquisition of the Liziping Mine. As a result, we do not have legal ownership right to the Liziping Mine as at the Latest Practicable Date. There is no assurance that all the conditions under the share transfer agreement to acquire the Liziping Mine will be satisfied or we will be able to complete the acquisition of the Liziping Mine pursuant to the terms of the share transfer agreement. If we fail to successfully complete the acquisition of the Liziping Mine, our growth strategy and development plan may be disrupted and adversely impacted.

We depend on a few major customers.

We currently have only five customers. Please refer to the section headed "Business — Sales and Customers — Customers" in this Prospectus for further details. We have a limited number of customers due, in part, to the fact that we are a new mining company. Therefore, our success depends on our ability to expand our customer base and maintain our relationships with our present customers. Our lack of history in dealing with customers may also make it difficult for you to evaluate the strength of our relationships with them or their demand for our products. In addition, given that most of our revenue currently depends on the sale of concentrates to a few major customers, any adverse effect on their ability to purchase our concentrates, whether caused by temporary disruptions or seasonal or cyclical fluctuations, may have a material adverse effect on our results of operations.

We face certain risks and uncertainties beyond our control from manmade and natural disasters that may negatively impact our and our customers' operations.

Our mining operations are subject to a number of operational risks and hazards, some of which are beyond our control. These operational risks and hazards include:

- major catastrophic events and natural disasters, including earthquakes, fires, floods, landslides, snowstorms, and subsidence of our mines;
- unexpected or periodic interruptions due to inclement or hazardous weather conditions;
- water, power or fuel supply interruptions;
- industrial accidents; and
- critical equipment failures or malfunction and breakdowns of information management systems.

Such risks and hazards may require us to evacuate personnel or curtail operations, which may result in the temporary suspension of operations, a reduction in our productivity or difficulty in transporting our products to our customers. Periods of curtailed activity may increase the costs associated with our operations and may have a material adverse effect on our business, financial condition and results of operations.

Natural disasters, such as earthquakes, and landslides, may disrupt or seriously affect our operations and production as well as the operations and production of our customers. Yunnan

Province is a seismically active region and had experienced at least three major earthquakes that registered above 5.0 on the Richter scale in the last three years. Most recently, a 5.8 magnitude earthquake struck Yingjiang County on March 10, 2011, killing dozens of people and forcing the evacuation of thousands to nearby shelters. The earthquake and subsequent aftershocks also caused temporary power outages and business shut-downs. Although the Shizishan Mine was approximately 70 kilometers away from the earthquake epicenter in Yingjiang County, none of our workers were hurt, we suffered no property damage and our operations were not disrupted by the March 2011 earthquake.

Our mining and production operations and the operations of our customers are located in Yunnan Province. The Shizishan Mine is designed to withstand up to 7.0 magnitude earthquakes and has landslide prevention procedures in place, including installing concrete-reinforced walls at the sloped ground areas around our mine production areas, processing facilities, and tail storage facilities. However, we could face the risk of mine collapse, death or injury of miners and costly legal liabilities should our preventive measures prove inadequate. We could also face disruptions to our mining operations and transport network. These events could reduce demand for our products or cause us to lose customers or to inadvertently breach sales contracts. Furthermore, operational disruptions at our customers' facilities due to earthquakes and landslides could reduce demand for our products.

We engage third-party contractors for our mining operations and are subject to risks inherent in such arrangements.

In line with prevailing industry practice, we engage third-party contractors for our mining operations. As a result, our operations are partially dependent on the performance of our third-party contractors. We monitor the work of our third-party contractors, but cannot guarantee that we will be able to control at all times the quality, safety and environmental standards of the work performed by third-party contractors to the same extent as when the work is performed by our own employees. Although we have never been penalized or requested to compensate for any third-party losses due to non-compliance of our third-party contractors as at the Latest Practicable Date, we cannot guarantee you that we will not be subject to any such claims or incur any loss due to non-compliance of our third-party contractors in the future. Besides, any failure by these third-party contractors to meet our quality, safety and environmental standards may result in us incurring liabilities to third parties and may have a material adverse effect on our business, prospects, results of operations and reputation. Any under- or non-performance by these third-party contractors could also affect our compliance with government rules and regulations relating to exploration, mining and workers' safety. Moreover, since we do not yet have long cooperative relationships with each of our third-party contractors, failure to retain them or to seek suitable replacements on equal or better terms may have a material adverse effect on our business and results of operations.

Additionally, under the agreements with our third-party contractors, all losses arising from safety accidents and construction project quality caused by, or incurred pursuant to, such outsourced activities shall be borne by the third-party contractors, as long as such losses are not caused by fault on our part. Our PRC legal advisor has advised us that under the agreements with our third-party contractors, the third-party contractors are responsible for insuring their employees and properties at construction site and we are not responsible for insuring the workers of the third-party contractors. We maintain work-related injury insurance for our employees as required by PRC laws and collective accidental injury insurance for our employees in charge of safety production. Our PRC legal advisor has also advised us that, given that the agreements have such provisions, we are not responsible for such loss, including, but not limited, to any injury or casualty suffered by any third party or employee of our third-party contractors, caused by or incurred pursuant to such outsourced activities, unless we are at fault and such fault results in such loss. However, if any claim in connection with the outsourced activities is made by third parties against us directly, notwithstanding our contractual agreements with the third-party contractors, we may have to incur costs and devote resources to defend ourselves against such claims. Any such claims could damage our reputation and lead to loss of customers and revenue.

Our business depends on reliable and adequate transportation capacity for our concentrate products.

Concentrate products are bulky and heavy to transport in the large quantities required by downstream users. Transportation cost is therefore an important component of the cost of purchase for our customers. Under the current offtake agreements that we have entered into with our customers, we are not responsible for the cost of transporting our concentrate products. If market conditions change, however, we may be forced to bear the cost of transportation from our processing facility to a delivery point designated by our customers. In the event that we cannot recoup such costs from our customers, our business, financial condition and results of operations may be materially and adversely affected. In addition, there are only two main roads connecting the Shizishan Mine to major transportation networks, and if they are blocked, closed or destroyed, transportation to and from our mines will be negatively affected. Such developments may reduce demand for our products and, as a result, may materially and adversely affect our business, financial condition and results of operations.

Our operations are subject to risks relating to occupational hazards and production safety.

As a mining company, we are subject to extensive national, provincial and local laws, rules, regulations, policies and controls regarding production safety. In particular, our exploration and mining operations involve the transportation, handling and storage of explosives and other dangerous or hazardous materials. In addition, our operations involve the use of heavy machinery, which involves inherent risks. We or our third-party contractors may encounter accidents, maintenance or technical difficulties, mechanical failures or breakdowns during the exploration, mining and/or production processes. We cannot assure you that accidents such as explosions, fires, equipment mishandling and/or mechanical failures will not occur during the course of our operations. These risks subject us to potentially significant liabilities relating to personal injury, death or property damage, civil and/or criminal liabilities, including the revocation of our mining and exploration permits, and we may be forced to suspend our operations, which may adversely affect our business, reputation, financial condition and results of operations.

To mitigate such risks, we have implemented a set of guidelines and rules regarding workplace and production safety which comply with existing PRC laws, regulations and policies. The PRC government, however, continues to strengthen the enforcement of safety regulations in relation to the non-ferrous metal mining industry. There can be no assurance that more stringent laws, regulations or policies regarding production safety will not be implemented or that the existing laws, regulations and policies will not be more strictly enforced. We may incur additional compliance costs as a result or may not be able to comply with all such existing or future laws, regulations and policies. Should we fail to comply with any production safety laws or regulations, we would be required to rectify the production safety problems within a limited time period. Failure to rectify any problem could lead to the suspension of our operations, civil and/or criminal liabilities and harm to our reputation. Such incidents may also result in fines and penalties or even possible revocation of our mining and exploration permits.

Our operations are subject to risks relating to environmental protection and rehabilitation.

Operations of non-ferrous metal mines are subject to environmental risks and hazards. Our production and operations are subject to national, provincial and local laws, rules and regulations regarding environmental matters, such as the treatment and discharge of hazardous materials and environmental rehabilitation. For example, PRC laws and regulations set forth a series of standards for waste substances (such as waste water) that may be discharged into the environment and impose fees for the discharge of such waste substances.

In addition, we are required under current PRC laws and regulations to conduct our mining operations in a manner that minimizes the environmental impact, such as through rehabilitation and revegetation of mined land. Our mining operations at the Shizishan Mine employ underground mining and, as a result, our rehabilitation and revegetation obligations will be more limited than if we conducted open-pit mining operations. In the future, we may have rehabilitation obligations in areas that we have cleared for mining and production purposes and for our tailing dams.

Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or otherwise. Environmental events such as changes in the water table (man-made or naturally occurring), landslides and instability of the stopes could materially and adversely affect our underground mining. The occurrence of any environmental hazard may delay production, increase production costs, cause personal injuries or property damage, result in liability to us and/or damage our reputation. Such incidents may also result in a breach of the conditions of our mining and exploration permits or other consents, approvals or authorizations, which may result in fines or penalties or even possible revocation of our mining and/or exploration permits.

Since we only commenced commercial production in October 2011, we incurred no environmental protection costs during the Track Record Period. Our environment protection expenditures have been mainly devoted to installation of environmental protection facilities in our processing plants to comply with the applicable environmental laws and regulations. During the Track Record Period, we spent and capitalized a total of approximately RMB1.1 million on environmental protection. In the future, we may experience increased production costs arising from compliance with environmental laws and regulations. Moreover, the development of the Chinese economy and the improvements in the living standards of the population may lead to a heightened awareness of environmental protection. As a result, more stringent environmental laws, regulations and policies may be implemented in the future, or existing environmental laws, regulations and policies may be more strictly enforced. We may not always be able to comply with all such existing or future laws, regulations or policies. Should we fail to comply with any such existing or future laws, regulations or policies, we may be subject to penalties and liabilities, including, but not limited to, warnings, fines, suspension of production and closure of the facility that failed to comply with the relevant environmental standards.

We may also be subject to actions by environmental protection groups or other interested parties, whether governmental or non-governmental, who object to the actual or perceived environmental impact of our mines or other actual or perceived condition at our mines. These actions may delay or halt production or may create negative publicity related to our mines.

Our mining operations have a finite life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

Our mining operations for the Shizishan Mine and other mines that we may develop or acquire have a finite life and will eventually close. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. The key costs and risks for mine closures are: (i) long-term management of permanently engineered structures; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the site with attached structures and community development infrastructure and programs to new owners. We are also subject to laws and regulations regarding the rehabilitation of areas that we have cleared for mining and production purposes. See "— Our operations are exposed to risks in relation to environmental protection and rehabilitation." The successful completion of these tasks is dependent on our ability to successfully comply with and implement relevant governmental requirements and negotiated agreements with the community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental rehabilitation costs and damage to our reputation, which could materially and adversely affect our business and results of operations.

We may not be able to retain or secure key qualified personnel.

Our success depends, to a significant extent, on our ability to attract, retain and train key management personnel, such as our Directors and Senior Management set out under the section headed "Directors, Senior Management and Employees" as well as other management and technical personnel. We cannot prevent employees from terminating their respective contracts in accordance with the relevant agreed conditions. Our success further depends on the ability of our key personnel to operate effectively, individually and more importantly, as a group. All of our key management and technical personnel are important to our success. For example, the majority of our Directors have extensive industry expertise in the areas of exploration, mining, processing, production, production safety, trading and mining management. Should any member of the management team leaves us, the Group may not be able to find a timely replacement who possesses comparable technical skills or management skills. Therefore, loss of the services of any of our key management personnel could materially and adversely affect our business, financial condition and results of operations. Additionally, our ability to recruit and train skilled operating and maintenance personnel is a key factor to the success of our business. If we are not successful in recruiting and training such personnel, our business, financial condition and results of operations could be materially and adversely affected.

We may not be adequately insured against losses and liabilities arising from our operations.

According to the relevant PRC laws and regulations, we are liable for losses and costs arising from accidents resulting from fault or omission on the part of our own employees or us. The relevant PRC laws and regulations do not require mining enterprises to obtain insurance for such liability, except as it relates to work-related injuries, which we have already obtained for our employees. Consistent with industry practice, we do not maintain business interruption insurance or third-party liability insurance against claims for environmental disaster, property damage, personal injury and environmental liabilities, other than third-party liability for our vehicles. Our automobile insurance, however, is limited and may not be sufficient to cover major car accidents in the future. In addition, we do not maintain any fire, earthquake, liability or property insurance with respect to our properties, equipment or inventory, with the exception of the insurance coverage on our vehicles. In the event that we incur substantial losses or liabilities and we are not insured against such losses or liabilities, or our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Changes to the PRC regulatory regime for the mining industry may adversely affect our business, prospects, financial condition and results of operations.

The PRC local, provincial and national authorities exercise a substantial degree of control over the mining industry in China. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, foreign investment and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase our operating costs and thus materially and adversely affect our business, prospects, financial condition and results of operations.

Moreover, frequent promulgations of new PRC laws, regulations, policies, standards and requirements applicable to the non-ferrous metal mining industry and changes to existing laws, regulations, policies, standards and requirements will make compliance with all these PRC laws, regulations, policies, standards and requirements difficult and costly. For example, the Ministry of Finance and the State Administration of Taxation increased the resource tax rates on certain metal ore in the Circular on Adjusting the Policy on Resource Tax of Molybdenum Ore and Other Resources (財政部、國家稅務總局關於調整鉬礦石等品目資源稅政策的通知) promulgated on December 12, 2005, effective January 1, 2006. Although this rule has impacted certain other mining companies, it has no direct impact on us since we commenced our operation after its effective date. However, we cannot assure you that there will be no promulgations of new, or further changes of existing, PRC laws, regulations, policies, standards and regulations applicable to the non-ferrous metal mining industry, and any such new PRC laws, regulations, policies, standards and requirements or any such changes to existing laws, regulations, policies, standards and requirements may create additional requirements or impose new restrictions on our mining operations, and as a result, may constrain our future expansion plans and adversely affect our profitability.

Our business depends on the health and outlook of the Chinese and global economy.

Our business and prospects depend on economic growth in China and the rest of the world because demand for non-ferrous metal and related products is fueled largely by industrial growth. In 2008 and 2009, the economies of the United States, Europe and certain countries in Asia experienced a severe and prolonged recession, and China also experienced a slowdown in its economic growth. The Chinese economy has rebounded since early 2009, in part due to a sharp rise in the volume of bank loans, which was part of the Chinese government's economic recovery plan in response to the global economic crisis. However, it is unclear whether such recovery is sustainable. Any further significant slowdowns in the Chinese or global economy may reduce demand for our products and materially and adversely affect our business, financial condition, results of operations and profitability. In addition, a global financial crisis may also reduce liquidity in many financial markets and increase volatility in credit and equity markets, which may materially adversely affect our ability to secure financing to fund our expansion plans as well as those of our customers.

Our operations depend on adequate and timely supply of water, electricity and other critical supplies and equipment.

Water and electricity are the main utilities used in our ore processing activities. We are required by the relevant laws and regulations to hold water harvesting permits for using water. We have received a water harvesting permit with an annual quota of 807.6 thousand m^3 for using water from the Zhina River. The permit will expire on May 20, 2016. As advised by our PRC legal advisor, there is no legal impediment for us to renew the water harvesting permit which will expire in 2016.

There is no assurance that we will be able to renew this permit on time, for sufficient quantities of water and at acceptable prices, or at all. We cannot guarantee that the water supply of the Zhina River will be sufficient for our operations if there is drought in the area. Failure to obtain sufficient water supplies could materially adversely affect our operations and future growth plans. We also source our electricity from the China Southern Power Grid through its local grid station. An interruption in electricity supply will materially and adversely affect our production.

Our principal raw material are the non-ferrous metal ore extracted from our mines or from third party raw ore providers. Major auxiliary materials to be used in our production include forged steel grinding balls, chemical products, explosives, lubricating oil and electric wires and cables. We have also purchased, or plan to purchase, equipment such as drilling machines, air compressors, ore crushers and screening equipment. The majority of our materials are, or will be, sourced from local suppliers within Yunnan Province and our equipment are, or will be, sourced from suppliers within China. We cannot assure you that supplies of auxiliary materials, equipment or spare parts will not be interrupted, will be delivered on time or that their prices will not increase in the future. Moreover, because we do not have a long history of dealing with suppliers of our auxiliary materials, equipments and spare parts, we cannot guarantee that our supplier base is stable. We have not entered, and do not plan to enter, into long-term contracts with or obtained guarantees of supply from all of our suppliers of auxiliary materials, equipment and spare parts. In the event that our existing suppliers cease to supply us with auxiliary materials, equipment or spare parts at existing or lower prices or in a timely manner, or at all, our financial condition, results of operations, planned expansion timetable and expected production targets may be materially and adversely affected.

Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 35.61% of our Shares, assuming the completion of Mandatory Redemption (instead of the exercise of conversion rights) of the Exchangeable Bonds immediately after completion of the Global Offering based on the mid-point of the offer price range of HK$2.38 per Share, and the Over-allotment Option is not exercised. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions with respect to mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and might reduce the price of our Shares. These actions may be taken even if our Controlling Shareholders are opposed by our other shareholders.

RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA

We are vulnerable to adverse changes in political, social and economic policies of the PRC government that may affect economic growth in China.

All of our business operations are conducted in China and we anticipate selling substantially all of our output in China in the near future. Accordingly, we are affected by the economic, political and legal environment in China and China's overall economic growth. The Chinese economy differs from the economies of most developed countries in many respects, including the fact that it:

- has a high level of government involvement;

- has experienced rapid growth;
- has a tightly controlled foreign exchange policy; and
- is characterized by an inefficient allocation of resources.

China's economy has been transitioning from a planned economy towards a more market-oriented economy. However, a substantial portion of productive assets in China remains state-owned and the PRC government exercises a high degree of control over these assets. In addition, the PRC government continues to play a significant role in regulating industrial development by imposing industrial policies. For the past three decades, the PRC government has implemented economic reform measures to emphasize the utilization of market forces in economic development.

China's economy has grown significantly in recent years; however, we cannot assure you that such growth will continue. The PRC government exercises control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on our business. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. As such, our future success is, to some extent, dependent on the economic conditions in China, and any significant downturn in market conditions, may adversely and materially affect our business prospects, financial condition and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in China. We conduct our business primarily through our subsidiaries established in China. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in China. However, the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

We may not be able to obtain necessary approvals from the relevant governmental authority for capital investments.

We must obtain PRC government approvals for all of our significant capital investment projects. There can be no assurance that all of our projects will be approved or that there will not be a delay in securing such approvals. Because the commercial viability of our future development plans for our business depends largely on these projects, our business prospects, financial condition and results of operations may be materially and adversely affected if any of these projects is not approved, or is not approved on a timely basis.

Government control of currency conversion and fluctuations in the exchange rate between the Renminbi and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are satisfied. However, approval from SAFE or its local counterpart is required for capital account transactions. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Substantially all of our revenue is denominated and settled in Renminbi. Any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. Furthermore, the prices in Renminbi of the metals contained in the concentrates we sell effectively move in line with the market prices of these metals in U.S. dollars, our earnings may be affected by the RMB/U.S. dollar exchange rate. Moreover, fluctuations in RMB/U.S. dollar exchange rate may lower the shipping costs of imported mineral concentrates from abroad and thereby hurt our competitive advantage. Therefore, any appreciation of the Renminbi against the U.S. dollar could materially and adversely affect our financial results.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce non-PRC court judgments against them in China.

We are incorporated in the Cayman Islands. The majority of our Directors and all of our executive officers reside within China. Almost all of our assets and some of the assets of those persons are located within China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the Arrangement (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service or process against our assets, directors or executive officers in China in order to seek recognition and enforcement for foreign judgments in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western countries or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC corporate Shareholders.

The Enterprise Income Tax Law of the PRC (the "New Income Tax Law") provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered PRC "tax resident enterprises" and will generally be subject to the uniform 25% PRC enterprise income rate on their global income. Although under the implementation rules to the New Income Tax Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise, the circumstances under which an enterprise's "de facto management body" would be considered to be located in China are currently unclear. A tax circular issued by the SAT on April 22, 2009, or Circular 82 (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), provides that certain foreign enterprises controlled by a PRC company or a PRC company group will be classified as "resident enterprises" if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights.

Currently, a substantial majority of the members of our management team as well as the management team of some of our offshore holding companies are located in China. Although our offshore holding companies are not controlled by any PRC company or company group, we may be deemed to be a PRC resident enterprise if the related criteria under Circular 82 are referred to and applied to us by the PRC tax authorities. If our company or any of our overseas subsidiaries is considered a PRC tax resident enterprise for PRC tax purposes, a number of unfavorable PRC tax consequences could follow. First, our company or our overseas subsidiary will be subject to the uniform 25% enterprise income tax rate as to our global income as well as tax reporting obligations. Second, although under the New Income Tax Law and its implementing rules dividends paid to us from our PRC subsidiaries would qualify as "tax-exempted income," we cannot assure you that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC tax purposes. Finally, dividends payable by us to our investors and gain on the sale of our Shares may become subject to PRC withholding tax.

Restrictions on the payment of dividends under applicable regulations may limit the ability of our PRC operating subsidiary to remit dividends to us, which could affect our liquidity and our ability to pay dividends.

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries incorporated in China. We rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisitions. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds. In addition, if our PRC subsidiaries incur debt in the future, the instruments governing the debt may restrict their abilities to pay dividends or make other distributions to us. As a result, our PRC subsidiaries may be restricted in their abilities to transfer the net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government regulations or contractual restrictions, or because they cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Any widespread outbreak of contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome, avian influenza or H1N1 influenza) in China could materially and adversely affect the overall business sentiment and environment in China, particularly if such an outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labor supply and, possibly, the overall economic growth of China. As our revenue is currently derived from our operations in China, any labor shortages or contraction or slowdown in the growth of domestic consumption in China could materially and adversely affect our business, financial condition and results of operations. In addition, if any of our employees are affected by any severe communicable disease, it could adversely affect or disrupt those areas in which we have operations and materially and adversely affect our financial condition and results of operations as we may be required to close our facilities to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the operations of our customers and suppliers, which in turn could materially and adversely affect our business, financial condition and results of operations.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

On October 21, 2005, the SAFE issued the Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings and Round-trip Investment by Domestic Residents Through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知, "Circular 75") which came into force on November 1, 2005, requiring PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside China, referred to as an "offshore special purpose company," for the purpose of raising funds from overseas with the assets of or equity interest in PRC companies. It is also required by Circular 75 that any PRC resident that is the shareholder of an offshore special purpose company shall amend its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, share exchange, merger, division, long-term investment with creditor's right investment and provision of guaranty to a foreign party without involving round-trip investment.

To the best of our knowledge, as at the Latest Practicable Date, our PRC Shareholders who are required to make the foreign exchange registration under Circular 75 have completed such registration with the SAFE. According to the relevant guidance with respect to the operational rules on such foreign exchange registration issued by SAFE to its local branches, if any PRC shareholder of an offshore special purpose company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer, the principal and interests of shareholder's loans, advance recovery of investment or liquidation to the offshore special purpose company, otherwise could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, which would materially and adversely affect our business and your investment in our shares.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the proceeds from the Global Offering or any future offerings, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. Any capital contributions to our PRC subsidiaries must be approved by the Ministry of Commerce in China or its local counterpart. In addition, on August 29, 2008, SAFE promulgated Circular 142 which requires that Renminbi obtained from the settlement of capital of a foreign-invested enterprise shall be used for purposes within the business scope approved by the applicable government authority. Unless otherwise specified, the Renminbi obtained from the settlement of capital shall not be used for domestic equity investment. Furthermore, SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested enterprise. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the foreign-invested enterprise's approved business scope. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we receive from the Global Offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Failure to comply with PRC regulations relating to the registration of share options that belong to our employees who are PRC citizens may subject such employees or us to legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法實施細則), (the "Individual Foreign Exchange Rules"), issued on January 5, 2007, by SAFE and the Operating Rules on the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Schemes of Overseas Listed Companies (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued on March 28, 2007, by SAFE (the "Operating Rules"), PRC citizens residing in the PRC who are granted shares or share options by an offshore listed company through an employee share option or share incentive plan are required, through the PRC subsidiary of such offshore listed company or other qualified domestic PRC agents, to obtain the approval from SAFE or its local branches and complete certain other procedures related to the share option or other share incentive plan.

In order to comply with the requirements of the Individual Foreign Exchange Rules and the Operating Rules, we will require our PRC employees to obtain approval from SAFE or its local branches when joining the Share Option Scheme. Foreign exchange income from the sale of shares or dividends distributed by an offshore listed company must be remitted into the PRC. In addition, an offshore listed company or its PRC subsidiary or a qualified PRC agent is required to appoint an asset manager or administrator and a custodian bank, as well as open foreign currency accounts to handle transactions relating to the share option or other share incentive plan. We and our PRC citizen employees, who have been granted share options, or PRC option holders, will be subject to these rules upon the listing of our Shares on the Stock Exchange. If we or our PRC option holders fail to comply with these rules in the future, we or our PRC option holders may be required to rectify such non-compliance, and a maximum fine of RMB300,000 may be imposed, according to Foreign Exchange Administration Rules (外匯管理條例).

RISKS RELATING TO THE SHARES AND THE GLOBAL OFFERING

There has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price may differ significantly from the market price of our Shares following the Global Offering. We have applied for listing and permission to trade our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

Furthermore, the price liquidity and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- variations in our revenue, earnings and cash flow;
- changes in laws and regulations in the PRC;
- unexpected business interruptions resulting from natural disasters or power shortages;

- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in China and globally;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Future sales of Shares could adversely affect our Company's Share price.

Any future sale or availability of our Shares in the public market could have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after the Global Offering, or the perception that such sales may occur, could materially and adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. We anticipate that our Controlling Shareholders, will collectively hold in aggregate approximately 35.61% of our entire issued share capital after the completion of the Global Offering (assuming the completion of Mandatory Redemption (instead of exercise of conversion rights) of the Exchangeable Bonds immediately after completion of the Global Offering based on the mid-point of the offer price range of HK$2.38 per Share, and the Over-allocation Option is not exercised), subject to certain lock-up undertakings for periods ending six months after the date on which trading in the Shares commences on the Stock Exchange. Any substantial sale of our Shares over a short period of time after the expiry of the applicable moratorium period (where applicable) could cause our Share prices to fall.

The market price of our Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on December 7, 2011 and in any event, not later than December 12, 2011. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the pricing date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We currently expect to further incur a total of approximately RMB1,653 million for the acquisition cost and capital expenditure for the development of the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine. We plan to fund these capital expenditure requirements out of the net proceeds of HK$1,005 million (assuming the Over-allotment

Option is not exercised) that we anticipate to receive from the Global Offering, based on the low end of the indicative Offer Price range, and through our internal operating cash inflow and bank loans that we may receive from time to time in the future. However, we cannot assure you that our future internal operating cash inflow and bank loans that we may receive in the future will be sufficient to fill in the gap between the total capital expenditure we will incur for these and other mine projects that we may operate in the future and the net listing proceeds that we will receive from the Global Offering. There is an approximately RMB833 million gap between the net proceeds (based on the low end of the Indicative Offer Price range) from the Global Offering and the estimated project acquisition and development costs to be incurred. Investors should note that, should we be unable to obtain sufficient funding to support such gap by internally generated funding, including our internal operating cash inflow and bank loans that we may obtain in the future, or from any future capital market fund raising, the expected commencement date for commercial production of these mines may be delayed or the acquisition plans (including the option to acquire the Dakuangshan Mine) as currently contemplated may not be materialized. However, our Directors believe that the current expansion and acquisition plan for our mine projects is achievable. We may need to raise additional funds in the future to finance further expansion of our capacity and business relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in the Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Investors will pay a price per Share that substantially exceeds the per Share value of the Company's tangible assets after subtracting the Company's total liabilities and will therefore experience immediate dilution when investors purchase our Shares in the Global Offering. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, investors purchasing in the Global Offering would receive less than the amount they paid for their Shares. See Appendix II, "Unaudited Pro Forma Financial Information" to this Prospectus.

Our financial results are expected to be affected by the expenses in relation to the Global Offering.

Our financial results will be affected by the expenses in relation to the Global Offering. The estimated expenses in relation to the Global Offering are approximately RMB45.5 million, of which approximately RMB13.7 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity. The remaining estimated listing expenses of approximately RMB31.8 million which cannot be so deducted will be charged to profit or loss of the Group for the year ended December 31, 2010 and the year ending December 31, 2011 of RMB1.7 million and RMB30.1 million, respectively. Therefore, our financial results for the year ending December 31, 2011 will be affected by the expenses in relation to the Global Offering.

You may face difficulties in protecting your interests under Cayman Islands law.

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be limited compared to the laws of Hong Kong or other jurisdictions. See Appendix VII, "Summary of the Constitution of the Company and Cayman Islands Company Law" to this Prospectus.

Information, forecasts and other statistics obtained from industry organization and official government sources contained in this Prospectus may not be accurate.

Information, forecasts and other statistics in this Prospectus relating to the economy and the mining industry on an international, regional and specific country basis have been collected from materials from industry organization and official government sources. The Directors of the Company have relied on these statements with due care and have no reason to believe that the statements are not accurate. We believe that the source(s) of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

Facts and statistics in this Prospectus relating to the PRC economy, mineral products and mining industry in the PRC may not be fully reliable.

Facts and statistics in this prospectus relating to China and the industry in which we operate, including those relating to the PRC, the PRC economy, the PRC mining industry, and the PRC mineral market, are derived from various publications of governmental agencies or Independent Third Parties and obtained in communications with various governmental agencies or Independent Third Parties which we believe are reliable. However, we cannot guarantee the quality or reliability of these materials. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics and should not place undue reliance on them.

You should read the entire Prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. Prior to the date of this Prospectus, there has been press and media coverage regarding us and the Global Offering, which included certain financial information, financial projections, valuations, capital expenditure, offering information and other information about us. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Prospectus, we disclaim responsibility for it and you should not rely on any such information.

This Prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which are subject to risks and uncertainties.

This Prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "going forward," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;

- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this Prospectus that are not historical facts.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to this cautionary statement.

WAIVER PURSUANT TO RULES 8.05B (1) AND 18.04 OF THE LISTING RULES

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalization, revenue and cash flow; or (iii) market capitalization and revenue requirements. Chapter 18 of the Listing Rules applies to mineral companies. Under Rules 18.04 and 8.05 of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may not apply if the Stock Exchange is satisfied that the directors and management of the issuer have sufficient and satisfactory experience of at least five years in exploration and/or extraction activities. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.05(1)(a) and 8.05(1)(b) of the Listing Rules in accordance with the reasoning under Rules 18.04 and 8.05B(1) of the Listing Rules.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. The Company has applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that, as our Company's core business operations are based, managed and conducted in the PRC, our Company's management is best able to attend to its functions by being based in the PRC. The Company has received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) the Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal communication channel with the Stock Exchange and will ensure that the Company complies with the Listing Rules at all times. The two authorized representatives are Mr. Zhu Xiaolin, an executive Director and chief executive officer of the Company, and Ms. Ho Siu Pik, the company secretary of the Company. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by phone, facsimile or e-mail, and are authorized to communicate on behalf of the Company with the Stock Exchange;

(b) in compliance with Rule 3A.19 of the Listing Rules, the Company has appointed Guotai Junan Capital Limited to act as compliance adviser for a period commencing on the Listing Date and ending on the date on which the Company distributes the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules to provide the Company with advices on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing and, where the Company's authorized representatives are unavailable, act as an additional channel of communication between the Stock Exchange and the Company at least for the period commencing from the Listing Date and ending on the date that the Company publishes its first full financial year results pursuant to Rule 3A.19 of the Listing Rules;

(c) both the authorized representatives have means of contacting all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters.

The Company has implemented a policy whereby (i) each Director will provide his mobile phone number, office phone number, facsimile number and e-mail address to the authorized representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorized representatives when he is traveling; and (iii) all Directors will provide his mobile phone numbers, office phone numbers, facsimile numbers and e-mail addresses to the Stock Exchange; and

(d) all Directors who are not ordinarily residents in Hong Kong have confirmed that they possess or will apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange with reasonable notice, when required.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus, and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered or sold solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Global Coordinator, any of the Underwriters, any of their respective directors, agents, employees or advisers or any other person or party involved in the Global Offering.

UNDERWRITING

The listing of our Shares on the Stock Exchange is sponsored by Citi, also referred to as the Sole Sponsor.

Citi is the Sole Global Coordinator of the Global Offering. Citi, Renaissance Capital and BOCOM International are the Joint Bookrunners. Citi and BOCOM International are the Joint Lead Managers.

The Hong Kong Public Offer is underwritten by the Hong Kong Underwriters listed in the section headed "Underwriting", subject to agreement on the Offer Price between us and the Sole Global Coordinator (on behalf of the Underwriters).

The International Placing is expected to be underwritten by the International Underwriters.

For further information about the Underwriters and the underwriting arrangements, see the section entitled "Underwriting" for more information.

RESTRICTIONS ON THE USE OF THIS PROSPECTUS

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

Application for Listing on the Stock Exchange

We have applied to the Listing Committee of the Stock Exchange for the Listing of, and permission to deal in, our Shares, including any shares which may be issued or sold pursuant to the Over-allotment Option.

No part of our share capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being proposed to be sought in the near future.

Professional Tax Advice Recommended

If you are unsure about the taxation implications of subscribing for, purchasing or holding or dealing in our Shares, you should consult an expert.

It is emphasized that none of us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, any of the Underwriters, their respective directors, agents, employees and advisers, nor any other person involved in the Global Offering accepts any responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding or disposing of our Shares.

Register of Members

Our Company's principal register of members will be maintained by its principal registrar, Codan Trust Company (Cayman) Limited in the Cayman Islands and our Company's Hong Kong register of members will be maintained by its Hong Kong Share Registrar in Hong Kong, Computershare Hong Kong Investor Service Limited.

Stamp Duty

Dealings in the Shares registered on our Company's Hong Kong register of members will be subject to Hong Kong stamp duty.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in "Structure and Conditions of the Global Offering."

Procedures for Application for Hong Kong Offer Shares

The application procedure for the Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares."

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure and Conditions of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering."

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in Renminbi and US dollars have been translated into Hong Kong dollars and amounts denominated in Renminbi have been translated into US dollars, for the purpose of illustration only, in this Prospectus at the following rates:

HK$1.00: RMB0.8160, being the prevailing exchange rate on November 18, 2011 set by the People's Bank of China.

HK$7.7880: US$1.00, being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on November 18, 2011.

US$1.00: RMB6.3565, being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on November 18, 2011.

No representation is made that any amounts in Renminbi, US dollars or Hong Kong dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this Prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein or in calculations between figures are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ran Xiaochuan (冉小川)	No. 2, 11/F, Building 2, Block 3 No. 9 Gaoshengqiao Road Wuhou District Chengdu 610041 Sichuan Province, PRC	Chinese
Zhu Xiaolin (朱曉林)	Unit 301, Block 7 Yindu Garden II Chengdu, Sichuan Province PRC	Chinese
Huang Wei (黃衞)	No.132, Beijing Dong Road Cheng Guan District, Lhasa City PRC	Chinese
Wang Fahai (王法海)	No.1064, Group 6, Wa Fang Zi Manganese Ore Community Wa Fang Zi Town Chao Yang County Liaoning Province, PRC	Chinese
Wu Wei (吳瑋)	Annex No.1, No.14, Unit 1 Block 23, No.96 Tao Yuan Road Eastern District Pan Zhi Hua City Sichuan Province, PRC	Chinese
Zhao Shaohua (趙韶華)	No.9, Unit 4, Block 41 Long Ji Lane, Jin Chuan District Jin Chang City Gansu Province, PRC	Chinese
Non-executive Directors		
Shi Xiangdong (石向東)	27411 Guthrie Ridge Ln Katy, TX77494-3325 U.S.A.	American
Independent non-executive Directors		
Keith Wayne Abell	260 West Broadway, Apartment 3B, New York, NY, 10013 U.S.A.	American

Name	Address	Nationality
Christopher Michael Casey	Bullpark Barn Sopworth Wiltshire SN14 6PT United Kingdom	British
Richard Wingate Edward Charlton	8 Fernshaw Road London, SW10 0TF United Kingdom	British
William Beckwith Hayden	138 Milson Road Cremorne Point NSW 2090 Australia	Australian
Maarten Albert Kelder	159 Mount Pleasant Road Singapore 298350	Dutch
Miu Edward Kwok Chi (繆國智)	33 Santa Cruz Aisle Irvine, CA 92606 U.S.A.	American

OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor	Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower, Citibank Plaza 3 Garden Road, Central Hong Kong
Joint Bookrunners	Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
	Renaissance Capital (Hong Kong) Limited 1401 York House The Landmark Central, Hong Kong
	BOCOM International Securities Limited 9th Floor, Man Yee Building, 68 Des Voeux Road Central, Hong Kong
Joint Lead Managers	Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
	BOCOM International Securities Limited 9th Floor, Man Yee Building, 68 Des Voeux Road Central, Hong Kong

Legal advisers to our Company	*As to Hong Kong Law and US Law* O'Melveny & Myers 31st Floor, AIA Central 1 Connaught Road, Central Hong Kong *As to Cayman Islands Law* Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands *As to PRC Law* Commerce & Finance Law Offices 6th Floor, New China Insurance Tower A12 Jianguomenwai Avenue Chaoyang District Beijing 100022 The People's Republic of China
Legal advisers to the underwriters	*As to Hong Kong Law and US Law* Shearman & Sterling 12th Floor, Gloucester Tower 15 Queen's Road, Central Hong Kong *As to PRC Law* King & Wood PRC Lawyers 22nd Floor, the City Tower, No.86, Section 1, Ren Min Nan Avenue Chengdu, Sichuan, 610016, PRC
Auditors and reporting accountants	Ernst & Young *Certified Public Accountants* 18th Floor, Two International Finance Center 8 Finance Street, Central Hong Kong
Property valuers	Jones Lang LaSalle Sallmanns Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Competent Person	Runge Asia Limited, trading as Minarco-MineConsult Level 10 Silver Fortune Plaza 1 Wellington Street Central Hong Kong

Receiving bankers	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong
	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office	22nd Floor, South Building 145 Tiantai Road Hi-tech District Chengdu, Sichuan Province PRC
Principal place of business in Hong Kong	Unit 4712, 47/F The Center 99 Queen's Road Central Hong Kong
Website Address	www.chinapolymetallic.com *(information on this website does not form part of this Prospectus)*
Company Secretary	Ho Siu Pik, *FCIS, FCS (PE)*
Authorized representatives	Ho Siu Pik c/o Tricor Services Limited Level 28, Three Pacific Place 1 Queen's Road East Hong Kong Zhu Xiaolin Unit 301, Block 7 Yindou Garden II Chengdu, Sichuan
Audit Committee	Christopher Michael Casey (Chairman) Keith Wayne Abell Miu Edward Kwok Chi Shi Xiangdong
Remuneration Committee	Maarten Albert Kelder (Chairman) Zhu Xiaolin Richard Wingate Edward Charlton Christopher Michael Casey Miu Edward Kwok Chi
Nomination Committee	Maarten Albert Kelder (Chairman) Miu Edward Kwok Chi Keith Wayne Abell Ran Xiaochuan

Strategy Committee	Richard Wingate Edward Charlton (Chairman) Ran Xiaochuan Zhu Xiaolin Keith Wayne Abell Maarten Albert Kelder William Beckwith Hayden Shi Xiangdong Wu Wei Zhao Shaohua Wang Fahai Li Tao
Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Advisor	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal bankers	Agricultural Bank of China, Yinjiang County Branch No. 105 Yongsheng Road Pingyuan Town, Yinjiang County, Dehong Zhou Yunnan, PRC The Bank of China, Dehong Zhou Branch No. 16 Menghuan Road Mangshi Town, Luxi City Dehong Zhou Yunnan, PRC Agricultural Bank of China, Dehong Wei Min Branch No. 39 Mu Nao Zong Ge Road Luxi City Yunnan, PRC

Investors should note that Hatch, an experienced consultant in the metals and mining industry, was engaged to prepare the Hatch Report for use in this Prospectus. Hatch prepared its report based on its in-house database, independent third-party reports, publicly available data from reputable industry organizations, and data provided by our Company and other subconsultants engaged by us (with respect to the non-ferrous resources of the Shizishan Mine). Hatch has not made an analysis, verified or rendered an independent judgment as to the validity, accuracy and completeness of the information provided by such other sources or subconsultants. It has assumed that the information and data that it relied on are complete and accurate.

Hatch has provided part of the statistical and graphical information contained in this Industry Overview. Hatch has advised that (i) some information in its database is derived from estimates from industry sources or subjective judgments; and (ii) the information in the databases of other mining data collection agencies may differ from the information in Hatch's database.

We believe that the sources of the information in this section are appropriate sources for such information, and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any part has been omitted that would render such information false or misleading. Investors should also note that no independent verification has been carried out regarding any facts or statistics that are directly or indirectly derived from official government and non-official sources. The Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

Upon the completion of the Global Offering, our mineral properties will consist primarily of the Shizishan Mine and the Dazhupeng Mine in Yunnan Province, which is the second largest non-ferrous metal producing province (in terms of metal production from mine) in China, according to the Hatch Report. In 2009, Yunnan Province had a combined output of 2,114 kt in ten kinds of non-ferrous metal (*i.e.* copper, primary aluminium, lead, zinc, nickel, tin, antimony, magnesium, mercury and titanium). The Shizishan Mine is a large lead-zinc-silver polymetallic mine with abundant resources and reserves. The main products from the Shizishan Mine are lead-silver and zinc-silver concentrates. The Dazhupeng Mine is a lead-zinc-silver polymetallic mine with significant potential in lead, zinc, gold and silver resources. The main products from the Dazhupeng Mine will be lead-silver and zinc-silver concentrates. We also entered into a share transfer agreement to acquire the Liziping Mine and an option agreement to obtain the right to acquire the Dakuangshan Mine, both of which are lead-zinc-silver polymetallic mines. Additionally, we will produce and sell tungsten and tin concentrates using raw ore sourced from the Lushan Mine on an exclusive basis. The metals contained in our concentrates can be separated and smelted downstream. The following is an overview of the lead, zinc, silver, tungsten, and tin industries.

OVERVIEW

The players in the non-ferrous mining industry are usually categorized into "independent mines" or "pure mining companies", which only conduct upstream operations in exploration, mining and primary processing of mineral resources without downstream operations such as smelting, refining and further processing, and "integrated mines and smelters", which conduct both upstream and downstream operations. According to China Nonferrous Metals Industry Association 2010 yearbook, there were 1,904 independent non-ferrous mines which in aggregate recorded RMB175.86 billion sales revenue in 2009 and 2,867 integrated mines and smelters which in aggregate recorded RMB955.84 billion sales revenue in the same year.

LEAD

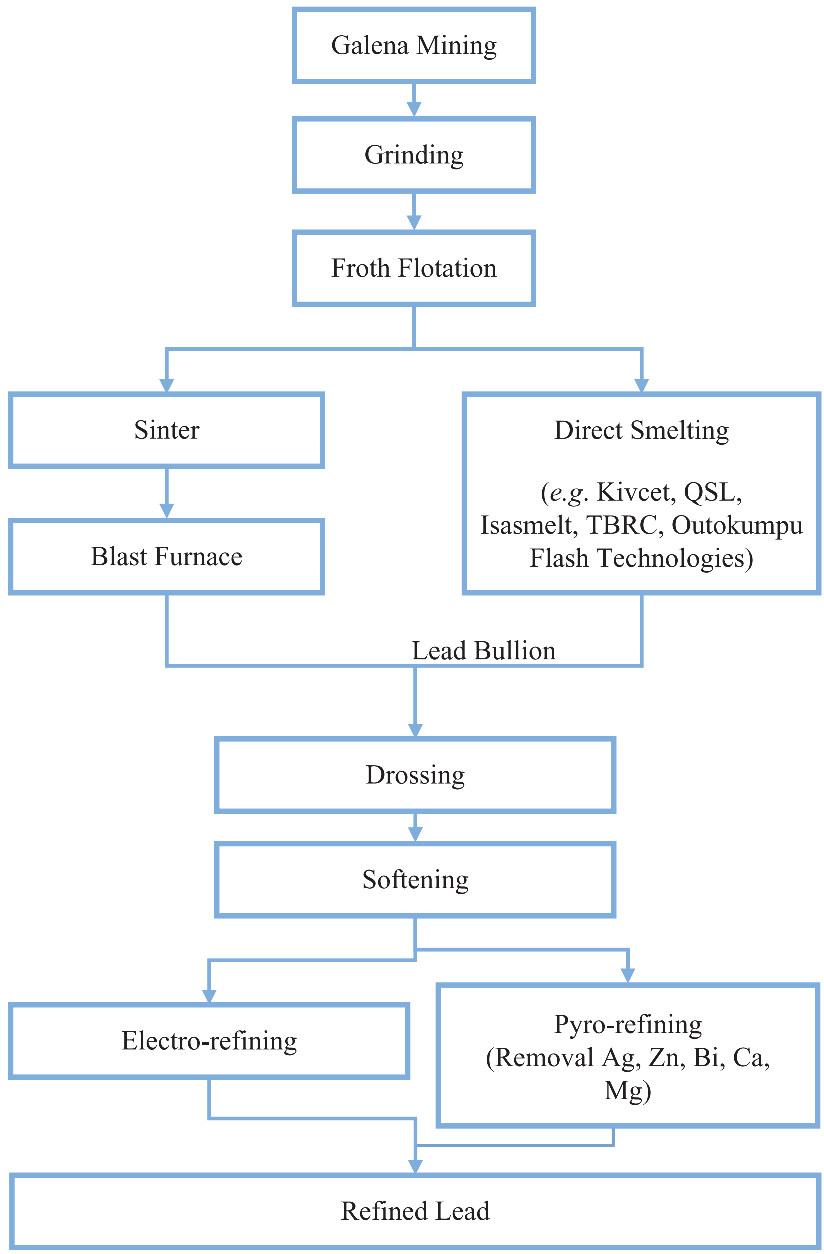
Introduction to lead

Lead (Pb) is a very corrosion-resistant, dense, ductile, and malleable blue-gray metal that has been used for at least 5,000 years. Lead is usually found in ore with zinc, silver and copper and is extracted together with these metals. The main lead mineral is galena (PbS). Other common varieties include cerussite ($PbCO_3$) and angelsite ($PbSO_4$).

Lead production process

Lead ore is first ground to a fine suspension in water. The lead-rich mineral ore is then separated from the other materials through a froth flotation process. From there, metallic lead is produced from the concentrate by roasting the lead concentrate or heating the lead oxide in a furnace with coke. Lead can be further refined to remove impurities. The following chart illustrates the lead production process.

Simplified Flow for Lead Production Process



Global Lead Industry

Global lead resources

Global lead reserves were 80 million tonnes of lead in 2010, according to United States Geological Survey ("USGS"). Australia, China, United States, Peru, and Mexico collectively accounted for 73.3% of the world's total reserves in 2010.

Global Lead Reserves in 2009 and 2010 (Unit: kt of lead contained)

	2009	2010
Australia	23,000	27,000
China	12,000	13,000
United States	7,700	7,000
Peru	6,000	6,000
Mexico	4,700	5,600
Sweden	1,300	1,100
Poland	3,500	1,500
Canada	700	650
South Africa	300	300
Others	19,800	17,850
Total	79,000	80,000

Source: USGS

Global lead supply

World lead concentrate production increased at a CAGR of 4.2% from 3,129 kt in 2004 to 3,847 kt in terms of contained zinc in 2009, according to International Lead and Zinc Study Group ("ILZSG"). In 2010, world lead concentrate production increased to 4,090 kt. China is the leading producer of lead concentrate.

Global Lead Concentrate Production 2004–2010 (Unit: kt of lead contained)

	2004	2005	2006	2007	2008	2009	2010
China	997	1,142	1,331	1,402	1,145	1,160	1,852
Australia	642	715	621	589	594	525	536
Mexico	118	134	135	137	142	144	185
Peru	306	319	313	329	345	302	263
United States	439	432	429	434	423	406	263
Europe	228	256	247	287	311	338	351
Others	399	415	449	432	960	972	640
Total	**3,129**	**3,414**	**3,525**	**3,610**	**3,920**	**3,847**	**4,090**
— Growth Rate		9.1%	3.3%	2.4%	8.6%	-1.9%	6.3%

Source: ILZSG, CNIA, Hatch

From 2004 to 2010, global refined lead production increased at a CAGR of 5.0% from 6,998 kt to 9,401 kt. From 2004 to 2008, lead production in the rest of the world (excluding China) increased at an average of just 2% per annum from 5,186 kt to 5,604 kt and decreased to 5,158 kt in 2009. At the same time, the global share of China's refined lead production increased from 25.9% in 2004 to 38.1% in 2008. In 2010, China's share of the world's total refined lead production increased to 44.7%.

Global Refined Lead Production 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
China	1,812	2,390	2,710	2,783	3,452	3,708	4,199
Including: Mine production	1,499	1,863	2,141	2,079	2,350	2,626	2,836
Rest of the World	5,186	5,242	5,215	5,532	5,604	5,158	5,202
Including: Mine production	1,631	1,580	1,405	1,570	1,429	1,221	1,252
Total	6,998	7,632	7,925	8,315	9,056	8,866	9,401
Including: Mine production	3,130	3,443	3,546	3,649	3,779	3,847	4,088
— Growth Rate		9.1%	3.8%	4.9%	8.9%	-2.1%	6.0%

Source: ILZSG

Global lead demand

From 2005 to 2010, the world's lead concentrate consumption increased by a CAGR of 3.5% from 3,443 kt to 4,088 kt in terms of lead content. The following table sets forth world lead concentrate consumption from 2005 to 2010:

Global Lead Concentrate Consumption 2005–2010 (Unit: kt of lead contained)

	2005	2006	2007	2008	2009	2010
Consumption	3,443	3,546	3,649	3,779	3,847	4,088
— Growth Rate		3.0%	2.9%	3.6%	1.8%	6.3%

Source: ILZSG
Note: Lead concentrate consumption is assumed same as the primary lead production

ILZSG reported that global refined lead consumption increased at a CAGR of 4.2% from 7,296 kt in 2004 to 9,353 kt in 2010. The increase came mainly from the growth of China's lead consumption, whose share of global lead consumption jumped from 22.9% in 2004 to 45.0% in 2010.

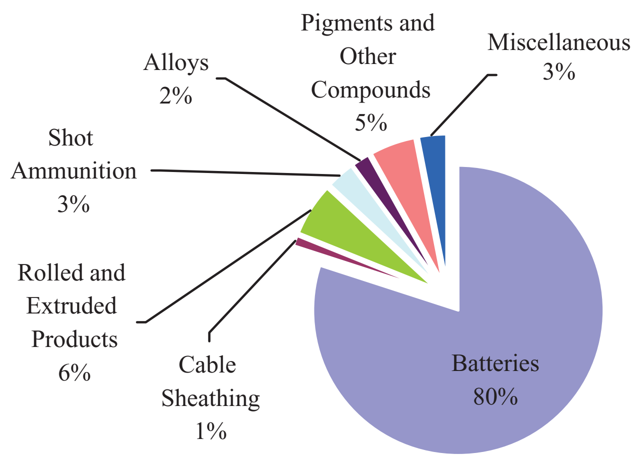
Global Refined Lead Consumption 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
China	1,670	1,990	2,290	2,569	3,456	3,860	4,213
Rest of the World	5,626	5,811	5,781	5,798	5,588	4,949	5,140
Total	**7,296**	**7,801**	**8,071**	**8,367**	**9,044**	**8,809**	**9,353**
— Growth Rate		6.9%	3.5%	3.7%	8.1%	-2.6%	6.2%

Source: ILZSG, Hatch

About 80% of the lead produced globally is used for making lead-acid batteries, which can be found in motor vehicles and in emergency systems (such as hospitals) as well as in computers and fork lift trucks. The following chart sets forth the global refined lead consumption by sector:

World Refined Lead Consumption by Sector



Source: ILZSG

Global lead trade

Lead concentrate is widely traded. According to ILZSG and International Lead Association ("ILA"), lead concentrate is mostly produced in the Americas, Oceania and Asia, much of which is then exported to Europe and Asia. China continues to hold first place in lead concentrate imports with 1,605 kt (the equivalent of 962 kt of lead content) imported in 2010.

Global Major Lead Concentrate Exporters and Importers 2008–2009 (Unit: kt, gross weight)

Exporters	2008	2009	Importers	2008	2009
Peru	424	497	China	1,442	1,605
Australia	335	426	South Korea	236	312
USA	295	287	Germany	213	234
Belgium	115	149	Belgium	98	192
Bolivia	142	137	Japan	206	155
Russia	120	133	Bulgaria	119	63
Ireland	95	110	Canada	66	54
Mexico	50	87	Italy	86	29
South Africa	64	70			

Source: Customs of respective countries, Hatch

In addition, China also holds first place for refined lead imports, taking in 157 kt in 2009, a five-fold increase from 2008. Australia is the leading exporter of refined lead of the world, followed by Germany, Mexico, UK and Canada.

Global Major Refined Lead Exporters and Importers 2008–2009 (Unit: kt)

Exporters			Importers		
	2008	**2009**		**2008**	**2009**
Australia	214	240	China	31	157
Germany	133	156	United States	167	141
Mexico	69	142	South Korea	90	127
United Kingdom	78	127	India	91	115
Canada	86	102	Spain	107	113
Belgium	65	82	Brazil	79	75
Kazakhstan	88	79	Turkey	69	68
Japan	26	56	Italy	76	68
Russia	43	52	Thailand	52	67

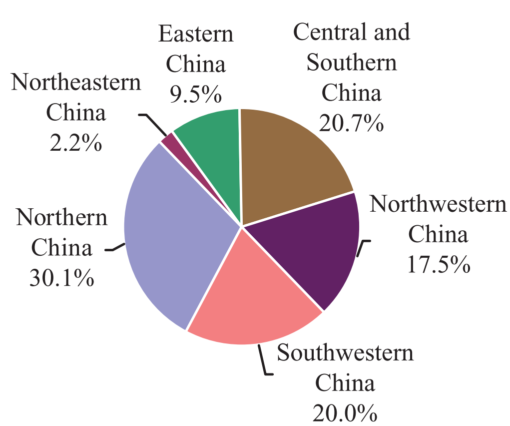
Source: Customs of respective countries, Hatch

China's Lead Industry

China's lead resources

According to the National Bureau of Statistics of China ("NBSC"), China's lead reserves were 13,401 kt of lead in 2009. Inner Mongolia and Yunnan have the largest lead reserves, possessing 28.8% (3,858 kt of lead) and 13.4% (1,795 kt of lead) of total national reserves, respectively, according to NBSC. They are followed by Guangdong, Hunan and Gansu, each with lead reserves exceeding 1 million tonnes. According to China Nonferrous Metals Industry Association ("CNIA"), the average lead grade of China's open-pit mines and underground mines were 1.74% and 3.29%, respectively, in 2009.

Geographic Distribution of China's Lead Reserves in 2009



Source: NBSC

China's lead supply

China is the world's largest lead concentrate producer. In 2010, China's lead concentrate output reached 1,851 kt, increasing 36.1% year-on-year. From 2004 to 2010, China's lead concentrate output increased at a CAGR of 10.9%. Inner Mongolia, Hunan, Guangxi, Sichuan, Guangdong and Yunnan were the top six lead concentrate producing provinces in 2010.

China's Lead Concentrate Production by Province 2004–2010 (Unit: kt of lead contained)

	2004	2005	2006	2007	2008	2009	2010
Inner Mongolia	84	99	144	197	263	288	426
Sichuan	33	52	83	104	139	172	223
Guangdong	55	57	79	94	123	121	129
Yunnan	82	114	104	133	115	111	106
Hunan	124	111	100	138	102	149	273
Guangxi	49	54	58	74	69	126	238
Qinghai	59	75	76	75	60	60	61
Henan	14	15	20	36	56	68	63
Gansu	53	68	68	60	44	35	40
Fujian	27	26	34	45	43	53	68
National Total	**997**	**1,142**	**1,331**	**1,402**	**1,145**	**1,360**	**1,851**
— Growth Rate		14.5%	16.5%	5.3%	-18.3%	18.8%	36.1%

Source: NBSC, CNIA

As the world's largest refined lead producer, China's refined lead production grew at a CAGR of 13.8% from 1,934 kt in 2004 to 4,199 kt in 2010, according to CNIA. In 2010, China's production of refined lead and primary lead (lead produced from lead ore concentrate) were 4,199 and 2,836 kt, respectively.

According to CNIA, Henan, Hunan, Anhui and Yunnan were the top four refined lead-producing provinces in the past five years. In 2010, the top eight refined lead-producing provinces collectively produced 3.7 million tonnes of refined lead, accounting for 87.2% of the national total. Yunnan was the fourth largest refined lead-producing province in 2010. In Yunnan, the production of refined lead increased from 319 kt per year in 2009 to 379 kt per year in 2010.

China's Refined Lead Production by Province 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
Henan	611	861	935	924	1,108	1,192	1,054
Anhui	125	204	339	309	396	617	857
Hunan	373	404	499	497	541	636	827
Yunnan	195	218	288	375	364	319	379
Jiangsu	85	132	78	115	128	173	171
Guangxi	131	178	172	151	147	138	149
Jiangxi	24	24	28	21	77	75	115
Guangdong	83	86	85	102	130	133	112
Shaanxi	18	15	14	8	48	73	90
Hubei	42	45	48	50	52	78	86
Chongqing	14	8	21	31	35	70	84
Shanghai	6	6	6	9	6	19	59
Inner Mongolia	10	21	38	18	39	19	55
Liaoning	3	7	9	21	31	22	35
Shandong	2	—	—	—	—	42	33
Ningxia	27	31	53	60	31	34	28
National Total	**1,934**	**2,391**	**2,715**	**2,788**	**3,206**	**3,773**	**4,199**
— Growth Rate		23.6%	13.6%	2.7%	15.0%	17.7%	11.3%

Source: CNIA

China's lead demand

China is the world's largest lead concentrate consumer. From 2004 to 2010, its lead concentrate apparent consumption grew at a CAGR of 16.1% from 1,146 kt to 2,813 kt in terms of lead contained. With the depletion of high grade lead resources in China, CNIA believes that China will remain a net importer of lead concentrate in the near future.

China's Lead Concentrate Apparent Consumption 2004–2010 (Unit: kt of lead contained)

	2004	2005	2006	2007	2008	2009	2010
Production	598	627	784	953	1,145	1,360	1,851
Imports	548	612	713	760	867	963	962
Total Apparent Consumption	1,146	1,239	1,497	1,713	2,012	2,323	2,813
— Growth Rate		4.8%	25.0%	21.6%	20.1%	18.8%	36.1%

Source: NBSC, China Customs

Notes: Assuming the imported concentrate grade at 60%

China is also the world's largest refined lead consumer with 44.7% of the world lead consumption in 2010. According to ILZSG, China's refined lead consumption increased at a CAGR of 16.7% from 1,670 kt in 2004 to 4,213 kt in 2010.

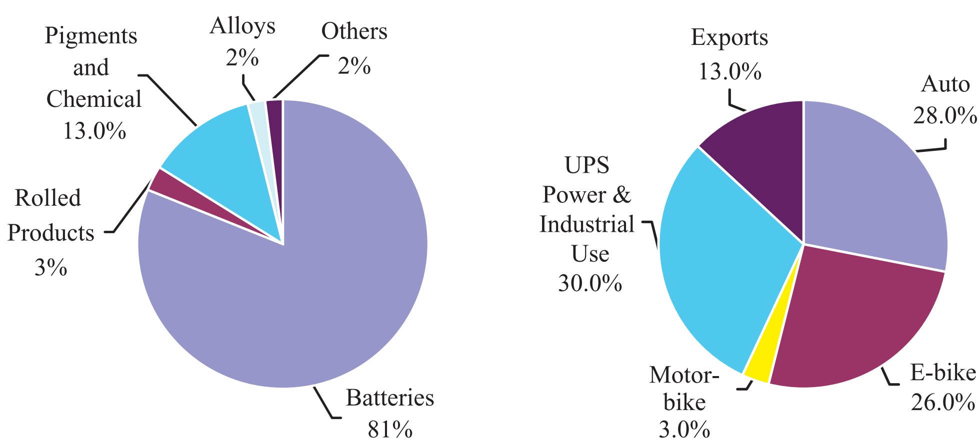
China's Refined Lead Consumption 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
Consumption	1,670	1,990	2,290	2,569	3,456	3,860	4,213
— Growth Rate		19.2%	15.1%	12.2%	34.5%	11.7%	9.1%

Source: ILZSG

According to Antaike and CNIA, lead-acid battery industry consumed 81% of refined lead in 2009 in China. The automobile, electrical-bicycle and uninterruptible power supply, or UPS, industries are the top three end-users of refined lead in China. The following two figures show China's refined lead consumption by use and the rapid growth of the lead acid battery industry in the past seven years.

Chinese Refined Lead Consumption by First Use and End Use in 2009



Source: CNIA, Antaike

China's Lead Acid Batteries Production 2004-2010 (Unit: million KVAh)

	2004	2005	2006	2007	2008	2009	2010
Production	60	67	78	94	97	119	144
— Growth Rate		10.8%	17.0%	20.3%	3.8%	22.8%	20.7%

Source: NBSC

China's lead trade

China holds first place for lead concentrate imports, with 1,605 kt (equivalent to 963 kt of lead contained) in 2009, an increase of 11.1% over 2008. In 2010, China's lead concentrate imports stayed steady at 1,604 kt (equivalent to 962 kt of lead contained).

China's Lead Concentrate Imports 2004–2010 (Unit: kt of lead contained)

	2004	2005	2006	2007	2008	2009	2010
Imports	548	612	713	760	867	963	962
— Growth Rate		11.7%	16.5%	6.5%	14.1%	11.0%	0.0%

Source: China Customs, CNIA
Notes: Assuming the imported concentrate grade at 60%

China was the largest refined lead exporter of the world before 2008. In 2006, China's total exports of refined lead reached 537 kt, but dropped significantly to 236 kt in 2007 and continued to drop ever since. Meanwhile, China's refined lead imports increased sharply from 43 kt in 2004 to 157 kt in 2009, making it the world's largest importer of refined lead in 2009. In 2010, China's refined lead imports dropped by 86% due to increased demand in other parts of the world and increased domestic production of refined lead.

China's Imports and Exports of Refined Lead 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
Imports	43	36	33	25	31	157	22
— Growth Rate		-16.5%	-6.6%	-25.0%	23.4%	408.8%	-86.3%
Exports	447	402	537	236	34	23	23
— Growth Rate		-9.9%	33.5%	-56.1%	-85.7%	-31.6%	0.3%

Source: China Customs, CNIA

China's lead competition

China was the world's largest lead concentrate producer in 2010, producing 1,851 kt of lead in 2010. Due to the geographic distribution of China lead resources, the industry is fragmented and mostly composed of small mines. According to CNIA, the majority of lead mines have an annual production capacity of below 10,000 tonnes of concentrate. The following chart lists the 10 largest lead concentrate mining companies and their respective output in 2007.

China's Major Lead Concentrate Mining Companies in 2007 (Unit: kt of lead contained)

	2007
Western Mining	69
Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd Fankou Mine	46
Jieshou City Jinlong Lead Chemical Co., Ltd.	44
Inner Mongolia Yindu Mining Co., Ltd.	35
Ganluo Yuguang Mining Co., Ltd.	19
Henan Found Mining Co., Ltd.	16
Huize Xianghua Pb-Zn Mining	16
China Tin Group Co., Ltd.	15
Baiyin Non-ferrous Metals Group Co., Ltd.	15
Inner Mongolia Bairen Mining Co., Ltd.	14

Source: NBSC, CNIA, Antaike

In terms of refined lead, the combined output of the top 10 refined lead producers accounted for over 35.3% of China's national total lead production in 2008.

China's Top 10 Refined Lead Producers in 2008 (Unit: kt)

	Output	Capacity
Jiyuan Yuguang Gold and Lead Group Co., Ltd.	300	300
Anyang City Yubei Gold-Lead Co., Ltd.	120	210
Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd. Shaoguan Smelter	120	120
Henan Jinli Lead Group	120	130
Shuikoushan Non-ferrous Co., Ltd.	100	100
Hunan Zhuye Non-ferrous Metals Co., Ltd.	90	100
Yunnan Chihong Zinc & Germanium Co., Ltd.	90	100
Jiyuan Wanyang Smeltery Group Co., Ltd.	80	180
Xuzhou Chunxing Alloy Co., Ltd.	60	240
Anhui Huaxin Lead Group Co., Ltd.	50	200

Source: Antaike

The following table lists the top lead smelters in Yunnan in 2007 and their respective smelting capacities:

Yunnan's Key Lead Smelters in 2007 (Unit: kt per year)

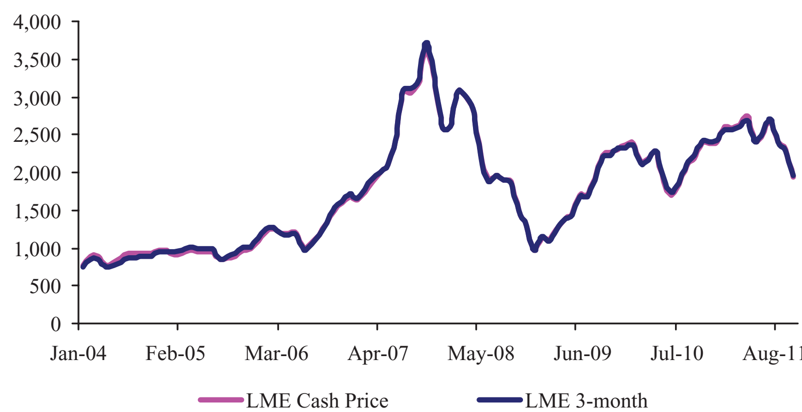
Smelters	Capacity
Yunnan Chihong Zinc & Germanium Co., Ltd.	100
Yunnan Tin Group	100
Yunnan Xiangyun Feilong Nonferrous Metals Co., Ltd.	80
Yunnan Gejiu Shadian Electric Smelting Plant	70
Yunnan Zhenxing Industry Group Co., Ltd	60
Datong Electric Smelting Plant	30
Guangbo Electric Smelting Plant	25
Mengzi Mining and Metallurgy Co., Ltd.	25
Gejiu Shadian Hexing Lead Industry Co., Ltd.	20
Yunnan Lancang Lead Mine	20

Source: CNIA

Lead Prices

Lead is traded on the London Metal Exchange ("LME"). The 3-month lead futures contract on the LME is the principal futures contract traded on the exchange and serves as an international pricing benchmark. From 2004 to 2008, the LME 3-month lead future price rose sharply due to the gap between world supply and demand and peaked at US$3,719/tonne in October 2007. However, impacted by the global financial crisis in the second half of 2008, it dropped sharply to US$968/tonne in December 2008. With improved market conditions in 2009 and the recovery of lead consumption, the lead price increased steadily from US$968/tonne to over US$2,368/tonne in January 2010. Since then, the LME 3-month lead price tumbled to US$1,729/tonne in June 2010 and then rallied to US$1,959/tonne in October 2011. There were no officially recognized lead futures contracts in China prior to March 24, 2011, but China's lead prices are generally in line with LME prices. The following charts show the monthly price trend of refined lead from January 2004 to October 2011 on the LME and in China.

LME Lead Prices January 2004–October 2011 (US$/tonne)



China's Lead Prices January 2004–October 2011 (RMB/tonne)

Source: LME, Antaike

ZINC

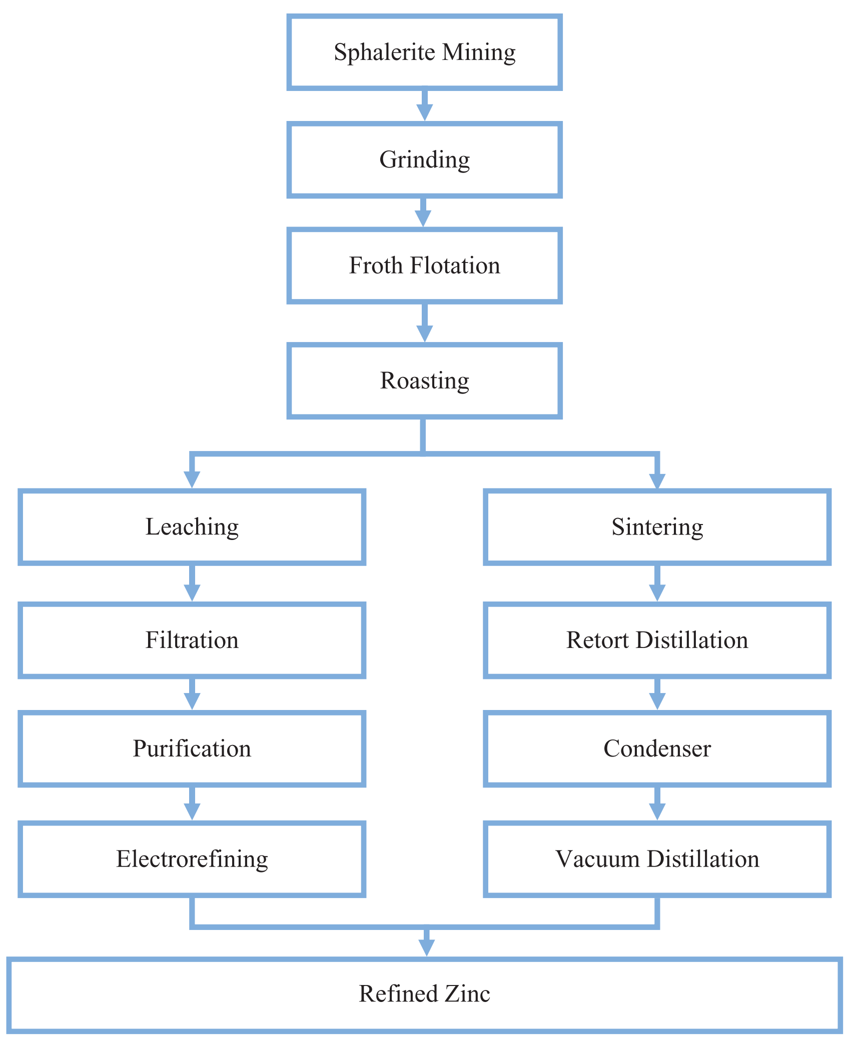
Introduction to zinc

Zinc (Zn) is a bluish-white, lustrous, diamagnetic metal. Zinc is the fourth most common metal in use, trailing only iron, aluminum, and copper, with an annual global production of about 13 million tonnes. Approximately 95% of the world's zinc is mined from sulfidic ore deposits, in which sphalerite zinc (ZnS) is nearly always mixed with the sulfides of copper, lead and iron.

Zinc production process

More than 70% of zinc produced worldwide is derived from mine production, and the remaining 30% comes from zinc scrap. In mine production, zinc ore is first processed to a fine suspension in water by grinding balls or rod mills, then concentrated through a selective froth flotation process. Zinc concentrate is then roasted into zinc oxide and further refined by leaching the ore concentrate with sulfuric acid or by combining zinc oxide with carbon or carbon monoxide to reduce it into zinc vapor to be collected in a condenser. The following chart illustrates the zinc production process.

Simplified Flow for Zinc Production Process



Global Zinc Industry

Global zinc resources

Global zinc reserves in 2010 were 250 million tonnes of zinc, according to USGS. The top six countries collectively accounted for 66.8% of world zinc reserves in 2010. China has the world's second largest zinc reserves. In 2010, China's zinc reserves amounted to 42 million tonnes of zinc or approximately 16.8% of the world's total zinc reserves.

Global Zinc Reserves in 2009–2010 (Unit: kt of zinc)

	2009	2010
Australia	21,000	53,000
China	33,000	42,000
Peru	19,000	23,000
United States	14,000	12,000
Kazakhstan	17,000	16,000
Mexico	14,000	15,000
Canada	8,000	6,000
Others	74,000	83,000
Total	200,000	250,000

Source: USGS

Global zinc supply

World zinc concentrate production increased from 9,740 kt to 12,210 kt in terms of contained zinc over the period from 2004 to 2010 at a CAGR of 3.8%, according to ILZSG.

The following table contains a breakdown of zinc concentrate producing countries from 2004 to 2010. China, Peru, Australia, United States, Canada, Mexico, India and Kazakhstan were the major zinc concentrate production countries in 2010 and collectively accounted for about half of the global zinc concentrate output:

Global Zinc Concentrate Production 2004–2010 (Unit: kt of zinc contained)

	2004	2005	2006	2007	2008	2009	2010
China	2,391	2,548	2,867	3,160	3,186	3,117	3,699
Peru	1,209	1,202	1,202	1,444	1,603	1,509	1,484
Australia	1,298	1,329	1,321	1,408	1,476	1,253	1,426
EU	1,006	1,057	1,037	1,026	1,046	1,057	1,057
USA	739	720	718	794	829	750	765
Canada	791	667	638	610	746	702	656
India	340	446	509	521	616	640	740
Kazakhstan	404	405	451	505	482	444	490
Mexico	426	476	481	479	464	485	595
Others	1,136	1,300	1,236	1,453	1,336	1,421	1,298
Total	9,740	10,150	10,460	11,400	11,784	5,499	12,210
— Growth Rate		4.2%	3.1%	9.0%	3.4%	-53.3%	122.0%

Source: ILZSG, Hatch

During the period from 2004 to 2010, global refined zinc production increased at a CAGR of 3.5% from 10,158 kt to 12,764 kt. The majority of the refined production came from primary production.

In 2010, China accounted for about 40% of the world's total. The following is a breakdown of the global refined zinc output from 2004 to 2010.

Global Refined Zinc Production 2004–2010 (Unit: kt of zinc contained)

	2004	2005	2006	2007	2008	2009	2010
China	2,519	2,683	3,163	3,743	4,042	4,357	5,164
Rest of the World	7,639	7,579	7,492	7,602	7,727	6,906	7,600
Total	**10,158**	**10,262**	**10,655**	**11,345**	**11,769**	**11,263**	**12,764**
— Growth Rate		1.0%	3.8%	6.5%	3.7%	4.3%	13.3%

Source: ILZSG, Hatch

Global zinc demand

Since direct data is not available for zinc concentrate consumption, it is represented by the production of refined zinc. Please see "— Global Zinc Supply" for more information.

The following is a table of world refined zinc consumption from 2004 to 2010. Global refined zinc consumption increased at a CAGR of 2.7% from 10,648 kt in 2004 to 12,500 kt in 2010:

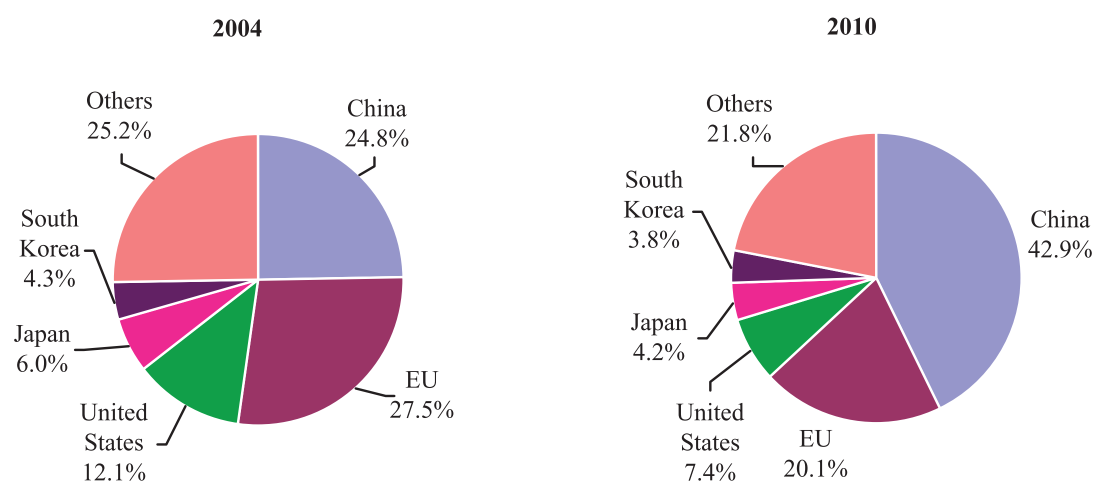
Global Refined Zinc Consumption 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
Consumption	10,648	10,611	11,013	11,275	11,485	10,832	12,500
— Growth Rate		-0.4%	3.8%	2.4%	1.9%	5.7%	15.4%

Source: ILZSG, Antaike, Hatch

As the world's largest zinc consuming country, China's share in the world's zinc consumption increased from 24.8% in 2004 to 42.9% in 2010.

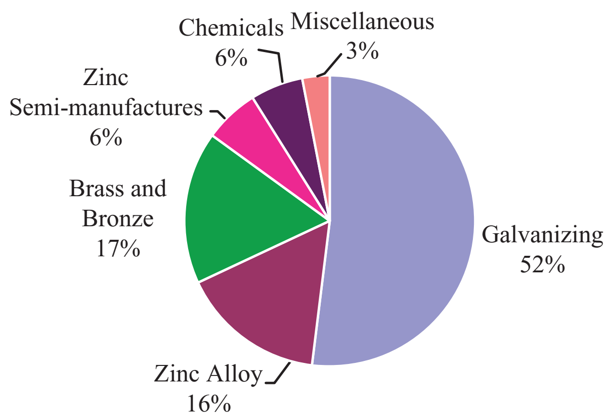
Global Refined Zinc Consumption by Region in 2004 and 2010



Source: Antaike

Zinc is used in a variety of applications. About half of refined zinc is used to make anti-rust protective coating for galvanized steel products, which are mostly used for the construction industry. The remainder is used to make zinc alloy, brass and bronze, zinc compounds and chemicals. The following table sets forth a breakdown of world refined zinc consumption by first use in 2009:

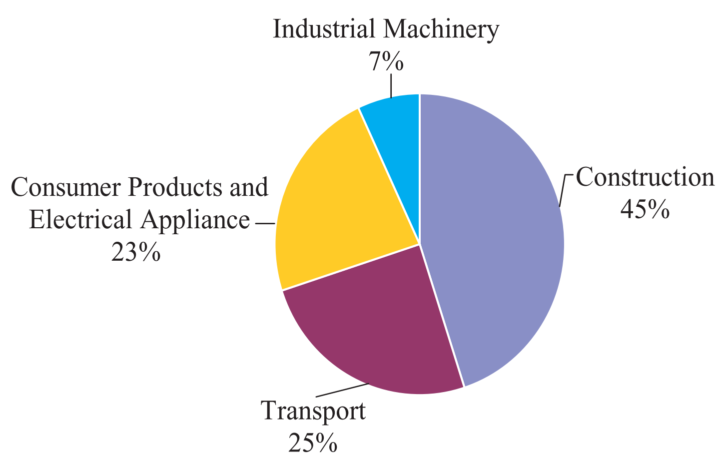
Global Refined Zinc Consumption by First Uses in 2009



Source: ILZSG

The top three end-users of refined zinc are the construction (45%), transportation (25%), and consumer products and electrical appliances (23%) industries.

Global Refined Zinc Consumption by End Uses in 2009



Source: ILZSG

Global zinc trade

Zinc concentrate is a widely traded product. According to ILZSG and International Zinc Association ("IZA"), zinc concentrate is mostly produced in the Americas, Oceania and Asia, then exported to Europe and Asia. The top five global zinc concentrate importers in 2008 and 2009 were China, South Korea, Spain, Japan, and Finland. The top five global zinc concentrate exporters in 2008 and 2009 were Peru, Australia, United States, Bolivia and Belgium. The following table lists the top importing and exporting countries of zinc concentrate:

Global Major Zinc Concentrate Importers and Exporters (Unit: kt, gross weight)

Importers	2008	2009	Exporters	2008	2009
China	2,385	3,851	Peru	2,559	2,423
South Korea	1,487	1,342	Australia	2,246	2,114
Spain	1,114	909	United States	401	790
Japan	1,163	886	Bolivia	741	786
Finland	582	532	Belgium	742	785
Netherlands	431	321	Ireland	404	594
Canada	304	301	Sweden	389	396
Germany	384	272	Mexico	177	301
France	239	242			
Norway	244	210			
Italy	162	155			
Thailand	194	148			

Source: Customs of respective countries, Hatch

The following table lists the top importing and exporting countries of refined zinc. Canada, Australia and South Korea were the three top refined zinc exporters in 2009 while the United States, China and Germany were the top three refined zinc importers in 2009. China imported 670 kt of refined zinc in 2009, closely trailing the biggest refined zinc importer, the United States, by only 16 kt in 2009:

Global Major Refined Zinc Importers and Exporters (Unit: kt)

Importers	2008	2009	Exporters	2008	2009
United States	601	686	Canada	599	592
China	183	670	Australia	317	359
Germany	305	286	South Korea	311	329
Belgium	207	238	Kazakhstan	334	295
Turkey	147	138	Finland	257	269
France	164	129	Mexico	203	225
Italy	184	120	Spain	192	216
Netherlands	155	104			

Source: Customs of respective countries, Hatch

China's Zinc Industry

China's zinc resources

Due to their use of different sources, NBSC has slightly different reserve figures than USGS. According to NBSC, China's zinc reserves were 38,385 kt in 2009. Inner Mongolia and Yunnan had 26.2% (or 10,058 kt of zinc) and 21.4% share (or 8,200 kt of zinc) of the total national zinc reserves, respectively, in 2009.

Zinc Reserves by Province in 2009 (Unit: kt of zinc)

	2009
Inner Mongolia	10,058
Yunnan	8,200
Guangdong	2,045
Hunan	1,872
Guangxi	1,536
Hebei	1,458
Others	13,216
National Total	**38,385**

Source: NBSC

According to the Ministry of Land and Resources ("MLR"), China does not have many large lead and zinc reserves. According to CNIA, the average grade of open-pit zinc mines and underground zinc mines in China were 7.25% and 5.37%, respectively, in 2009.

China's zinc supply

China is the world's largest zinc concentrate producing country. In 2010, its zinc concentrate production, 3,700 kt of zinc contained, set a new record, and represented a 19.7% year-on-year increase.

China's Zinc Concentrate Production by Province 2004–2010 (Unit: kt of zinc contained)

	2004	2005	2006	2007	2008	2009	2010
Inner Mongolia	249	273	383	473	606	622	758
Hunan	169	185	203	307	408	434	559
Yunnan	371	497	661	681	695	577	547
Sichuan	92	99	140	189	199	285	360
Guangxi	153	166	163	232	206	175	357
Gansu	210	289	300	275	196	150	193
Guangdong	120	116	125	158	177	180	187
Shaanxi	126	123	121	147	145	182	179
Fujian	55	55	64	95	100	121	141
Qinghai	75	92	98	99	84	74	77
National Total	**2,391**	**2,548**	**2,844**	**3,048**	**3,153**	**3,092**	**3,700**
— Growth Rate		6.6%	11.6%	7.2%	3.4%	-1.9%	19.7%

Source: CNIA

China is also the largest refined zinc producer in the world. Its refined zinc production grew at a CAGR of 11.3% from 2,719 kt in 2004 to 5,164 kt in 2010, according to CNIA and Antaike, and approximately equals the amount of its consumption of zinc concentrate.

The top five refined zinc producing provinces in China are Hunan, Yunnan, Shaanxi, Guanxi, and Liaoning. Yunnan is the second largest refined zinc producing province in China and its production increased by 12.3% from 775 kt in 2009 to 870 kt in 2010.

China's Refined Zinc Production by Province 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
Hunan	619	657	696	784	865	984	1,172
Yunnan	385	415	623	762	764	775	870
Shaanxi	206	193	260	317	352	379	545
Guangxi	253	197	254	295	315	377	500
Liaoning	282	258	289	366	356	353	384
Inner Mongolia	49	52	93	191	203	218	366
Henan	28	85	145	162	193	296	273
Guangdong	180	185	141	187	247	257	269
Sichuan	240	216	198	213	173	250	258
Gansu	215	226	230	231	208	198	235
Qinghai	32	33	31	47	103	129	94
Zhejiang	25	24	26	65	64	67	91
National Total	**2,719**	**2,776**	**3,163**	**3,743**	**3,913**	**4,357**	**5,164**
— Growth Rate		2.1%	13.9%	18.3%	4.5%	11.3%	18.5%

Source: CNIA

China's zinc demand

China is the biggest producer and importer of zinc concentrate, making it the number one zinc concentrate consuming country.

China's Zinc Concentrate Apparent Consumption 2004–2010 (Unit: kt of zinc contained)

	2004	2005	2006	2007	2008	2009	2010
Production	2,391	2,548	2,867	2,948	3,184	3,092	3,700
Imports	308	284	414	1,075	1,192	1,925	1,620
Total Apparent Consumption	2,699	2,832	3,281	4,024	4,376	5,017	5,320
— Growth Rate		4.9%	15.9%	22.6%	8.8%	14.6%	6.0%

Source: CNIA, China Customs
Notes: Assuming the imported concentrate grade at 50%

China is also the largest refined zinc consumer in the world with a 42.9% share of world zinc consumption in 2010. Its refined zinc consumption grew at a CAGR of 11.9% from 2,735 kt in 2004 to 5,358 kt in 2010, according to CNIA and Antaike.

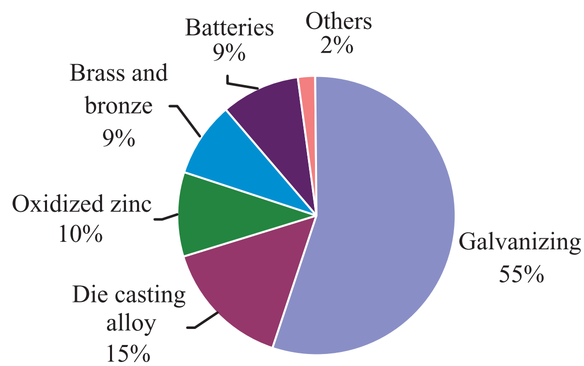
China's Refined Zinc Consumption 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
Consumption	2,735	3,045	3,158	3,616	4,025	4,836	5,358
— Growth Rate		11.3%	3.7%	14.5%	11.3%	20.2%	10.8%

Source: CNIA, Antaike

CNIA reports that galvanizing steel consumed 55% of China's refined zinc in 2010. The remainder was used to make die casting alloy, oxidized zinc, brass and bronze, batteries, and others products. The following chart sets forth China's refined zinc consumption by end-use in 2010.

China's Refined Zinc Consumption by Sector in 2010



Source: CNIA

China's Galvanized Steel Production 2004–2010 (Unit: million tonnes)

	2004	2005	2006	2007	2008	2009	2010E
Production	5.2	7.6	12.0	16.3	17.7	17.7	24.2
— Growth Rate		45.8%	57.8%	35.8%	8.7%	-0.3%	36.8%

Source: China Iron and Steel Association (CISA), Hatch

China's zinc trade

China continued to be the biggest world zinc concentrate importer, with 3,851 kt (equivalent to 1,926 kt of zinc contained) unloaded at Chinese ports in 2009, an increase of 61.4% over 2008. In 2010, China imported 3,241 kt of zinc concentrate (equivalent to 1,620 kt of zinc contained). China's exports of zinc concentrate was negligible.

China's Zinc Concentrate Imports 2004–2010 (Unit: kt, gross weight)

	2004	2005	2006	2007	2008	2009	2010
Imports	616	568	828	2,151	2,385	3,851	3,241
— Growth Rate		-7.8%	45.8%	159.2%	10.8%	61.4%	-15.8%

Source: China Customs

China was a net importer of refined zinc, in past three years. In 2009, China imported 670 kt of refined zinc, and only exported 29 kt of refined zinc. In 2010, China remained a net importer of refined zinc. With the depletion of high grade zinc resources in China, CNIA believes China will remain a net importer of zinc concentrate and refined zinc in the near future. The following table sets forth China's total imports and exports of zinc from 2004 to 2010:

China's Refined Zinc Imports and Exports 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
Imports	239	392	318	149	183	670	323
— Growth Rate		63.8%	-18.9%	-53.0%	22.7%	265.1%	-51.7%
Exports	224	—	325	276	71	29	43
— Growth Rate		—	—	-15.3%	-74.1%	-59.0%	47.4%
Net Imports	15	392	-7	-126	112	640	280
— Growth Rate		2465.9%	-101.8%	-1645.4%	188.8%	471.3%	-56.2%

Source: China Customs

China's zinc competition

Due to the geographic distribution of China's zinc resources, the industry is fragmented and mostly composed of small mines. According to CNIA, the majority of zinc mines have an annual production capacity of below 10,000 tonnes of concentrate.

Yunnan Province has the second largest lead and zinc reserves in China. The following chart sets forth the top companies in terms of lead and zinc resources in Yunnan Province:

Yunnan's Top Lead-Zinc Companies

	Ownership	Business
Yunnan Lanping Jinding Zinc Industry Co., Ltd	Privately owned	Integrated mining and smelting
Yunnan Chihong Zinc & Germanium Co., Ltd	State owned	Integrated mining and smelting
China Polymetallic Mining Limited	Privately owned	Non-intergated pure mining
Yunnan Xiangyun Feilong Nonferrous Metals Co., Ltd	Privately owned	Integrated mining and smelting
Yunnan Copper Industry Group Co., Ltd	State owned	Integrated mining and smelting
Yunnan Tin Group	State owned	Integrated mining and smelting

Source: Hatch Report

Note: Ranking of Yunnan's Top Lead-Zinc Companies is based on lead and zinc resources of the Group indicated in the Competent Person's Report and of the other companies as of December 31, 2010.

In terms of refined zinc, the combined production of the top 10 refined zinc producers accounted for over 48.8% of China's total zinc production in 2008. The following is a chart of the key refined zinc producers in China in 2008 and their respective capacities and outputs:

China's Key Refined Zinc Producers in 2008 (Unit: kt per year, kt)

	Output	Capacity
Hunan Zhuye Torch Metals Co., Ltd.	400	500
MCC Huludao Nonferrous Metals Group	349	390
Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd.	216	200
Yunnan Chihong Zinc & Germanium Co., Ltd.	177	160
Shaanxi Dongling Zinc Industry Co., Ltd.	160	230
Baiyin Non-ferrous Metals Co.	140	170
Yuguang Gold-Lead Group Co. Ltd.	137	200
Lanping Jinding Zinc Industry Co., Ltd.	123	120
Hanzhong Bayi Zinc Co., Ltd.	108	120
Chifeng Kumba Hongye ZincCorporation Ltd.	100	110

Source: Antaike

The following chart lists Yunnan's key zinc smelters in 2007:

Yunnan's Key Zinc Smelters in 2007 (Unit: kt per year)

Smelters	Capacity
Yunnan Chihong Zinc & Germanium Co., Ltd.	200
Yunnan Jinding Zinc Industry Co., Ltd.	140
Yunnan Xiangyun Feilong Nonferrous Metals Co., Ltd.	130
Yunnan Luoping Zinc and Electricity Co., Ltd.	120
Yunnan Yuntong Zinc Co., Ltd.	110
Mengzi Mining and Metallurgy Co., Ltd.	50
Yunnan Yongchang Lead & Zinc Co., Ltd.	20
Yunnan Lancang Lead Mine	20
Yunnan Tin Group	20
Yunnan Zhenxing Industry Group Co., Ltd.	20
Yunnan Gejiu Shadian Electric Smelting Plant	20

Source: CNIA

Zinc Prices

Zinc is traded on the LME. Three-month zinc futures contract on the LME is the principal futures contract traded on the exchange and serves as an international pricing benchmark. Zinc is also traded on in the Shanghai Futures Exchange ("SHFE") as a futures product. SHFE zinc prices are generally in line with LME prices.

3-Month Zinc Prices on the LME and SHFE January 2004–October 2011

Source: LME, SHFE
Notes: SHFE started zinc future trade in March 2007

Zinc prices rose sharply from 2005 to 2007. The LME 3-month zinc future price hit US$4,603/tonne in November 2006 and, pushed upward by the supply shortage and rising demand, reached its second highest level in the last 5 years to US$4,071/tonne in May 2007. The price then dropped to US$1,125/tonne in December 2008 due to the global financial crisis. From January 2009 to late October 2011, the zinc price increased from US$1,224/tonne to US$1,933/tonne.

SILVER

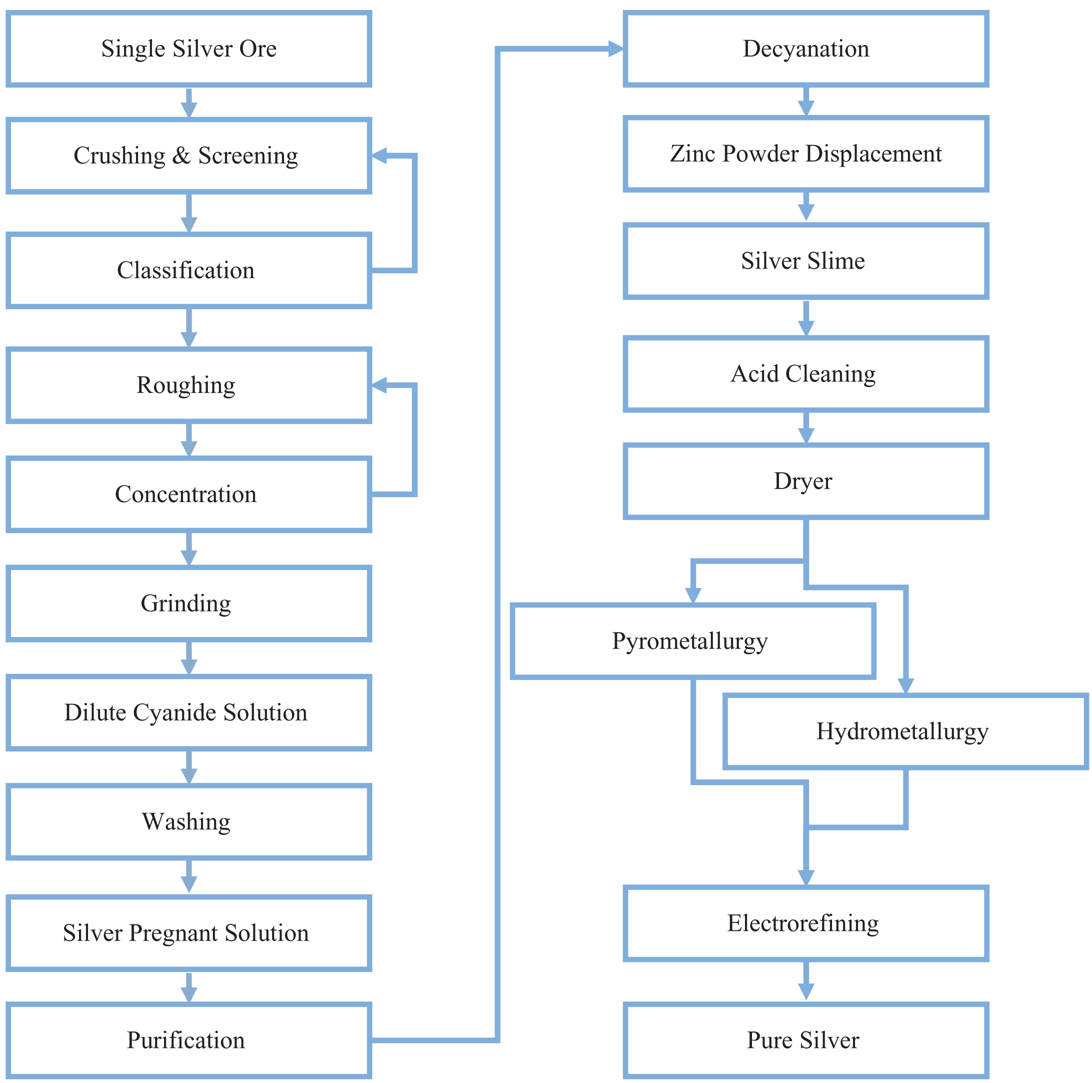
Introduction to Silver

Silver (Ag) is a lustrous, white, malleable and ductile precious metal. Silver has a number of unique properties including strength, malleability, ductility, electrical and thermal conductivity, sensitivity to and high reflectance of light and the ability to endure extreme temperature ranges. Silver's unique properties restrict its substitution in most applications.

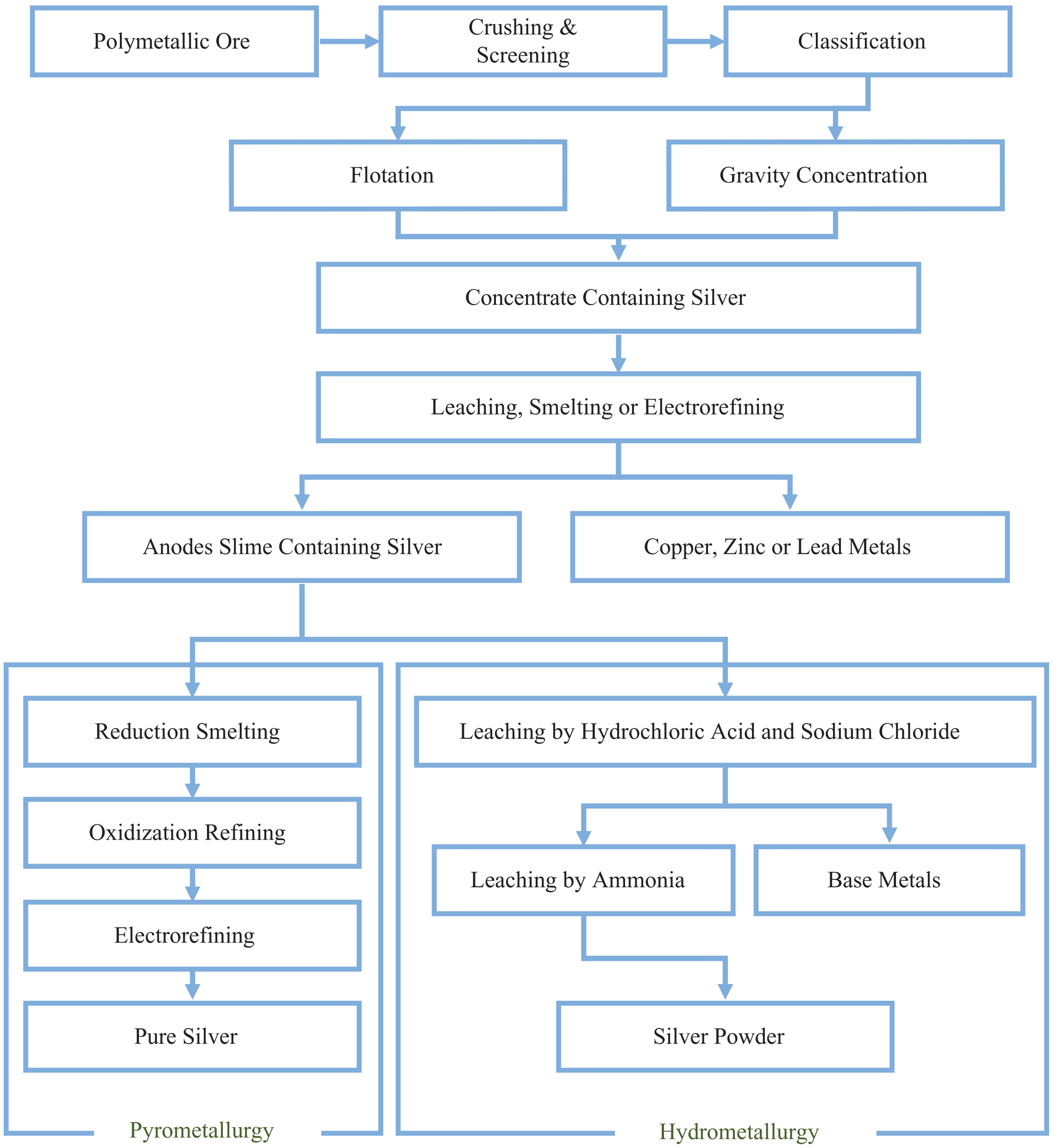
Silver production process

Silver is only found in $1*10^{-5}\%$ of materials in the earth's crust. Although silver does exist in pure form, most silver is found in association with other compounds such as copper, lead and zinc. Therefore, most of silver is extracted from silver-bearing lead, zinc and/or copper ores. The process of flotation is adopted in producing silver concentrate from a pure silver mine whereas a variety of procedures, such as single flotation, joint gravity separation or cyanide flotation, are used in processing associated silver minerals. The following charts illustrate silver production process from pure and polymetallic ores, respectively.

Simplified Flow of Silver Production from Pure Silver Ore



Simplified Flow of Silver Production from Copper/Lead/Zinc Ores



Global Silver Industry

Global silver resources

According to the 2011 USGS, global silver reserves totaled 510,000 tonnes. Most silver reserves are found in Peru, Chile, Australia, Poland, and China. Together, they account for 72.7% of the world's total reserves. China has the fifth-largest silver reserves in the world. Its silver reserves are 43,000 tonnes, or about 8.4% of the world's total.

Global Silver Reserves by Country (Unit: tonne of silver contained)

	2010	
	Reserves	Share of Global Reserves
Peru	120,000	23.5%
Chile	70,000	13.7%
Australia	69,000	13.5%
Poland	69,000	13.5%
China	43,000	8.4%
Others	139,000	27.3%
Total	**510,000**	**100.0%**

Source: USGS

Global silver supply

World silver supply can be divided primarily into mine production, net government sales, and old silver scrap. The vast majority of silver comes from mine production. In 2009, world silver-mine production constituted 79.8% of the world's total silver supply. The vast majority, or about 70%, of the total production of silver mine production come from polymetallic ore, especially lead and zinc ores, which comprise 35% of total mine production, while only 30% come from pure silver mines.

Global Silver Supply 2004–2009 (Unit: tonne)

	2004	2005	2006	2007	2008	2009
Mine Production	19,066	19,807	19,934	20,665	21,296	22,071
— Growth Rate		3.9%	0.6%	3.7%	3.1%	3.6%
Net Government Sales	1,925	2,050	2,432	1,322	858	426
— Growth Rate		6.5%	18.6%	-45.6%	-35.1%	-50.4%
Silver Scrap	5,714	5,785	5,847	5,655	5,474	5,154
— Growth Rate		1.2%	1.1%	-3.3%	-3.2%	-5.9%
Total	**27,004**	**28,500**	**28,214**	**27,642**	**27,629**	**27,651**
— Growth Rate		5.5%	-1.0%	-2.0%	-0.1%	0.1%

Source: Silver Institute

World silver-mine production grew by a CAGR of 3%, steadily increasing from 19,066 tonnes in 2004 to 22,071 tonnes in 2009. As estimated by USGS, world silver mine production continued to rise to 22,200 tonnes in 2010. Silver output was driven higher by strong production in several Latin American countries and by higher output in Asia, principally in China and Turkey.

Global Silver Mine Production by Country (Unit: tonne)

	2004	2005	2006	2007	2008	2009	2010E
Peru	3,061	3,191	3,456	3,502	3,680	3,854	4,000
Mexico	2,569	2,896	2,970	3,135	3,241	3,257	3,500
China	1,966	2,084	2,342	2,448	2,578	2,771	3,000
Australia	2,224	2,407	1,729	1,879	1,925	1,636	1,700
Bolivia	435	398	473	526	1,114	1,325	1,360
Russia	942	1,011	974	911	1,232	1,313	1,400
Chile	1,359	1,378	1,602	1,928	1,397	1,300	1,500
United States	1,250	1,219	1,141	1,260	1,120	1,238	1,280
Poland	1,362	1,260	1,260	1,232	1,210	1,219	1,200
Kazakhstan	703	812	796	706	628	675	700
Others	3,194	3,151	3,191	3,138	3,173	3,484	2,560
Total	**19,066**	**19,807**	**19,934**	**20,665**	**21,296**	**22,071**	**22,200**
— Growth Rate		3.9%	0.6%	3.7%	3.1%	3.6%	0.6%

Source: Silver Institute, USGS

Global silver demand

World silver demand is divided into fabrication, producer de-hedging, and implied net investment. The following table sets forth world silver demand from 2004 to 2009:

Global Silver Demand 2004–2009 (Unit: tonne)

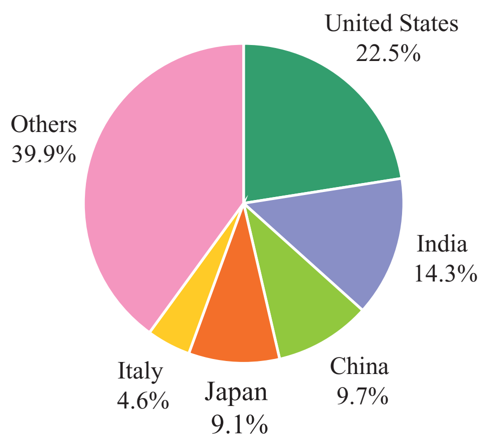
	2004	2005	2006	2007	2008	2009
Fabrication	25,841	26,394	26,018	26,205	25,775	22,702
— Growth Rate		2.1%	-1.4%	0.7%	-1.6%	-11.9%
— Industrial Applications	11,434	12,659	13,281	14,186	13,791	10,955
— Photography	5,561	4,986	4,429	3,882	3,263	2,578
— Jewelry	5,437	5,406	5,172	5,085	4,924	4,871
— Silverware	2,090	2,099	1,897	1,816	1,770	1,851
— Coins & Medals	1,319	1,244	1,238	1,235	2,028	2,448
Producer De-Hedging	—	—	212	753	361	694
— Growth Rate				255.2%	-52.1%	92.2%
Implied Net Investment	1,163	2,106	1,984	684	1,493	4,255
— Growth Rate		81.1%	-5.8%	-65.5%	118.3%	185.0%
Total Demand	**27,004**	**28,500**	**28,214**	**27,642**	**27,629**	**27,651**
— Growth Rate		5.5%	-1.0%	-2.0%	-0.1%	0.1%

Source: Silver Institute

Silver fabrication demand derives from traditional sectors (*e.g.*, coinage, photography, silver jewelry, and silverware and table settings), industrial sectors (*e.g.*, batteries, bearings, brazing and soldering, catalysts, and electronics), and other emerging sectors (*e.g.*, medical applications, mirrors and coating, solar energy, and water purification). World silver fabrication demand constituted 82.1% of the total global demand in 2009. This demand dipped by 11.9% to 22,702 tonnes in 2009 due to the lingering effects of the global financial crisis.

The United States, China, India, Japan, and Italy are the five largest consumers of silver fabrication products, and together constitute 60.2% of the world's silver fabrication demand.

Global Silver Fabrication Demand by Country in 2009 (Unit: tonne)



Source: Silver Institute

The global financial crisis pushed up demand for silver as an investment as investors flocked to perceived safety in precious metals. Silver investment demand reached 4,255 tonnes in 2009, the highest level in ten years, representing a year-on-year growth rate of 184%, and recording a CAGR of 29.6% from 2004 to 2009. The emergence of exchange-traded funds ("ETFs"), one of the investment channels for silver, contributed to the rapidly rising demand for silver as an investment. An ETF is a basket of equities linked to silver (*i.e.*, the physical metal, the producers, the refiners, etc.) that is traded on exchanges throughout the day. ETFs have risen in popularity in recent years because they give the investor exposure to the market without the necessity of taking physical delivery, thereby requiring no storage, insurance, or assaying costs.

Global silver trade

In 2009, world silver concentrate trade volume was 101,100 tonnes, up by 7.9% year-on-year. This figure, however, was 56.5% less than the peak level of 232,650 tonnes in 2007. The following graph sets forth world silver concentrate trade volumes from 2004 to 2009.

Global Silver Concentrate Trade 2004-2009 (Unit: tonne)

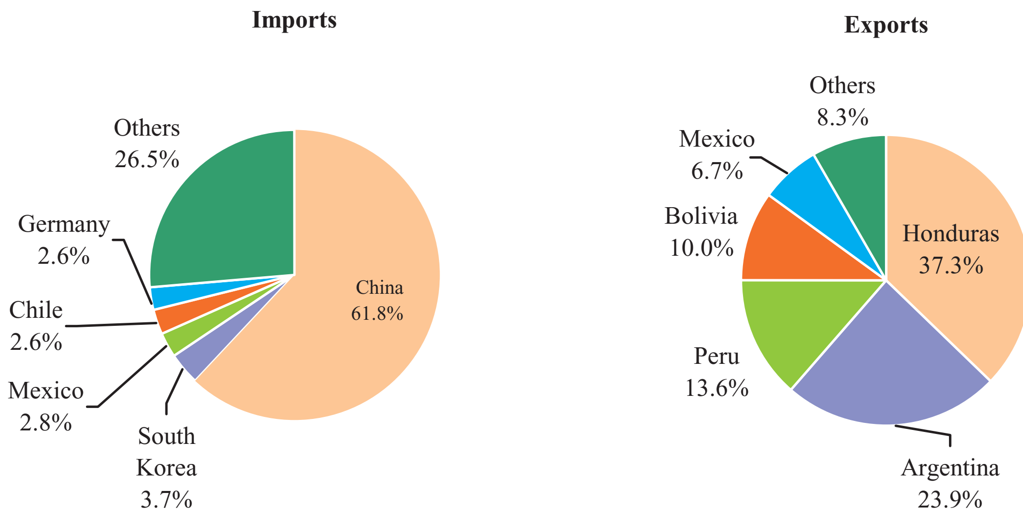
	2004	2005	2006	2007	2008	2009
Trade Volume	97,544	113,710	136,964	232,650	93,665	101,100
— Growth Rate		16.6%	20.5%	69.9%	-59.7%	7.9%

Source: Customs of respective countries

China has been the world's largest silver concentrate importer in the past six years. Its silver concentrate imports reached 62,490 tonnes in 2009, accounting for 61.8% of the world total silver concentrate trade.

On the export side, the top five major silver concentrate exporters, namely Honduras, Argentina, Peru, Bolivia, and Mexico, accounted for 91.7% of the world's total silver concentrate trade in 2009. The following graph sets forth silver concentrate imports and exports by country in 2009:

Global Silver Concentrate Trade by Region in 2009



Source: Customs of respective countries

Global silver trade, which includes products such as silver powder, unwrought silver and semi-manufactured silver, fell in 2008 and 2009 due to the global financial crisis. For example, silver trade volume decreased 84.1% year-on-year from 256,971 tonnes in 2008 to 40,807 tonnes in 2009.

Global Silver Trade 2004–2009 (Unit: tonne)

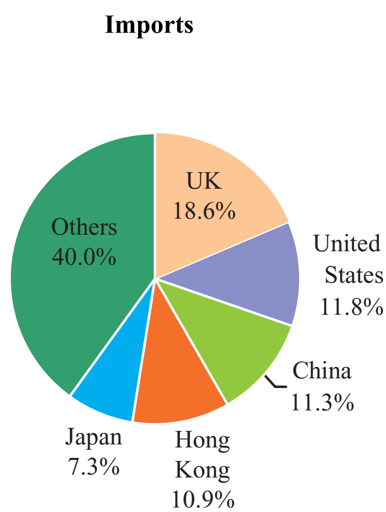
	2004	2005	2006	2007	2008	2009
Trade Volume	57,320	150,094	44,361	55,421	256,971	40,807
— Growth Rate		161.9%	-70.4%	24.9%	363.7%	-84.1%

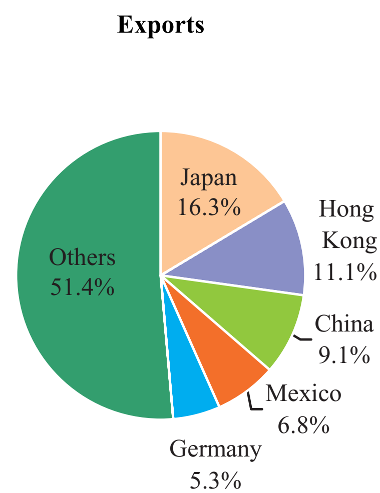
Source: Customs of respective countries

The U.K. was the biggest importer of silver products in 2009, accounting for 18.6% of the world silver trade. The United States, China, Hong Kong, and Japan are also major silver importers. Silver imports of the above five countries or region accounted for 60.0% of the world's total.

Japan, Hong Kong and China, Mexico, and Germany are major silver exporters. Together, they accounted for 48.6% of the world's total. The following graph sets forth world silver trade breakdown by region in 2009:

Global Silver Trade by Region in 2009





Source: Customs of respective countries

China's Silver Industry

China's silver resources

According to the USGS, China has the fifth-largest silver reserves in the world. China's silver reserves are primarily found in Inner Mongolia (20%), Jiangxi (11%), Yunnan (9%), and Hunan (7%). The primary source for silver production in China is polymetallic ores, especially lead and zinc ores, which constitute 71% of China's total silver production source.

China's silver supply

According to the Silver Institute, China is the world's third largest silver mine producing country. According to the CNIA, China's total silver production reached 11,617 tonnes in 2010, representing a CAGR of 12.8% from 5,637 tonnes in 2004. The following table sets forth China's silver production from 2004 to 2010:

China's Silver Production 2004–2010 (Unit: tonne)

	2004	2005	2006	2007	2008	2009	2010
Total Production	5,637	6,754	8,252	9,092	9,587	10,348	11,617
— Growth Rate		19.8%	22.2%	10.2%	5.4%	7.9%	12.3%

Source: CNIA, Antaike, Hatch

Hunan, Jiangxi, Henan, Zhejiang and Yunnan are the top five silver-producing provinces in China. They produced an aggregate of 9,187 tonnes of silver in 2010, which together accounted for 79.2% of the national silver production in 2010. Yunnan produced 727 tonnes of silver in 2010, which was 6.3% of the national total.

China's silver demand

China is one of the largest silver-consuming countries in the world. China's silver demand increased rapidly from 2004 to 2010, driven mostly by investment and domestic industrial needs. The following chart sets forth China's silver demand by categories from 2004 to 2010:

China's Silver Demand 2004–2010 (Unit: tonne)

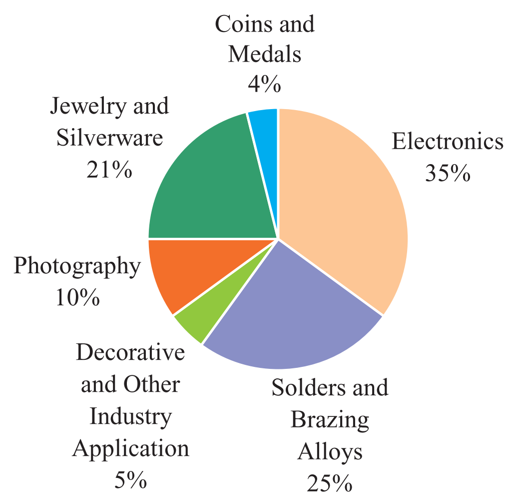
	2004	2005	2006	2007	2008	2009	2010
Fabrication Demand	2,300	2,600	3,000	3,600	4,500	5,200	6,000
— Growth Rate		13.0%	15.4%	20.0%	25.0%	15.6%	15.4%
Exports	3,584	4,286	4,712	4,683	4,186	3,729	1,575
— Growth Rate		19.6%	9.9%	-0.6%	-10.6%	-10.9%	-57.8%
Producer De-Hedging and Implied Net Investment	433	1,262	4,201	6,659	7,081	6,048	9,201
— Growth Rate		191.5%	232.9%	58.5%	6.3%	-14.6%	52.1%
Total Demand	**6,317**	**8,148**	**11,913**	**14,941**	**15,767**	**14,978**	**16,776**
— Growth Rate		29.0%	46.2%	25.4%	5.5%	-5.0%	12.0%

Source: CNIA, China Customs, Antaike, Hatch

Note: Imports and exports are in gross weight

China's total demand for silver jumped from 6,317 tonnes in 2004 to 16,776 tonnes in 2010, representing a CAGR of 17.7%. This surge was lead by silver investment and fabrication demand. According to Antaike, silver investment demand peaked at 9,201 tonnes while fabrication silver demand of China reached 6,000 tonnes in 2010, representing a CAGR of 66.5% and 17.3%, respectively. In terms of fabrication demand, electronics took the largest proportion with 35% of the total fabrication silver demand, followed by solder and brazing alloys and jewelry and silverware with 25% and 21% of the share, respectively.

China's Silver Fabrication Demand by Sector in 2010



Source: Antaike, Hatch

China's silver trade

China is the biggest importer of silver concentrates in the world and imported 191,406 tonnes of silver concentrate in 2010. As a result of its huge domestic demand, China seldom exports any silver concentrate. The following graph sets forth China's silver concentrate import volumes from 2004 to 2010.

China's Silver Concentrate Imports 2004–2010 (Unit: tonne)

	2004	2005	2006	2007	2008	2009	2010
Imports	17,487	47,609	67,630	188,684	71,931	62,490	191,406
— Growth Rate		172.3%	42.1%	179.0%	-61.9%	-13.1%	206.3%

Source: China Customs

In terms of silver trade, China has been a net importer of silver since 2007 due to the booming domestic demand for semi-manufactured silver, silver powder, and unwrought silver. In 2010, silver net imports reached historical high of 3,584 tonnes in China, rising by 298% year-on-year, according to China Customs, and silver imports in general have grown at a CAGR of 40.2% from 2004 to 2010.

China is becoming the silver processing base of the world and generally exports only higher purity silver products that have been processed from imported semi-manufactured silver. Hence, China's silver trade exports decreased from 3,584 tonnes in 2004 to 1,575 tonnes in 2010. The following chart sets forth China's silver imports and exports from 2004 to 2010:

China's Silver Imports and Exports 2004–2010 (Unit: tonne)

	2004	2005	2006	2007	2008	2009	2010
Imports	680	1,394	3,661	5,849	6,180	4,630	5,159
— Growth Rate		105.0%	162.6%	59.8%	5.7%	-25.1%	11.4%
Exports	3,584	4,286	4,712	4,683	4,186	3,729	1,575
— Growth Rate		19.6%	9.9%	-0.6%	-10.6%	-10.9%	-57.8%
Net Imports	**-2,904**	**-2,892**	**-1,051**	**1,167**	**1,994**	**900**	**3,584**
— Growth Rate		0.4%	63.7%	211.0%	70.9%	-54.9%	298.2%

Source: China Customs

China's silver competition

Due to the fact that silver is primarily a byproduct of lead, zinc or copper production and that about 70% of China's silver is extracted from lead and zinc mines, China's silver industry is relatively fragmented. Henan Yuguang Gold and Lead is the largest silver-producing company in China. Its silver production was 605 tonnes in 2010, accounting for 5.2% of the national total production.

Silver production of the major 10 silver producers listed below amounted to 3,278 tonnes in 2010, accounting for 28.2% of the national total silver production. Xinda Silver Industry is one of the largest pure silver producers in China. According to Xinda's company report, its silver production capacity reached 600 tonnes by the end of 2010.

China's Major Silver Producing Companies in 2009 and 2010 (Unit: tonne)

	2009	2010
Henan Yuguang Gold and Lead	611	605
Jiangxi Copper	443	470
Tongling Nonferrous Metals	217	379
Yunnan Copper	317	350
Chenzhou Jingui Nonferrous Metals	300	400*
Anyang Yubei Gold and Lead Group	250	200*
Daye Nonferrous Metals	270	300*
Hunan Shuikoushan Nonferrous Metals	213	200*
Yunnan Chihong Zinc & Germanium	168	135
Jiangxi Longtianyong Nonferrous Metals	245	240*
Xinda Silver Industry	—	600†
Others	7,314	7,738
Total	**10,348**	**11,617**

Source: CNIA, Respective companies' report, companies' Annual Report, Hatch

Note: * Estimated production; † Production capacity

The following table lists Yunnan's key silver smelters in 2007:

Yunna's Key Silver Smelters in 2007 (Unit: tonne per year)

Smelters	Capacity
Yunnan Chihong Zinc & Germanium Co., Ltd.	180
Yunnan Tin Group	160
Yunnan Xiangyun Feilong Nonferrous Metals Co., Ltd.	116
Mengzi Mining and Metallurgy Co., Ltd.	80
Yunnan Gejiu Shadian Electric Smelting Plant	50
Yunnan Lancang Lead Mine	30

Source: CNIA

Silver Prices

Silver prices published by the London Bullion Market Association ("LBMA") and the New York Commodity Exchange ("COMEX") are considered the benchmark prices for the world. Silver spot prices on the LBMA and COMEX are closely synchronized. International silver prices generally maintained an upward trend from 2004 to 2011. In 2004, the silver price began to rise dramatically and, in 2006, it reached levels not seen in 26 years. The price of silver continued to rise until the first half of 2008 when rapidly deteriorating economic conditions depressed prices for all metals in the second half of 2008. Silver price then quickly recovered in the first quarter of 2009 and has risen rapidly since. It recorded a historic high in 2011, reaching over US$43/oz in April 2011, and came to US$32 in October 2011. The graph below illustrates silver prices from January 2004 to October 2011:

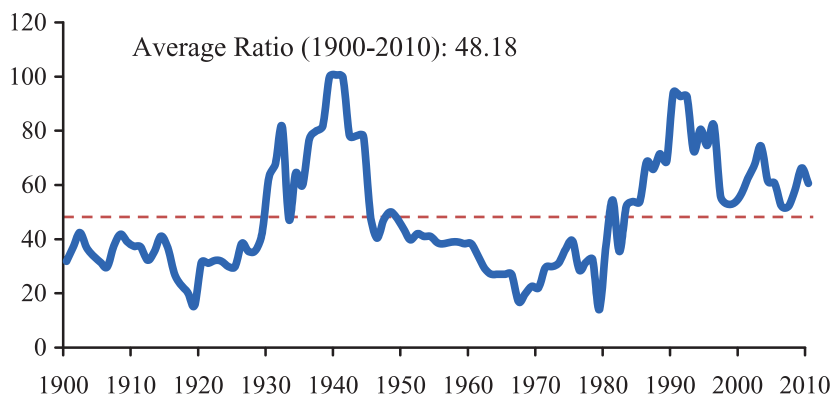
Monthly Average Silver Prices January 2004–October 2011 (Unit: US$/ounce)

Source: Silver Institute

Silver's strong price performance is due to growing investor demand, as well as increasing industrial use as world economies improve. Silver investment demand has been driven by the following: U.S. dollar devaluation, the sovereign debt crisis in Europe, inflation fears, ultra-low interest rates, and the further growth in commodities as an asset class. Additionally, silver price trend is positively related to the holdings of ETFs, which has emerged as a popular investment tool for silver and has become an important index for measuring the activity of silver investment. High demand for silver ETFs was an important factor in rising silver prices from 2004 to 2008.

The gold/silver price ratio has also declined to the seven-year lowest since 1950 amid the rapid growth of international silver price in 2010.

Annual Average Gold/Silver Price Ratio 1900–2010



Source: Silver Institute, Comex, World Gold Council

In China, silver is mainly traded on the Shanghai White Platinum & Silver Exchange ("Shanghai White Exchange"). Silver prices on the Shanghai White Exchange closely follow international price trends. The graph below illustrates the upward trend in silver prices in China:

Monthly Average Silver Prices in China January 2004–October 2011 (Unit: RMB/kg)

Source: Antaike
Note: Silver delivered on Shanghai White Platinum & Silver Exchange is of 99.99% purity

TUNGSTEN

Introduction to tungsten

Tungsten (W), occurs in nature only in the form of chemical compounds. In the processing of tungsten, tungsten ore is first crushed and milled, and then beneficiated by different ways such as gravity, froth flotation, magnetic or electrostatic separation, or a combination of the foregoing methods. Secondary tungsten raw materials such as recycled (oxidised) scrap and residues that contain 40% to 95% tungsten are also an important feed for chemical tungsten processing. Secondary tungsten generally account for about a third of the total global tungsten consumption.

Global and China's tungsten resources

Global tungsten reserves were estimated to be 2,900 kt of tungsten in 2010, according to USGS. China has the largest tungsten reserves with 1,900 kt in 2010, accounting for 65.5% of the world's share.

Global and China's tungsten supply

Tungsten comes in two varieties: unrefined tungsten (ore/concentrate) and refined tungsten products. According to the estimates from USGS, global tungsten ore output was 61 kt of tungsten content in 2010. About 85.2% of global tungsten ore output came from China, making it the world's largest tungsten producer. China's tungsten concentrate production increased from 80 kt in 2004 to 115 kt in 2010, representing a CAGR of 6.2%, according to CNIA. Most of the tungsten concentrates supplied to the market are 65% grade.

China's Tungsten Concentrate Output 2004–2010
(Unit: kt, 65% Tungsten trioxide (WO_3))

	2004	2005	2006	2007	2008	2009	2010
Output	80	73	80	80	84	99	115
— Growth Rate		-9.3%	9.9%	0.7%	5.0%	17.3%	16.1%

Source: CNIA, CTIA

According to CNIA, about half of China's tungsten concentrate was produced in Jiangxi in 2010. Yunnan is the sixth largest tungsten concentrate producing province in China and produced 3.2 kt in 2010.

China is a major producer of refined tungsten products. According to China Customs and CTIA, China supplied 21.3 kt of tungsten in 2010. China's refined tungsten products primarily include ammonium paratungstate, or APT, tungsten oxide, and tungsten powder.

China's Tungsten Product Output 2004–2009 (Unit: kt)

	2004	2005	2006	2007	2008	2009
APT	47.8	51.8	45.6	54.9	52.9	56.2
Tungsten Oxide	33.5	38.1	39.9	46.2	42.5	44.0
Tungsten Powder	21.2	20.6	20.2	21.9	24.1	27.0
Ferrotungsten	—	11.6	11.1	12.0	11.0	6.2
Tungsten Rod (Bar)	—	4.2	3.1	3.3	3.4	3.1
Tungsten Wire (billion meters)	—	19.0	19.0	20.2	22.8	21.0
Hardmetal	14.9	12.3	14.5	15.5	16.5	15.3

Source: CTIA, CNIA

Global and China's tungsten demand

According to estimation of the International Tungsten Industry Association ("ITIA"), primary tungsten and secondary tungsten accounts for 66% and 34%, respectively, of total world tungsten consumption. World tungsten concentrate consumption was 53.0 kt and 64.6 kt of tungsten content in 2004 and 2007, respectively. Due to the global financial crisis, world tungsten concentrate consumption dropped to 63.1 kt and 57 kt of tungsten content in 2008 and 2009, respectively.

Approximately 66% of tungsten is used in the production of hard metals, or cemented carbides. These are cutting, drilling and wear materials for use in machine tools and drilling equipment. About

16% of tungsten is used to make mill-products, which generally include tungsten rod, sheet and wire. Super alloys, lighting, steel and chemical industry are the remaining end-user sectors, accounting for about 5%, 4%, 4% and 3% of the total tungsten consumption, respectively.

According to ITIA and CTIA, China was the largest tungsten concentrate consumer, accounting for more than 85% of the world's total consumption in 2010. China's tungsten concentrate consumption increased from 42.8 kt in 2004 to 62.4 kt of tungsten content in 2010 at a CAGR of 6.5%, according to CNIA and China Customs. Hard metal and special steel are the two largest end-users for tungsten in China.

In terms of refined tungsten, China consumed 27.0 kt of tungsten in 2009 and an estimated 31 kt in 2010, according to CNIA. That figure rose to 30.9 kt, an increase of 14.5%, in 2010. According to CNIA, hardmetal and special steel comprised 46.7% and 31.3% of China's tungsten product demand, respectively, in 2010. The following table sets forth China's tungsten consumption from 2005 to 2010:

China's Tungsten Consumption 2005–2010 (Unit: kt)

	2005	2006	2007	2008	2009	2010E
Consumption	23	25	27	27	27	31
— Growth Rate		8.7%	8.0%	0%	0%	14.8%

Source: CNIA

Global and China's tungsten trade

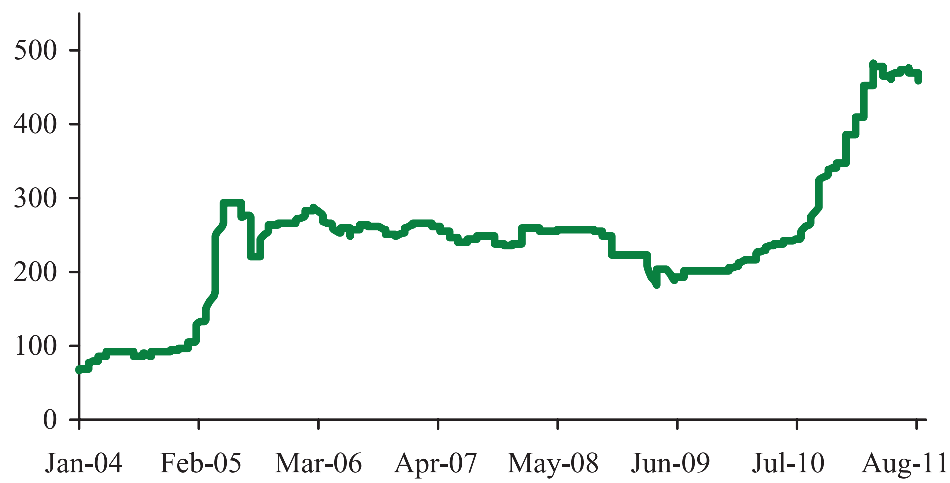
According to figures from China Customs, more than 15 kt of tungsten concentrate were traded in 2009. China is the largest tungsten concentrate importing country. China's tungsten concentrate imports reached 9.0 kt in 2009, accounting for 57.1% of the world total imports.

Although China is by far the largest producer of tungsten ore and concentrate, it does not export much of these products, preferring to export more processed tungsten. According to China Customs and CNIA, 99.5% of its tungsten exports, or 21.3 kt, comprised of refined tungsten products in 2010, including tungsten trioxide (WO_3), other tungsten oxides, tungsten carbide (WC), and APT. The exports of the foregoing top four types of products collectively accounted for 78.3% of China's total tungsten exports.

Tungsten prices

Tungsten concentrate and other tungsten products are sold largely on a spot basis by traders and dealers. Industry prices are mainly based on the quotations published twice a week by London's "Metal Bulletin" and other trade journals such as ITIA. In recent years, trade in concentrates has diminished and the market has relied more and more upon the APT quotation as a price guide since APT is the most traded product. International APT prices started to take off in 2004. After the global financial crisis, international APT prices began to increase from around US$200/mtu at the beginning of 2009 to US$458/mtu in October 2011. The following graph sets forth international prices for APT from 2004 to 2011.

International APT Prices January 2004-October 2011 (Unit: US$/mtu WO_3)

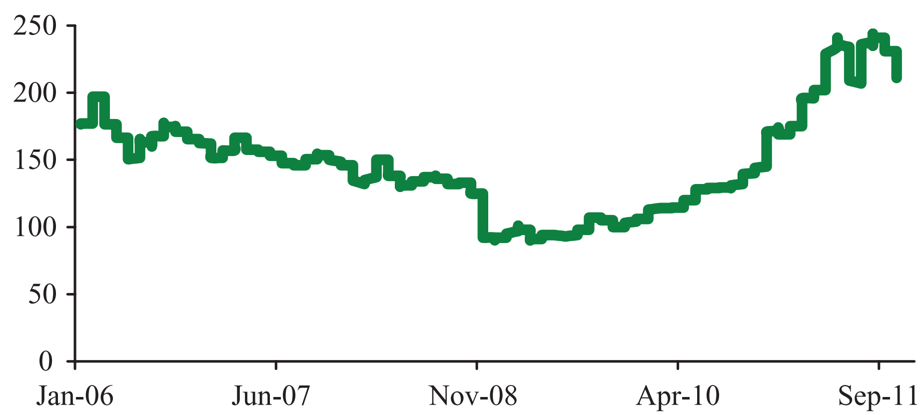


Source: ITIA

Note: "Metric Ton Unit", or "mtu", means a metric ton of APT, containing 1% of WO_3 and corresponds to 10kg WO_3

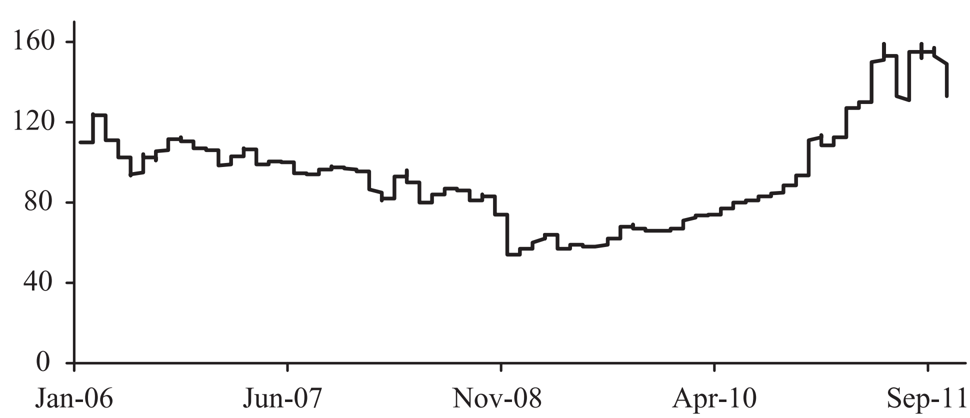
China's domestic tungsten prices fluctuate more than international prices. The APT prices dropped to RMB90,580/tonne at the end of 2008 because of the global financial crisis, but recovered to RMB222,400/tonne by October 2011. The tungsten concentrate prices dropped to RMB59,400/tonne in November 2008 due to the financial crisis, but recovered to RMB140,400/tonne by October 2011. The following graphs set forth China's prices of APT and tungsten concentrates from 2006 to 2011.

China's APT Prices January 2006–October 2011 (Unit: RMB thousand/tonne)



Source: Chinaccm

China's Tungsten Concentrate Prices January 2006-October 2011
(Unit: RMB thousand/tonne)



Source: Chinaccm

TIN

Introduction to tin

Tin (Sn) does not occur naturally as a metal. It is typically extracted from a base compound, usually cassiterite ($SnO2$), and then processed. Pure tin is generally produced from a multi-stage process, beginning with the mining and concentrating of low-grade ores containing tin cassiterite minerals, and followed by smelting and electrolytic refining or pyro-refining to produce pure tin.

Global and China's tin resources

Global tin reserve was 5,200 kt of tin in 2010, according to USGS. According to USGS, China has the largest tin reserve. In 2010, China's tin reserves amounted to 1,500 kt, or approximately 28.8% of the world's total reserves. According to NBSC, Guangxi, Yunnan, Guangdong, Hunan, Inner Mongolia and Jiangxi are the top six tin resource-rich provinces. The accumulated reserves in the above six provinces and autonomous regions account for around 98% of national total tin reserves. Yunnan is the second richest tin resource province, possessing approximately 30% of China's tin resources. Gejiu City in Yunnan is the most famous tin reserve and tin producing region in China and is appropriately named China's Tin Capital.

Global and China's tin supply

Tin comes in two varieties: tin concentrate and refined tin. Indonesia, China and Peru are the top three tin concentrate producing countries. The total tin concentrate production of these three countries reached 213 kt, or 77.7% of world total, in 2010.

China is the world's second largest tin concentrate producer, according to ITRI. China's tin concentrate output reached 84 kt of contained tin in 2010, achieving a year-on-year rise of 15.4%, according to NBSC. Most of the tin concentrates produced in China are 45%-55% grade. Yunnan and Hunan were the top two tin concentrate producing provinces, each with more than 30,000 tonnes of tin output in 2010.

Yunnan has been the largest tin concentrate producing province in China for the past five years. In 2010, Yunnan's tin concentrate output was 31 kt of contained tin, up 5.8% year-on-year, according to NBSC. From 2006 to 2010, Yunnan achieved a CAGR of 7.0% increase in tin concentrate production.

Global refined tin production grew at a CAGR of 1.7% from 304 kt in 2004 to 337 kt in 2010. China is the world's largest refined tin producer. China's refined tin production grew at a CAGR of 5.0% from 108 kt in 2004 to 145 kt in 2010, according to CNIA.

Global and China's Refined Tin Production 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
China	108	117	138	151	138	141	145
Rest of the World	196	230	224	201	200	193	192
Total	304	347	362	352	337	334	337
— Growth Rate		14.1%	4.2%	-2.6%	-4.3%	-1.0%	0.9%

Source: Antaike, Hatch

According to CNIA and NBSC, Yunnan has the largest refined tin production in China and accounted for 50% of China's tin output in 2010.

Yunnan's Tin Concentrate Production 2006–2010 (Unit: kt of tin contained)

	2006	2007	2008	2009	2010
Output	24	25	27	29	31
— Growth Rate		5.1%	6.8%	10.5%	5.8%

Source: NBSC

Global and China's tin demand

According to ITRI and Antaike, world refined tin consumption reached 360 kt in 2010, an increase of 12.5% year-on-year. China is the largest refined tin consumer in the world and its share of the global tin consumption increased from 28% in 2004 to 41% in 2010. The following is a comparison of China's tin consumption against the rest of the world's.

Global and China's Refined Tin Consumption 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
China	90	101	120	132	134	132	147
Rest of the World	229	231	236	228	214	188	214
Total	318	332	356	361	348	320	360
— Growth Rate		4.4%	7.1%	1.3%	-3.4%	-8.1%	12.5%

Source: CNIA, Antaike, Hatch

Given its good fusion abilities and non-toxic qualities, tin is often used in combination with other metals, either as an alloying element or as coating and is widely used in the making of solder, bronze, tinplate, pewter and die casting alloys. In 2010, the solder, tinplate and chemicals industries accounted for 52%, 18% and 15% of the total global refined tin consumption, respectively.

Global and China's tin trade

China has been a large tin concentrate importer since 2004. In 2010, China imported 20 kt of tin concentrate, surging by 94.4% year-on-year.

China's Tin Concentrate Imports 2004–2010 (Unit: kt, gross weight)

	2004	2005	2006	2007	2008	2009	2010
Imports	9	7	7	21	7	10	20
— Growth Rate		-16.0%	-5.2%	191.7%	-65.4%	42.6%	94.4%

Source: China Customs

From 2002 to 2008, China was a net exporter of refined tin. That reversed in 2008, however, when the Chinese government started to levy a 10% export tax on refined tin. Since then, China has become a net importer of refined tin. In 2010, China imported 16 kt of refined tin, decreasing by 22.9% year-on-year. From 2008 to 2010, annual exports of refined tin were all below 1 kt.

China's Refined Tin Imports and Exports 2004–2010 (Unit: kt)

	2004	2005	2006	2007	2008	2009	2010
Imports	10	19	16	13	10	21	16
— Growth Rate		90.0%	-15.8%	-18.8%	-23.1%	110.0%	-23.8%
Exports	32	23	20	23	1	1	1
— Growth Rate		-28.1%	-13.0%	15.0%	-97.8%	40.0%	0.0%
Net Imports	-21	-3	-4	-10	9	21	15
— Growth Rate		85.2%	-34.1%	-145.0%	191.0%	130.9%	-29.6%

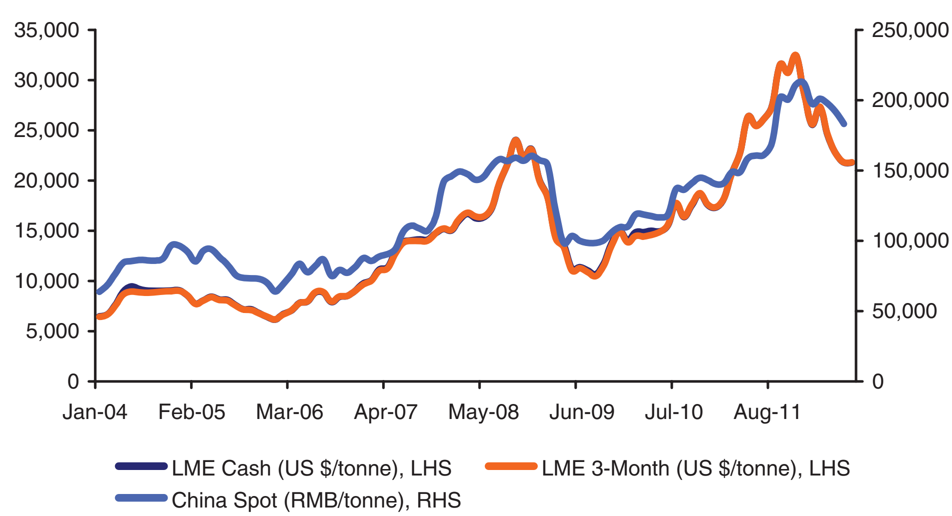
Source: China Customs, CNIA

International and China's tin prices

World tin prices are set by the LME. A 3-month tin futures contract on the LME is the benchmark contract traded on the exchange. LME's monthly average tin cash prices dropped sharply to US$10,676/tonne in March 2009 and then steadily increased to over US$21,793/tonne in October 2011 with the recovery of global tin consumption.

There is no tin-futures contract in China, but China's tin prices are generally in line with the LME tin price trend. China's monthly average tin spot market prices increased continuously from RMB98,513/tonne in February 2009 to over RMB183,167/tonne in October 2011. The following graph shows the monthly price trend of refined tin in the past six years:

China's and LME Tin Prices January 2004–October 2011



Source: LME, Antaike PRC tin prices

SOURCES OF INFORMATION

Hatch Report

We have engaged Hatch, an Independent Third Party and an experienced consultant in the mining and metals industry, to prepare the Hatch Report for use in whole or in part in this Prospectus.

The research and writing of the Hatch Report was a desktop exercise carried out by experienced Hatch professionals who have extensive knowledge of the mining and metals sector. Hatch utilized its in-house database, independent third-party reports, publicly available data from reputable industry organizations, official government assessments and data provided by our Company (with respect to the non-ferrous resources of the Shizishan Mine) to prepare the Hatch Report, with no reliance on any single source. While Hatch has not made an independent inquiry into the accuracy or completeness of data from third parties, Hatch believes that the information contained in the Hatch Report is reliable and generally indicative of the conditions in the PRC metals market. A test of each source's information and views against those of others is applied to ensure reliability and to eliminate bias from various sources. Where necessary, Hatch's researchers contact companies operating in the industry to gather and synthesize information about the market, prices and other relevant information. Therefore, the data in the Hatch Report reflects the consensus of industry for historical data including market size and shares.

The Hatch Report is based on historical data and does not contain any predictions, forecasts, or commentary regarding the future outlook of the PRC metals industry. Therefore, it has not made any assumptions in the report, except for the completeness and accuracy of the information and data that it has relied on. Hatch has confirmed that it is not aware of anything which could possibly lead it to believe that this belief is unfair, unreasonable or incomplete.

Hatch seeks to operate according to international standards of moral, legal and professional conduct to protect its reputation for independence and confidentiality. Hatch has more than 15 years of project experience in the PRC and has completed assignments on over 150 projects with a capital value in excess of US$3.0 billion.

We have agreed to pay Hatch a total of RMB600,000 in fees for the preparation and update of the Hatch Report.

Others

We have not engaged Antaike, CNIA, COMEX, ILZSG, LBMA, LME, American Bureau of Metal Statistics, China Customs, National Bureau of Statistics of China, Shanghai White Platinum and Silver Exchange, the Ministry of land and Natural Resources PRC (MLR), or the United States Geological Survey when preparing data cited in this Prospectus. Data from these sources were not prepared on a commissioned basis by us.

PRC LAWS RELATING TO THE MINERAL INDUSTRY

According to the Mineral Resource Law of the PRC (中華人民共和國礦產資源法) promulgated on March 19, 1986, effective as of October 1, 1986 and amended on August 29, 1996 and August 27, 2009, and the Rules for the Implementation of the Mineral Resources Law (中華人民共和國礦產資源法實施細則) promulgated and effective as of March 26, 1994, an enterprise that intends to explore and exploit mineral resources shall apply for separate exploration and mining rights, and is required to undergo the registration process for each of the exploration and mining rights, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained mining rights.

The Procedures for the Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法) (the "State Council Circular No. 241") was promulgated by the State Council and became effective as of February 12, 1998. Under the State Council Circular No. 241, anyone with mining rights shall file an application for registration of change(s) with the competent registration administration authority within the term of the mining permit term if there is any change in the scope of the mining area, the main exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. If continuation of mining is necessary after the expiration of the term of the mining permit, the holder of a mining permit shall apply for an extension with the competent registration authority within 30 days prior to the expiration of the term of the mining permit. If the holder of a mining permit fails to apply for an extension prior to the expiration of the term, the mining permit shall terminate automatically.

According to the Tentative Provisions on Granting and Assigning Mining Industry Rights (礦業權出讓轉讓管理暫行規定) (the "Tentative Provisions") promulgated and effective as of November 1, 2000, a holder of the exploration and mining rights ("mining industry right") has the right to possess, use, benefit from and dispose of its mining industry right in accordance with laws. A mining industry right holder may lawfully assign a mining industry right to another in accordance with the Tentative Provisions through sale, capital contribution, cooperative exploration or mining or share listing. The parties to the assignment shall complete the procedure for the change of registration of the mining industry right with the original registration and licensing authority. A mining industry right holder may also lease or mortgage a mining industry right in accordance with the Tentative Provisions.

According to the Notice on Further Standardizing the Administration of Granting the Mineral Rights (關於進一步規範礦業權出讓管理的通知) promulgated and effective as of January 24, 2006, the mines were categorized, on basis of the natural existing conditions of mineral resources and extent of past geological investigation, into three classes, with different grant procedures.

As advised by our PRC legal advisor, foreign investment in the exploration and mining of lead, zinc or silver raw ore is not prohibited, and foreign investment in the processing of lead, zinc, silver, tungsten or tin raw ore is not prohibited or restricted in the PRC.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of PRC (中華人民共和國環境保護法) (the "Environmental Protection Law") promulgated and effective as of December 26, 1989, the State Administration for Environmental Protection shall establish the national standards for environment quality. The people's governments of provinces, autonomous regions and municipalities directly under the Central Government may establish local standards for environment quality for items not specified in the national standards and shall report them to State Administration for Environmental Protection for the record.

The Environmental Protection Law requires all units that cause environmental pollution and other public hazards shall set up a responsibility system for environmental protection. These units shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Pursuant to the Environmental Protection Law, the design, construction and commission of installations for the prevention and control of pollution at a construction project shall be conducted at the same time with that of the principal parts of the projects. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the requisite standard by the competent department of environmental protection administration that examined and approved the environmental impact statement.

According to the Ordinance of Environmental Protection Administration for the Construction Project (建設項目環境保護管理條例) promulgated and effective as of November 29, 1998 and the Law on Environmental Impact Appraisal of the PRC (中華人民共和國環境影響評價法) promulgated and effective as of September 1, 2003, the PRC government has established a system to appraise environmental impact for construction project and administer environmental impact appraisal based on the degree of environmental impact. Construction units shall submit the environmental impact documents to competent environment authorities for approval, and they cannot commence the construction without the approvals of competent environment authorities.

According to the Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated on May 11, 1984 and amended on May 15, 1996 and February 28, 2008, and effective as of June 1, 2008, new construction project, expansion, reconstruction project and other installment on water that directly or indirectly discharges pollutants into the water body shall be subject to the state regulations on environmental protection of construction projects. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department their existing facilities for discharging and treating pollutants, and the categories, quantities and concentrations of pollutants discharged under their normal operation conditions, and also submit to the same department technical information concerning prevention and control of water pollution. It is necessary to obtain the pollutant discharge permit for direct or indirect discharge of pollutants into the water. Enterprises and institutions that discharge pollutants into a water body shall pay a pollutant discharge fee; if the discharge exceeds the limits set by the national or local standards, they shall pay additional fee for the excess of the discharge according to State regulations.

According to the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) promulgated on September 5, 1987 and amended on August 29, 1995 and April 29, 2000, and effective as of September 1, 2000, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Units that discharge atmospheric pollutants shall report to the local administrative department of environmental protection about their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department their technical information concerning prevention and control of atmospheric pollution.

The State implements a system of collecting fees for discharging pollutants based on the categories and quantities of the atmospheric pollutants discharged, and establishes reasonable standards for collecting the fees therefor according to the needs of strengthening prevention and control of atmospheric pollution and the State's economic and technological conditions.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) promulgated on October 30, 1995 and amended on December 29, 2004, and effective as of April 1, 2005, polluters shall bear their legal liability and producers, salesmen, importers and users shall bear the legal liability to prevent and control of solid wastes.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Noise (中華人民共和國環境噪聲污染防治法) promulgated on October 29, 1996 and effective as of March 1, 1997, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Industrial enterprises that discharge noise during industrial production with fixed facilities shall report to the local environmental protection department categories and quantities of their existing facilities for discharging noise, and the noise volume of noise discharged under their normal operation conditions as well as treating facilities against noise, and also submit to the same department technical information with regard to the prevention and control of noise pollution. Units discharge noise exceeding the relevant standards shall pay the discharge fee subject to the regulations.

PRC LAWS RELATING TO GEOLOGICAL ENVIRONMENT PROTECTION

According to the Provisions on the Protection of the Geologic Environment of Mines (礦山地質環境保護規定) promulgated on March 2, 2009 and effective as of May 1, 2009, (i) when an applicant for mining rights applies for the mining permit, the applicant shall prepare a plan for the protection and restoration of the mine's geological environment and submit such plan to the competent land and resources authority for approval; (ii) when a mine's geological environment is destroyed due to mineral mining, the holder of a mining permit shall be responsible for restoration of the environment to its condition prior to any mining activities and the cost of such restoration is included in the production cost; and (iii) the holder of a mining permit shall pay a security deposit for the restoration of the geological environment of mines. The standard and measures for the payment of the security deposit for the restoration of the geological environment of mines are implemented in compliance with relevant provisions formulated by each province, autonomous region or municipality.

PRC LAWS RELATING TO PRODUCTION SAFETY

According to the Production Safety Law of the PRC (中華人民共和國安全生產法) promulgated on June 29, 2002, effective as of November 1, 2002 and amended on August 27, 2009, the Law of the PRC on Safety in Mines (中華人民共和國礦山安全法) promulgated on November 7, 1992, effective as of May 1, 1993 and amended on August 27, 2009 and its related implementation rules promulgated and effective as of October 30, 1996, (i) the design, construction and operation of safety facilities in mine construction projects shall be conducted at the same time with that of the principal parts of the projects; (ii) the design of a mine shall comply with the safety rules and technological standards of the mining industry and shall be approved by the relevant authorities; and (iii) such mines may start production or operations only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

According to the Regulation on Work Safety Licenses (安全生產許可證條例) promulgated and effective as of January 13, 2004 and the Measures for the Implementation of Work Safety Licenses for Non-coal Mine Enterprises (非煤礦礦山企業安全生產許可證實施辦法) promulgated on May 17, 2004, amended on April 30, 2009 and effective as of June 8, 2009, (i) the work safety licensing system is applicable to any enterprise engaging in non-coal mining and such enterprise shall not produce any products without obtaining a work safety license; (ii) prior to producing any products, the non-coal mining enterprise shall apply for a work safety license, which is valid for three years; (iii) the work safety bureau at or above provincial level are in charge of issuing the work safety license for non-coal mining enterprise; and (iv) if a work safety license needs to be extended, the enterprise shall apply for an extension with the administrative authority who issued the original license three months prior to the expiration of the original license.

PRC LAWS RELATING TO TAXATION AND FEE

According to the Enterprise Income Taxation Law (中華人民共和國企業所得稅法) effective as of January 1, 2008 and its implementation rules, a unified enterprise income tax rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises.

According to the Interim Regulations of the PRC on Resource Tax (中華人民共和國資源稅暫行條例) promulgated on December 25, 1993 and amended on September 30, 2011, any enterprise engaged in the exploitation of mineral products within the PRC is subject to pay a resource tax.

According to the Notice on Adjusting Resource Tax Applicable to lead-zinc ore and other tax items (財政部、國家稅務總局關於調整鉛鋅礦石等稅目資源稅適用稅額標準的通知) promulgated on July 5, 2007 and effective as of August 1, 2007, statutory resource tax rate for lead-zinc ore ranges from RMB10 to RMB20 per ton.

According to the Provisions on the Administration of the Collection of Mineral Resources Compensation Fees (礦產資源補償費徵收管理規定) promulgated on February 27, 1994, effective as of April 1, 1994 and amended on July 3, 1997, mineral resources compensation fees shall be paid by the holder of the mining permit if such holder exploits mineral resources within the PRC territory based on a ratio of the sale income from mineral products.

PRC LAWS RELATING TO LAND

According to the Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated on June 25, 1986, effective as of January 1, 1987 and amended on August 28, 2004, an entity shall obtain land use rights for construction projects, which includes mining activities. Land collectively owned by rural residents is contracted to and operated by the members of respective collective economic entities for uses such as plantation, forestry, livestock husbandry or fishery production. The land use rights of collectively owned land shall not be granted, assigned or leased to any party for any non-agricultural uses. In the case of temporary use of state-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural economic collective organizations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years.

Pursuant to the Interim Regulations of the PRC on Grant and Transfer of the Right to Use State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated and effective on May 19, 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium. All local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not reclaim lawfully granted land use rights prior to expiration of the term of grant. If public interest requires repossession by the state under special circumstances during the term of grant, compensation will be paid by the state. A land grantee may lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant. Upon expiration of the term of grant, renewal is possibly subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will revert to the state without compensation.

PRC LAWS RELATING TO PREVENTION AND CONTROL OF OCCUPATIONAL DISEASES

According to the Prevention and Control of Occupational Diseases Law of the PRC (中華人民共和國職業病防治法) promulgated on October 27, 2001 and effective as of May 1, 2002, construction projects, including projects to be constructed, expanded or reconstructed, and projects for technical renovation and introduction which may incur occupational disease hazards, the unit responsible for the construction project shall: (i) during the period of feasibility study, submit to the health administrative department a preliminary assessment report on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is completed for inspection and acceptance; and (iii) adopt protective facilities against occupational diseases. The protective facilities may be put into formal operation and use only after they have passed the inspection by the public health administration department.

According to the Prevention and Control of Occupational Diseases Law of the PRC, an employing unit shall: (i) establish and improve the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases resulted therefrom; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the laborers for personal use against occupational diseases; (iv) establish alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labor contract with employees.

PRC LAWS RELATING TO LABOR

According to the PRC Labor Law (中華人民共和國勞動法) promulgated on July 5, 1994 and effective as of January 1, 1995 and the PRC Labor Contract Law (中華人民共和國勞動合同法) promulgated on June 29, 2007 and effective as of January 1, 2008, labor contracts shall be entered into if labor relationships are to be established between the units and the laborers. The units cannot require the laborers to work in excess of the prescribed time limit and shall provide the wages which are no lower than local standards on minimum wages to the laborers in time. The units shall establish and improve their system for labor safety and sanitation, and shall strictly comply with the rules and standards on labor safety and sanitation set by the State, educate laborers in labor safety and sanitation. The units shall provide laborers with labor safety and sanitation conditions meeting stipulations by the State and necessary articles of labor protection, and carry out regular health examination for laborers engaged in work with occupational hazards.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and effective as of January 22, 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective as of March 19, 1999, the units in the PRC shall conduct the registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees.

According to the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated on April 27, 2003 and effective as of January 1, 2004, as amended on December 20, 2010, and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated on December 14, 1994 and effective as of January 1, 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees.

According to the Regulations on the Administration of Housing Fund (住房公積金管理條例) promulgated and effective as of April 3, 1999, as amended on March 24, 2002, PRC unit shall register with the applicable housing fund management center and open a special housing fund account with a designated bank. Each of the PRC unit and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of an individual employee's monthly average wage during the preceding year.

PRC LAWS RELATING TO FOREIGN EXCHANGE

According to the Regulations on Foreign Exchange Control of the PRC (中華人民共和國外匯管理條例) promulgated on January 29, 1996, effective as of April 1, 1996 and amended on August 5, 2008, payments made in foreign currencies for international transactions, such as the sale or purchase of goods, are not subject to PRC governmental control or restrictions. Certain organizations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorized to conduct foreign exchange business upon providing valid commercial documents to such banks. However, approvals are required for the relevant capital account transactions, such as an overseas investment by a domestic company.

INTRODUCTION

Our Company was incorporated on November 30, 2009 in the Cayman Islands under the Companies Law as an exempted company.

Kunrun is our principal operating subsidiary, and is engaged in our principal business of mining and processing of polymetallic ore.

Our other subsidiaries are Gilberta, Next Horizon, Dehong Yinbang and Dehong Yinrun. Gilberta and Next Horizon, all of which were incorporated on November 3, 2009, are investment holding companies. Next Horizon was established for the purpose of holding all of our interests in Dehong Yinbang, which in turn holds 100% of the equity interests in Dehong Yinrun. Dehong Yinrun holds 99% of the equity interests in Kunrun and the remaining 1% is held by Mr. Ran Xiaochuan, the father of Mr. Ran Chenghao.

OUR HISTORY

Kunrun was established as a limited liability company in the PRC with an initial registered capital of RMB13,000,000 on April 23, 2009 by Mr. Ran Xiaochuan and his brother, Mr. Ran Xiaoyun. Upon establishment, Mr. Ran Xiaochuan and Mr. Ran Xiaoyun held 70% and 30% of the equity interests of Kunrun, respectively. Upon Kunrun's establishment, Mr. Ran Xiaochuan and Mr. Ran Xiaoyun contributed RMB2,730,000 and RMB1,170,000 registered capital respectively. On November 4, 2009, pursuant to an equity transfer agreement (the "First Kunrun Equity Transfer Agreement"), Mr. Ran Xiaoyun transferred 10% of the equity interest in Kunrun to Mr. Tao Jiazheng, an Independent Third Party, and the remaining 20% of the equity interest in Kunrun to Mr. Ran Xiaochuan with the consideration being Mr. Tao Jiazheng and Mr. Ran Xiaochuan shall contribute to the registered capital of Kunrun. Upon signing of the First Kunrun Equity Transfer Agreement, Mr. Tao Jiazheng and Mr. Ran Xiaochuan contributed RMB390,000 and RMB780,000 respectively to the registered capital of Kunrun. As a result, Mr. Ran Xiaochuan and Mr. Tao Jiazheng owned 90% and 10% of the equity interest in Kunrun, respectively. The considerations involved for these transactions were the corresponding value of the paid-up registered capital.

Gilberta and Next Horizon were incorporated on November 3, 2009. Our Company was incorporated on November 30, 2009. On December 3, 2009, the subscriber share of Gilberta was transferred to the Company. On the same day, the subscriber share of Next Horizon was transferred to Gilberta. Following these transfers, Next Horizon became a wholly owned subsidiary of Gilberta and Gilberta became a wholly owned subsidiary of our Company.

On December 23, 2009, Next Horizon incorporated Dehong Yinbang in the PRC as its wholly owned subsidiary and on January 7, 2010, Dehong Yinbang incorporated Dehong Yinrun in the PRC as its wholly owned subsidiary.

Pursuant to an equity transfer agreement dated January 10, 2010 (the "Second Kunrun Equity Transfer Agreement") and a supplemental equity transfer agreement dated January 11, 2010, Mr. Ran Xiaochuan transferred 60% of the equity interest in Kunrun to Dehong Yinrun with the consideration being Dehong Yinrun shall contribute to the registered capital of Kunrun and Mr. Tao Jiazheng transferred all his equity interest in Kunrun to Dehong Yinrun for a consideration of RMB390,000, based on the corresponding value of the paid-up registered capital. In addition, Dehong Yinrun and Mr. Ran Xiaochuan agreed to contribute the outstanding share capital to Kunrun in the amount of RMB8,710,000 and RMB390,000 respectively. Following the transfers taking effect, Dehong Yinrun and Mr. Ran Xiaochuan owned 70% and 30% of the equity interest in Kunrun, respectively. On the following day, Dehong Yinrun undertook to Mr. Ran Xiaochuan that it shall make an increase capital contribution to Kunrun of not less than RMB30,000,000 and that it shall hold not less than 90% of Kunrun before July 1, 2010. Before such increased capital contribution has been duly completed, Mr. Ran Xiaochuan retained the voting rights and dividend rights in respect of the 60% equity interest in Kunrun.

In January 2010, we obtained approval from the Yunnan Land and Resources Department for the transfer of the mining rights for Shizishan Mine from Tengchao Mining Factory, an Independent Third Party, pursuant to an agreement Kunrun entered into with Tengchao Mining Factory in May 2009 for a consideration of RMB9,000,000. On January 22, 2010, Dehong Yinrun and Mr. Ran Xiaochuan contributed outstanding share capital amounted to RMB8,710,000 and RMB390,000, respectively, into the capital of Kunrun, thereby fully paying up the RMB13,000,000 registered capital of Kunrun.

In February 2010, we obtained a mining permit under our name for the Shizishan Mine. The permit covers the mining of lead and zinc, had an initial approved production scale of 30,000 tpa.

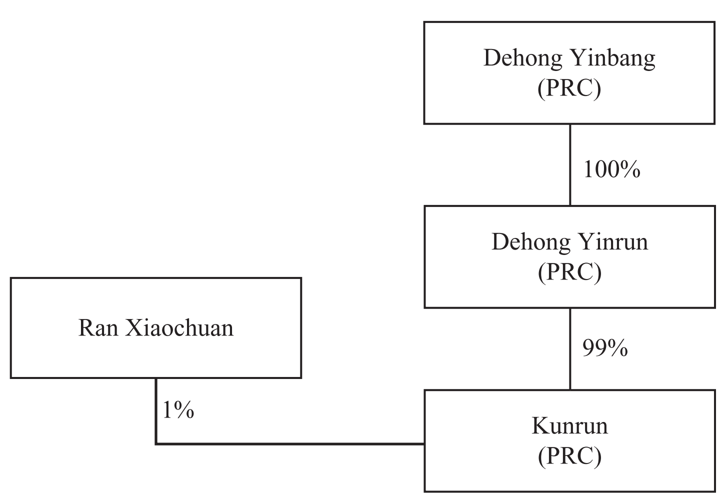
On June 25, 2010, the registered capital and paid-up capital of Kunrun was increased from RMB13,000,000 to RMB56,000,000 resulting from Dehong Yinrun contributed a further RMB43,000,000. Following the capital injection, Kunrun was owned as to 93.04% by Dehong Yinrun and 6.96% by Mr. Ran Xiaochuan. The undertaking made by Dehong Yinrun was thereby fulfilled and Ran Xiaochuan no longer retains voting and dividend rights to 60% equity interests in Kunrun upon such capital injection.

On July 12, 2010, pursuant to a Mine Exploration Right Grant Agreement between Kunrun and the Yunnan Land and Resources Department (雲南省國土資源廳), Kunrun was granted the exploration right to the Dazhupeng Mine for the duration of 3 years for a consideration of RMB2,020,000. Kunrun received the exploration permit of the Dazhupeng Mine issued in April 2011.

In March 2011, we successfully renewed our mining permit for the Shizishan Mine to extend its term to 15 years ending in April 2026, cover the mining of silver and expand the approved production scale of Shizishan Mine to 450,000 tpa.

Pursuant to an equity transfer agreement dated June 18, 2011, Mr. Ran Xiaochuan transferred 5.96% of the equity interest in Kunrun to Dehong Yinrun for a consideration of RMB6.16 million based on the net book asset value of Kunrun at the time of the transfer. Following such transfer, Kunrun was owned as to 99% by Dehong Yinrun and 1% by Mr. Ran Xiaochuan. There is no restriction, under PRC law, against the Group holding the entire equity interest in Kunrun.

The following chart sets out the shareholding structure of our Group within the PRC immediately before the Global Offering:



INFORMATION ON OUR SHAREHOLDERS

Silver Lion

Silver Lion is an investment holding company incorporated in the BVI on October 28, 2009 as a limited liability company with an authorized share capital of US$50,000 divided into 50,000 shares with US$1.00 each. Silver Lion is our Controlling Shareholder. The initial subscriber of one share of Silver Lion transferred such share to Mr. Shi Xiangdong on November 20, 2009.

Pursuant to a declaration of trust declared on November 30, 2009 (which is the date of incorporation of our Company) and documented on December 24, 2010 (the "**Trust Arrangement**"), Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Mr. Ran Chenghao until Mr. Ran Chenghao became a shareholder of Silver Lion. When the Trust Arrangement was entered into, Mr. Ran Chenghao was still pursuing his professional study in business administration. The purpose of the Trust Arrangement was for Mr. Ran Chenghao to become the beneficial owner of the one share in Silver Lion, which was the entire issued share capital of Silver Lion at that time, after completion of his professional study. Prior to the completion of Mr. Ran Chenghao's professional study, due to Mr. Shi Xiangdong's extensive experience in corporate finance and capital markets, Mr. Ran Chenghao considered that Mr. Shi Xiangdong would be in a better position to assume a directorship and shareholding role in the Group, especially in light of the need to source for initial funding for the Group where Mr. Shi's expertise would be useful. Therefore, Mr. Shi Xiangdong joined other Controlling Shareholders at the incorporation stage of the Group in November 2009. On December 24, 2010, Mr. Ran Chenghao and Mr. Shi Xiangdong entered into a Deed of Termination (the "**Deed of Termination**"), whereby the Trust Arrangement is being terminated and as a result, Mr. Shi Xiangdong became the owner of the one share of Silver Lion while Mr. Ran Chenghao was allotted and issued additional share in Silver Lion. See "— Reorganization at the level of our Shareholders."

Hover Wealth

Hover Wealth is an investment holding company incorporated in the BVI on June 1, 2010 as a limited liability company with an authorized share capital of US$100,000,000,000 divided into 100,000,000,000 shares with US$1.00 each. Mr. Ran Chenghao holds the entire issued share capital of Hover Wealth. Hover Wealth is our Controlling Shareholder.

On December 24, 2010, Mr. Ran Chenghao transferred 84,569 shares of Silver Lion to Hover Wealth. As a result, Hover Wealth directly holds 84.57% of the then issued share capital of Silver Lion and indirectly holds 76.31% of the issued share capital of our Company.

Total Flourish

Total Flourish is an investment holding company incorporated in the BVI on September 20, 2011 as a limited liability company with an authorized share capital of US$50,000 divided into 50,000 shares with US$1.00 each. Mr. Ran Chenghao holds the entire issued share capital of Total Flourish. Total Flourish is our Controlling Shareholder. Shares held by Total Flourish does not count as public float under Rule 8.08 of the Listing Rules.

AL Stone

AL Stone is an investment holding company incorporated in the BVI on May 30, 2011 as a limited liability company with an authorized share capital of US$50,000 divided into 50,000 shares with US$1.00 each. Mr. Shi Xiangdong holds the entire issued share capital of AL Stone. AL Stone is our Controlling Shareholder. Shares held by AL Stone do not count as public float under Rule 8.08 of the Listing Rules.

Ran Family Trust

The Ran Family Trust was established as a discretionary trust by Mr. Ran Chenghao as settlor and the Trustee as trustee on October 18, 2011. The beneficiaries of The Ran Family Trust include Mr. Ran Chenghao and his designated beneficiaries. The entire issued share capital of Hover Wealth is being held by the Trustee as the trustee of The Ran Family Trust.

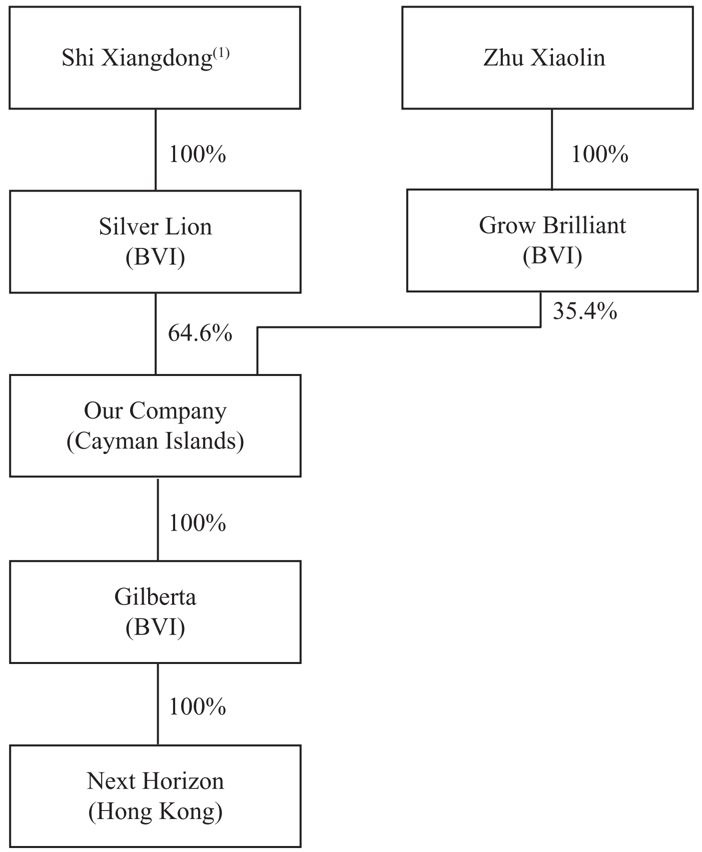
Grow Brilliant

Grow Brilliant is an investment holding company incorporated in the BVI on October 28, 2009 as a limited liability company with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each. Grow Brilliant has been wholly owned and controlled by Mr. Zhu Xiaolin, one of our executive Directors, since its incorporation. Shares held by Grow Brilliant do not count as public float under Rule 8.08 of the Listing Rules. Grow Brilliant is our Controlling Shareholder.

Silver Lion subscribed one Share in our Company upon our incorporation on November 30, 2009.

Our Company further allotted and issued 7,311 shares to Silver Lion and 4,000 shares to Grow Brilliant on February 3, 2010 and February 8, 2010, respectively, resulting in Silver Lion and Grow Brilliant, our Controlling Shareholders, holding 64.6% and 35.4% of the issued share capital of our Company, respectively. The shares were credited as fully paid shares.

The following charts set out the offshore shareholding structure of our Group immediately before the reorganization carried out at the shareholder level of the Company:



Note:

(1) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Mr. Ran Chenghao until Mr. Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.

Reorganization at the level of our Shareholders

On December 23, 2010, our Company allotted and issued an additional 88,688 Shares to Silver Lion. Such Shares were credited as fully paid.

On December 24, 2010, the authorized share capital of Silver Lion was increased to US$200,000 of 200,000 Shares of US$1.00 each and on the same day 84,569 shares of Silver Lion were allotted and issued to Mr. Ran Chenghao, 11,870 shares of Silver Lion were allotted and issued to Mr. Shi Xiangdong and 3,560 shares of Silver Lion were allotted and issued to Diamond Century, an Independent Third Party.

Upon Mr. Ran Chenghao becoming the legal owner of 84,569 shares of Silver Lion on December 24, 2010, the Trust Arrangement was terminated.

On the same day, Mr. Ran Chenghao further transferred the 84,569 shares of Silver Lion to Hover Wealth, a company owned and controlled by Mr. Ran Chenghao. In consideration, Hover Wealth allotted and issued 227,000,000 new shares credited as fully paid to Mr. Ran Chenghao.

Upon the completion of the above-mentioned transfers in Silver Lion, Silver Lion is owned as to 84.57% by Hover Wealth, 11.87% by Mr. Shi Xiangdong and 3.56% by Diamond Century.

On June 27, 2011, Silver Lion subscribed one new Share in our Company by way of a share premium in the amount of US$80,500,000. Upon the above allotment, Silver Lion owned 96,001 Shares in our Company. On the same day, our Company allotted and issued 6,399 new Shares, which will represent 6.01% of our share capital immediately before the Global Offering (without taking into account any exercise of the Over-allotment Option and options granted under the Share Option Scheme), to Grow Brilliant, a company wholly owned by Mr. Zhu Xiaolin, our executive Director and chief executive officer as reward for his valuable and indispensable contribution. Mr. Zhu led the management team to obtain all material government permits and approvals for the construction and operation of the Shizishan Mine and the associated processing facilities to enable the Company to commence commercial production. Mr. Zhu led the Group in the process of assessing the mineral resources, successful negotiation of the exclusive long-term supply agreement of the Lushan Mine, the acquisition agreement of the Liziping Mine and the acquisition option agreement of the Dakuangshan Mine. Mr. Zhu had also led the Company to complete three rounds of pre-IPO investments of US$90 million from sophisticated international investors specialized in investment in the mining industry. He successfully led the development of the Group from a start-up company with a single greenfield project to one operational company with substantial resources and multiple mineral assets. Therefore, the Company is of a view that the allotment to Mr. Zhu is well justified. For details of Mr. Zhu's contribution to the Group, please see section headed "Directors, senior management and employees."

On November 10, 2011, our then shareholders and directors passed resolutions approving a sub-division in our share capital. Each ordinary share of nominal value HK$0.10 was sub-divided into 10,000 ordinary shares of nominal value of HK$0.00001 each. As a result of the sub-division, Silver Lion held 960,010,000 Shares and Grow Brilliant held 103,990,000 Shares. On the same day, Silver Lion and Grow Brilliant subscribed for further Shares on a pro-rata basis. Silver Lion subscribed for a further 393,387,556 Shares while Grow Brilliant subscribed for a further 42,612,444 Shares. The effective shareholding of Silver Lion and Grow Brilliant in the Company remain unchanged.

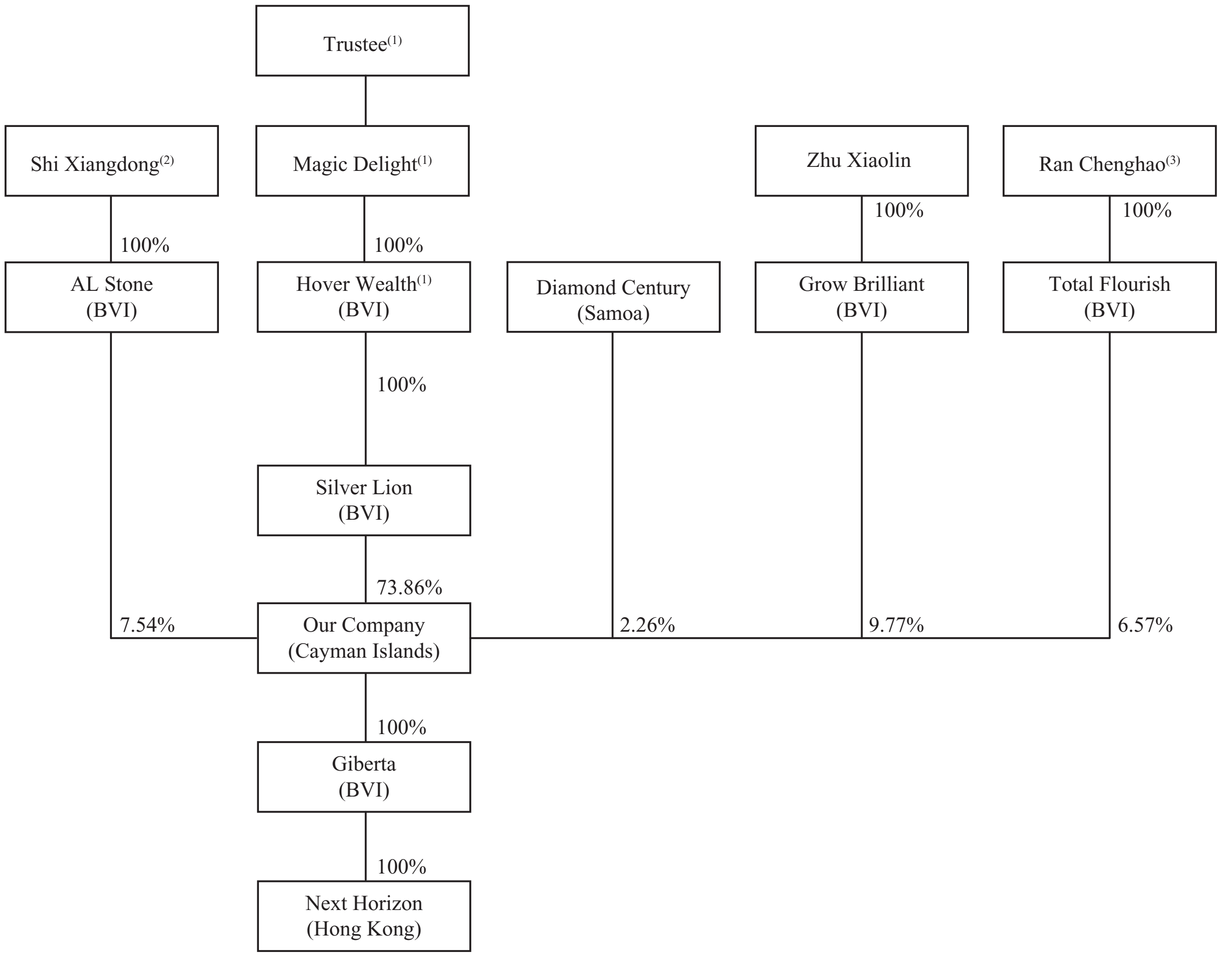
On November 16, 2011, Mr. Shi Xiangdong transferred his shareholdings in Silver Lion to AL Stone. As consideration of the transfer, AL Stone allotted and issued 1 new share to Mr. Shi Xiangdong. On the same day, Silver Lion transferred 113,100,000 Shares to AL Stone and as consideration, AL Stone transferred its entire shareholdings in Silver Lion to Hover Wealth.

On November 16, 2011, Silver Lion transferred 33,900,000 Shares to Diamond Century and as consideration, Diamond Century transferred its entire shareholdings in Silver Lion to Hover Wealth.

On November 16, 2011, Mr. Ran Chenghao transferred 100% of the issued share capital of Hover Wealth into The Ran Family Trust and as consideration, Silver Lion transferred 6.57% of the Company's issued share capital to Mr. Ran Chenghao.

On November 16, 2011, Mr. Ran Chenghao transferred his 6.57% of the Company's issued share capital to Total Flourish and as consideration, Total Flourish allotted and issued 1 new share to Mr. Ran Chenghao.

The following charts set out the offshore shareholding structure of our Group immediately after the reorganization carried out at the shareholder level of the Company:



Notes:

(1) The entire issued share capital of Hover Wealth is held by Magic Delight which is in turn ultimately held by the Trustee as the trustee of The Ran Family Trust. Ran Chenghao is the settlor and the protector of The Ran Family Trust.

(2) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Ran Chenghao until Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.

(3) Ran Xiaochuan, our executive Director, is the father of Ran Chenghao.

PRE-IPO INVESTMENTS

US$5,000,000 Exchangeable Loan

In late 2009, Mr. Shi Xiangdong, our non-executive Director, introduced the Group's business plans to his personal friend, Kevin Russell. Kevin Russell and Mr. Shi Xiangdong were colleagues when Mr. Shi Xiangdong worked at Citigroup. Kevin Russell became acquainted with the Group and introduced other KR Lenders excluding Kevin Russell ("Other KR Lenders") to the Group. The

Other KR Lenders are individuals who are friends of Kevin Russell. The KR Lenders invested into the Group in December 2009. On January 15, 2010, the KR Lenders and Silver Lion recorded the investment and entered into the KR Loan Agreement, whereby Silver Lion borrowed an aggregate amount of US$5,000,000 from the KR Lenders including Kevin Russell who contributed US$2,500,000 (the "KR Loan") while the Other KR Lenders contributed US$2,500,000 (the "Other KR Lenders Loan"), at an interest rate of 5% per annum. In consideration of the loan, Silver Lion agreed to grant the KR Lenders an option to exchange the loan into shares of Silver Lion or Shares before September 30, 2010, so long as the full amount of the principal sum of the loan remains outstanding. Kevin Russell shall have an option (the "KR Option") to convert or exchange the full amount of the KR Loan into 1.54% of the fully diluted shares outstanding of Silver Lion or the fully diluted Shares. The Other KR Lenders shall have the option (the "Co-Lender Option") to jointly convert or exchange the full amount of the Other KR Lenders Loan into 1.10% of the fully diluted shares outstanding of Silver Lion or the fully diluted Shares. The conversion ratios were determined based on arm's length negotiations among the parties considering the principal sum of the investment against risks the investors faced at the time of the investment. The KR Lenders must exercise the KR Option and the Co-Lender Option together, not individually. Under the KR Loan Agreement, Silver Lion may prepay the loan in whole or in part upon giving the KR Lenders ten Business Days' written notice.

Pursuant to the amendment and supplemental agreement to the KR Loan Agreement dated September 30, 2010 (the "First KR Supplemental Agreement"), the deadline for the exercise of the KR Option and the Co-Lender Option were extended from September 30, 2010 to December 31, 2011. This deadline was further extended to the earlier of April 21, 2013 and the date which falls five Business Days prior to the Listing Date pursuant to the second amendment and supplemental agreement dated April 21, 2011 (the "Second KR Supplemental Agreement"). The Second KR Supplemental Agreement also extended the repayment date for the loan from December 31, 2011 to a date which shall coincide with the maturity date of the Round 2 Bond (as defined below).

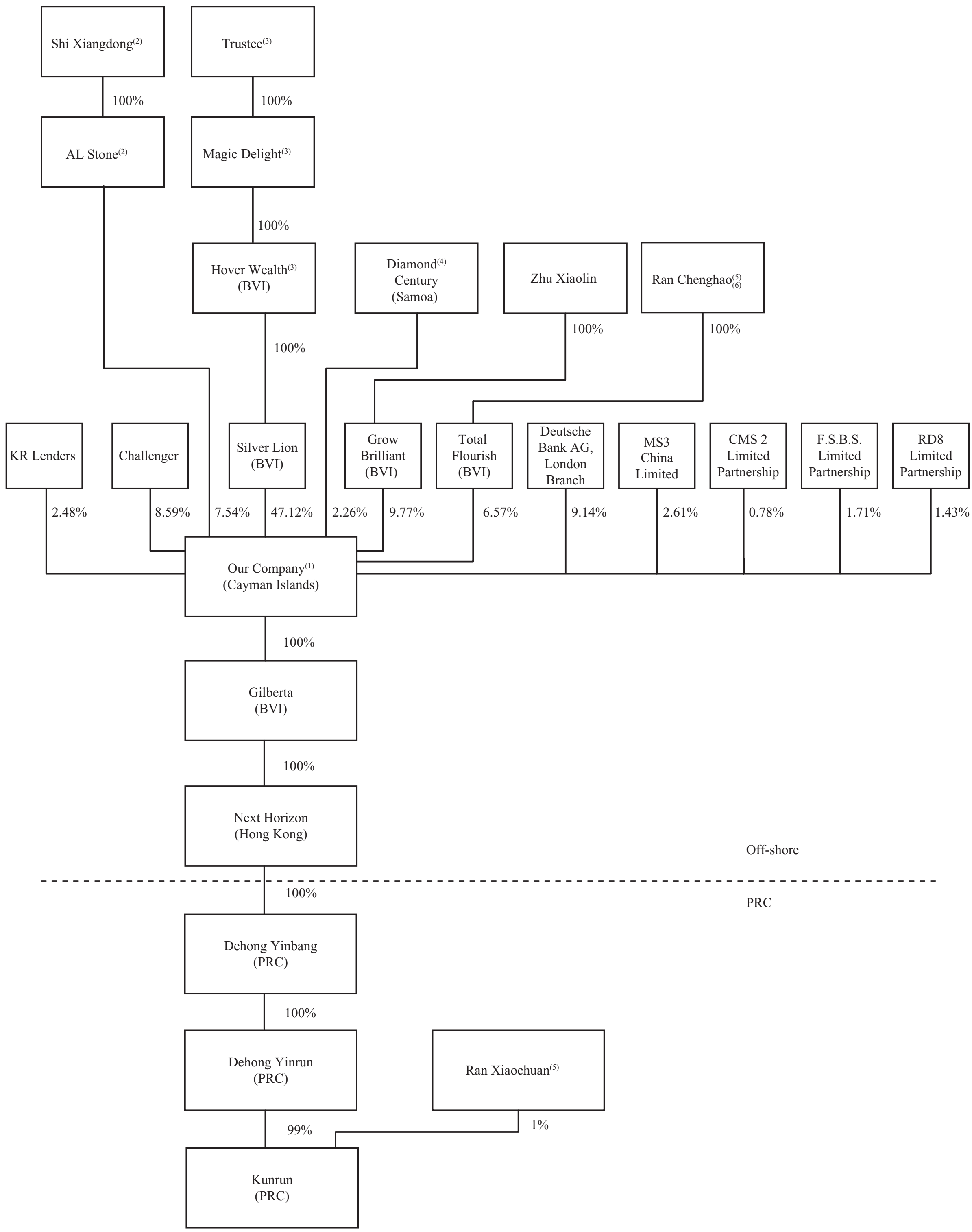
Pursuant to the third amendment and supplemental agreement dated June 30, 2011, the KR Option was amended such that Kevin Russell shall have an option to exchange the full amount of the KR Loan into 1.45% of the fully diluted Shares owned and held by Silver Lion while the Co-Lender Option was amended such that Other KR Lenders shall have the option to jointly exchange the full amount of the Other KR Lenders Loan into 1.03% of the fully diluted Shares owned and held by Silver Lion. The ratios were amended to reflect the transfer of the 5.96% equity interests in Kunrun from Mr. Ran Xiaochuan to Dehong Yinrun on June 18, 2011.

If the KR Option and the Co-Lender Option are exercised, the KR Lenders shall hold approximately 2.48% of the issued share capital of the Company immediately before the Global Offering (without taking into account the exercise of the Over-allotment Option and any options granted under the Share Option Scheme).

Issuance of the Exchangeable Bonds

Silver Lion has issued the Exchangeable Bonds, which are exchangeable into Shares in the Company, details of which are set out in the section headed "Exchangeable Bonds".

The following chart sets out the shareholding structure of our Group upon full exercise of the conversion rights and completion of the exchange of all the Exchangeable Bonds but immediately before the Global Offering.



Notes:

(1) We are not and will not be obliged to issue any new Shares in connection with the exchange of the Exchangeable Bonds. As a result, any exchange of the Exchangeable Bonds will not affect the number of Shares in issue. All obligations imposed on as in connection with the issuance of the Exchangeable Bonds will lapse upon the Listing. See the section headed "Exchangeable Bonds" for further details.

(2) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Ran chenghao until Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.

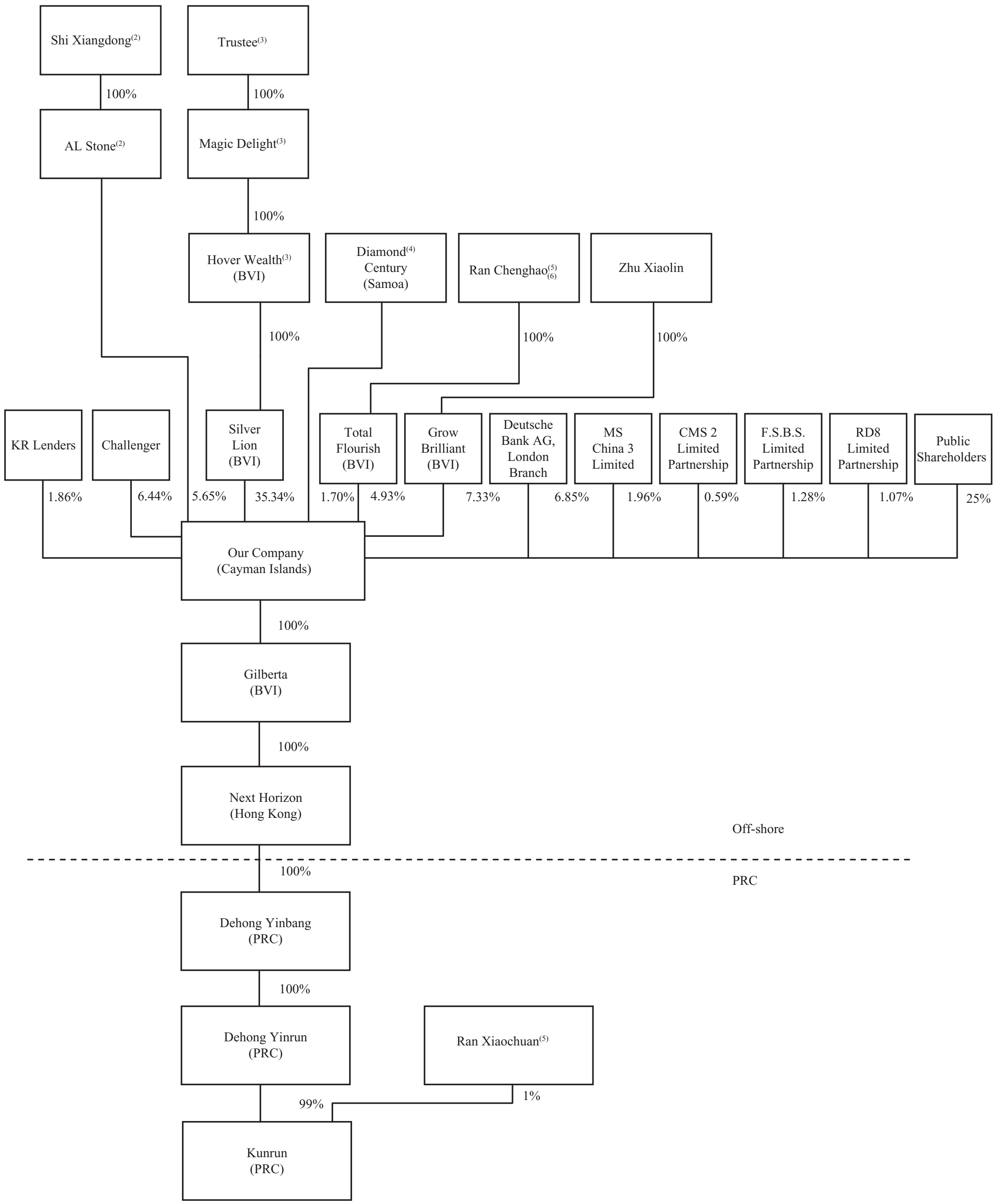
(3) The entire issued share capital of Hover Wealth is held by Magic Delight which is in turn ultimately held by the Trustee as the trustee of The Ran Family Trust. Ran Chenghao is the settlor and the protector of The Ran Family Trust.

(4) Diamond Century is wholly owned by Jingya Zhu (朱靜亞), an Independent Third Party. Jingya Zhu is a personal friend of Ran Xiaochuan, and provided contribution and advices to Ran Xiaochuan in the early exploration stage of the Shizishan Mine.

(5) Ran Xiaochuan, our executive Director, is the father of Ran Chenghao.

(6) Being father and son and have been acting in concert with each other with respect to the Company since the establishment of Kunrun on April 23, 2009.

The following chart sets out the shareholding structure of our Group following completion of the Global Offering and the exchange of all the Exchangeable bonds in full[1] (assuming the Over-allotment Option and any options granted under the Share Option Scheme are not exercised):



Notes:

(1) We are not and will not be obliged to issue any new Shares in connection with the exchange of the Exchangeable Bonds. As a result, any exchange of the Exchangeable Bonds will not affect the number of Shares in issue. All obligations imposed on us in connection with the issuance of the Exchangeable Bonds will lapse upon the Listing. See the section headed "Exchangeable Bonds" for further details.

(2) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Ran Chenghao until Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.

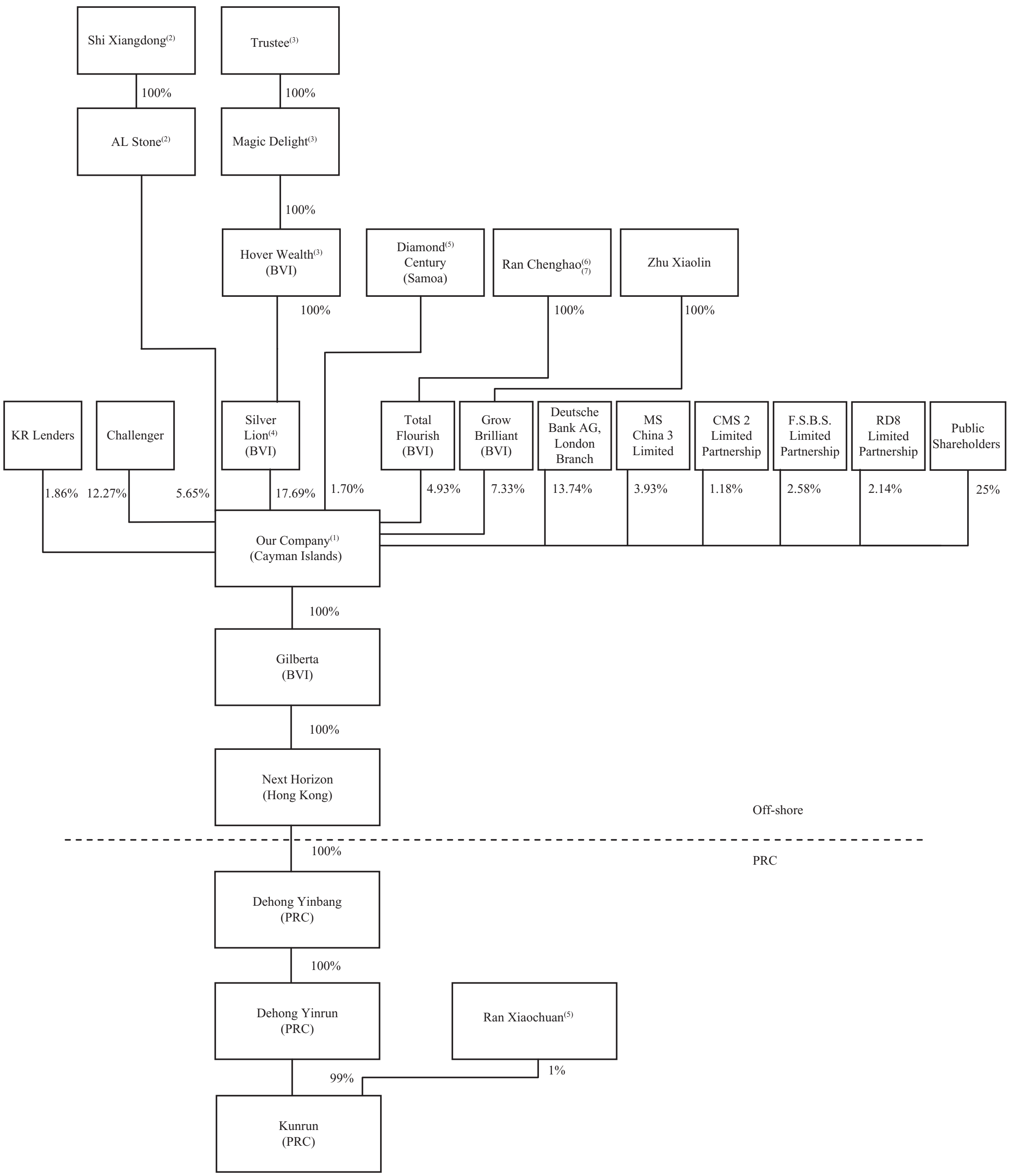
(3) The entire issued share capital of Hover Wealth is held by Magic Delight which is in turn ultimately held by the Trustee as the trustee of The Ran Family Trust. Ran Chenghao is the settlor and the protector of The Ran Family Trust.

(4) Diamond Century is wholly owned by Jingya Zhu (朱靜亞), an Independent Third Party. Jingya Zhu is a personal friend of Ran Xiaochuan, and provided contribution and advices to Ran Xiaochuan in the early exploration stage of the Shizishan Mine.

(5) Ran Xiaochuan, our executive Director, is the father of Ran Chenghao.

(6) Being father and son and have been acting in concert with each other with respect to the Company since the establishment of Kunrun on April 23, 2009.

The following chart sets out the shareholding structure of our Group assuming no exercise of conversion rights and completion of Mandatory Redemption of the Exchangeable Bonds immediately after completion the Global Offering based on the mid-point of the offer price range of HK$2.38 per Share (assuming the Over-allotment Option and any options granted under the Share Option Scheme are not exercised):



Notes:

(1) We are not and will not be obliged to issue any new Shares in connection with the exchange of the Exchangeable Bonds. As a result, any exchange of the Exchangeable Bonds will not affect the number of Shares in issue. All obligations imposed on as in connection with the issuance of the Exchangeable Bonds will lapse upon the Listing. See the section headed "Exchangeable Bonds" for further details.

(2) Pursuant to the Trust Arrangement, Mr. Shi Xiangdong declared that he held the beneficial interest in the one share standing in his name in the register of members of Silver Lion on trust and for the benefit of Ran chenghao until Ran Chenghao became a shareholder of Silver Lion. The Trust Arrangement was terminated on December 24, 2010 pursuant to the Deed of Termination.

(3) The entire issued share capital of Hover Wealth is held by Magic Delight which is in turn ultimately held by the Trustee as the trustee of The Ran Family Trust.

(4) It is expected the Silver Lion shall remain as a Controlling Shareholder even after completion of Mandatory Redemption of all the Exchangeable Bonds.

(5) Diamond Century is wholly owned by Jingya Zhu (朱靜亞), an Independent Third Party. Jingya Zhu is a personal friend of Ran Xiaochuan, and provided contribution and advices to Ran Xiaochuan in the early exploration stage of the Shizishan Mine.

(6) Ran Xiaochuan, our executive Director, is the father of Ran Chenghao.

(7) Being father and son and have been acting in concert with each other with respect to the Company since the establishment of Kunrun on April 23, 2009.

The following table illustrates the shareholding details of our Group in the event of both the exercise of the conversion rights and completion of Mandatory Redemption of the Exchangeable Bonds immediately after completion of the Global Offering based on the low end of the offer price range of HK$2.22 and the high end of the offer price range of HK$2.54 per Share (assuming the Over-allotment Option is not exercised):

Shareholders	Percentage of Shares that can be converted based on the offer price of HK$2.22 per Share	Percentage of Shares that can be converted based on the offer price of HK$2.54 per Share	Percentage of Shares upon completion of Mandatory Redemption based on the offer price of HK$2.22 per Share	Percentage of Shares Upon completion of Mandatory Redemption based on the offer price of HK$2.54 per Share
	(%)	(%)	(%)	(%)
Silver Lion	35.34	35.34	15.11	19.94
Total Flourish	4.93	4.93	4.93	4.93
AL Stone	5.65	5.65	5.65	5.65
Grow Brilliant	7.33	7.33	7.33	7.33
Diamond Century	1.70	1.70	1.70	1.70
KR Lenders	1.86	1.86	1.86	1.86
Challenger	6.44	6.44	13.16	11.50
Deutsche Bank AG, London Branch	6.85	6.85	14.74	12.88
MS China 3 Limited	1.96	1.96	4.21	3.68
CMS 2 Limited Partnership	0.59	0.59	1.26	1.11
F.S.B.S Limited Partnership	1.28	1.28	2.76	2.41
RD 8 Limited Partnership	1.07	1.07	2.29	2.01
Public Shareholders	25.00	25.00	25.00	25.00
Total	100.00	100.00	100.00	100.00

PRC LEGAL COMPLIANCE

On October 21, 2005, the SAFE issued Circular 75 which became effective on November 1, 2005. Circular 75 requires PRC residents to register with the local SAFE branch before establishing an "offshore special purpose vehicle", outside of the PRC for the purpose of capital financing, and to amend the SAFE registration after completing an investment in or acquisition of any operating subsidiaries in the PRC, which we refer to herein as a "round-trip investment." The term "PRC resident" defined under the Circular 75 includes (i) any PRC individual who holds a PRC identity card or a passport; or (ii) any non-PRC individual who chronically resides in PRC due to economic interest in the PRC. Further, a non-PRC individual who chronically resides in the PRC due to economic interest mainly refers to (i) an individual who domiciles permanently in the PRC, but temporarily leaves the PRC for reasons such as travel, study, medical treatment or work outside the PRC or satisfying a residence requirement in a foreign country, and who returns to his or her permanent domicile in the PRC after the aforementioned reasons cease to exist; or (ii) an individual who holds domestic equity interests in a domestic enterprise; or (iii) an individual who originally held domestic equity interests in a domestic enterprise and has remained the beneficial owner after legal ownership of such interests are converted to equity interests in a foreign-invested enterprise. In addition, any change of material capital such as an increase or decrease of capital, share transfer, share swap, merger or division, long term equity or debt investment or providing guarantee to foreign party in such offshore special purpose vehicle without involving a round-trip investment shall be filed within 30 days starting from the date of such shareholding transfer or capital alteration. Mr. Ran Chenghao, who is not a PRC identity card or passport holder, nor holds any equity interests in domestic companies in the PRC, does not fall within the definition of "PRC resident", as such term is defined in the Circular 75. As confirmed by the competent SAFE branch, it is not necessary for Mr. Ran Chenghao to make SAFE registration.

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the *Provisions on the Acquisition of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the "M&A Regulation"), which became effective on September 8, 2006 and was reissued by the MOFCOM in June 2009. As advised by our PRC legal advisor, the merger and acquisition under the M&A Rules means a transaction whereby: (1) a foreign investor purchases equity interests in a domestic enterprise or subscribes to the increased registered capital of the domestic enterprise, and effectively converts the domestic enterprise into a foreign-invested enterprise; (2) a foreign investor incorporates a foreign-invested enterprise, and purchases assets of a domestic enterprise via the foreign-invested enterprise and operates such assets via the foreign-invested enterprise; or (3) a foreign investor purchases assets of a domestic enterprise, injects the purchased assets to incorporate a foreign-invested enterprise, and subsequently operates the injected assets via the foreign-invested enterprise. Dehong Yinrun, which acquired Kunrun, is a domestic company (rather than a foreign-invested enterprise) and the Group's acquisition of equity interests in Kunrun does not fall within any of the above-mentioned circumstances. Article 40 of the M&A Regulation requires that an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals, shall obtain the CSRC approval prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. Our PRC legal advisor is of the opinion that no activities under M&A Regulations have been conducted by the Group, therefore the Company's proposed listing does not require the approval of the CSRC and any other PRC government authorities.

Our PRC legal advisor, Commerce & Finance Law Offices, has also confirmed that we have obtained all material approvals and permits required under PRC laws and regulations in connection with each material stage of our corporate reorganization in the PRC.

Silver Lion has issued two rounds of Exchangeable Bonds for an aggregate principal sum of US$85,000,000 to Challenger Mining 8 Limited ("Challenger") and the Round 2 Bond Investors including leading international financial institutions and private equity firms such as Deutsche Bank AG, London Branch and MS China 3 Limited, an affiliate of Morgan Stanley. The Directors believe by bringing in investors of such caliber will enhance the profile of the Group.

We expect to benefit from the investors' commitment to the Company, and to leverage on their global perspective and corporate governance measures, together with their investment experience, local knowledge and relationship network to enhance our strategic business model.

US$25,000,000 SECURED BOND (THE "ROUND 1 BOND")

Overview

On February 8, 2010, Challenger entered into the Round 1 Bond Deed with the Company, Silver Lion, Gilberta, Next Horizon, Dehong Yinbang, Dehong Yinrun, Kunrun, Mr. Ran Xiaochuan and Mr. Shi Xiangdong, pursuant to which Challenger subscribed for secured bonds in the aggregate principal amount of US$25,000,000 due 2012 and issued by Silver Lion.

In light of a reorganization of the share capital of Silver Lion, the parties to the Round 1 Bond Deed (the "Round 1 Parties") together with Mr. Ran Chenghao, Hover Wealth, Diamond Century and Grow Brilliant entered into a deed of accession dated December 24, 2010, pursuant to which inter alia (a) Challenger consented to allotment and issuance of new shares of Silver Lion to Mr. Shi Xiangdong, Mr. Ran Chenghao and Diamond Century; and (b) certain terms of the Round 1 Bond Deed were amended to reflect the reorganization of the share capital of Silver Lion, such as the acceding of Mr. Ran Chenghao and Hover Wealth to the Round 1 Bond Deed (the "Deed of Accession").

The Round 1 Bond Deed was further amended by a deed of amendment dated April 21, 2011 amongst the Round 1 Parties, together with Mr. Ran Chenghao and Hover Wealth (the "Deed of Amendment"). The Deed of Amendment amended certain provisions of the Round 1 Bond Deed for the purposes of facilitating the issuance of the Round 2 Bond (as defined below), including the amendment of the date of maturity of the Round 1 Bond to April 26, 2013.

The Round 1 Bond Deed was further amended by another deed of amendment dated November 10, 2011 to amend certain provisions for the purposes of facilitating the Global Offering.

Conversion

The Round 1 Bond is convertible into our Shares owned and held by Silver Lion immediately prior to the commencement of dealings in our Shares on the Stock Exchange on the Listing Date. Challenger has the automatic right to exchange the Round 1 Bond into Shares representing 8.59% of the issued share capital of the Company immediately prior to the Global Offering (without taking into account the exercise of the Over-allotment Option and any options granted under Share Option Scheme). The exercise of the exchange is not subject to any conditions. The conversion ratio was fixed and determined at the time of the signing of Round 1 Bond Deed based on arm's length negotiations among the parties considering the principal sum of the investment against risks the investors faced at the time of the investment. The conversion ratio has no linkage to the Offer Price or any milestone of the Global Offering whatsoever.

Mandatory Redemption

If Challenger does not exercise its exchange right to exchange the Round 1 Bond into our Shares prior to the Global Offering, Silver Lion has the right to demand all outstanding principal sum and accrued interest (the "Redemption Amount") be redeemed on the Listing Date. The accrued interest of the Round 1 Bond, which will be 200% of the outstanding principal amount on the date of the redemption, was fixed and concluded at the time of the signing of the Round 1 Bond Deed. The Redemption Amount will be settled by Shares owned and held by Silver Lion.

All Shares subject to transfer either under the exercise of the conversion right or Mandatory Exchange will be settled immediately before Listing.

Cash Interest

The Round 1 Bond shall bear cash interest on the principal amount outstanding from time to time. Cash Interest shall accrue at the rate of 20% per annum until the earlier of (i) the redemption date which is, as amended by the Deed of Amendment, 24 calendar months after the issue date of the Round 2 Bond, which is April 26, 2013; or (ii) mandatory exchange pursuant to the Global Offering.

Other rights under the Round 1 Bond Deed

Challenger is entitled to various other rights under the Round 1 Bond Deed, and such rights are summarized below, all of which shall terminate upon the Listing.

- Accounting and information rights

  Each of the corporate parties (including Hover Wealth) to the Deed of Accession shall provide Challenger with copies of its audited accounts and management accounts within a specified time frame and information which Challenger may request relating to (i) any fund-raising or business activities or plans, (ii) any proposed or contemplated public offerings or listings or (iii) any event or circumstance which may have a material adverse or beneficial effect on its business or affairs.

- Board seat

  The Round 1 Bondholders shall have the right to appoint and maintain in office a person to act as a director on each of the boards of Silver Lion, the Company, Gilberta and Next Horizon and to remove any such director so appointed. In the absence of an appointment of such a director, the Round 1 Bondholders may appoint a representative to attend any meeting of the boards as an observer. Such observer is not subject to any re-election. Before the Global Offering, the Round 1 Bondholders appointed one observer in the Company's bond meetings. This right shall terminate on the Listing Date and the observer will resign prior to Listing.

- Pre-emption rights

  Subject to as provided under the Round 1 Bond Deed, the Round 1 Bond Deed provides that the Company shall not issue any securities, unless the Company has offered Challenger and our Shareholders (excluding any Shareholders, who are Shareholders only by virtue of participating in any employee share scheme of the Company) the right to purchase any such securities on a pro-rata basis and the right to oversubscribe if any other Shareholder elects not to purchase any Shares which it is entitled to do so on a pro-rata basis. For the purpose of calculating the pro-rata basis of Shareholders only, any Round 1 Bond which have not been converted under the Round 1 Bond Deed, shall be deemed to have been so converted into Shares in accordance with the Round 1 Bond Deed.

US$60,000,000 SECURED BOND (THE "ROUND 2 BOND")

Overview

On April 20, 2011, the Round 2 Bond Investors entered into the Round 2 Subscription Agreement with the Company, Silver Lion, Mr. Ran Xiaochuan and Mr. Ran Chenghao, pursuant to which the Round 2 Bond Investors subscribed for secured bonds in the aggregate principal amount of US$60,000,000 and issued by Silver Lion. The bond instruments were issued by Silver Lion on April 26, 2011 and further amended on November 10, 2011 (the "Round 2 Bond Deed"). The Round 2 Bond is convertible into those of our Shares owned and held by Silver Lion immediately prior to the commencement of dealings in our Shares on the Stock Exchange on the Listing Date.

Conversion

The Round 2 Bond Investors have the automatic right to exchange the Round 2 Bond into our Shares. The identity of the Round 2 Bond Investors and the respective subscription amount and conversion ratio are set forth as follows:

Round 2 Bond Investors	Subscription Amount (in US$)	Percentage of Shares that can be converted immediately prior to the Global Offering (without taking into account the exercise of the Over-allotment Option or any options granted under the Share Option Scheme)
Deutsche Bank AG, London Branch	35,000,000	9.14
MS China 3 Limited (an affiliate of Morgan Stanley)	10,000,000	2.61
F.S. B. S. Limited Partnership	6,562,500	1.71
RD 8 Limited Partnership	5,437,500	1.43
CMS 2 Limited Partnership	3,000,000	0.78

The conversion ratios were fixed and determined at the time of the signing of the Round 2 Bond based on arm's length negotiations among the parties considering the principal sum of the investment against the risks the investors face at the time of the investment. The conversion ratios have no linkage with the Offer Price or any milestone of the Global Offering whatsoever.

The maturity date of the Round 2 Bond is April 26, 2013.

Mandatory Redemption

If any of the Round 2 Bond Investors does not exercise its exchange right to exchange into our Shares prior to the Global Offering, Silver Lion has the right to demand such outstanding principal sum and accrued interest (the "Round 2 Redemption Amount") be redeemed on the Listing Date. The accrued interest of the Round 2 Bond, which will be 140% of the outstanding principal amount on the date of the redemption, was fixed and concluded at the time of the signing of the Round 2 Subscription Agreement. The Round 2 Redemption Amount will be settled by Shares owned and held by Silver Lion.

All Shares subject to transfer either under the exercise of the conversion right or Mandatory Exchange will be settled immediately before Listing.

Cash Interests

The Round 2 Bond further provides that cash interest shall accrue on the principal amount outstanding from time to time at the rate of 15% per annum until the date of conversion of the Round 2 Bond into our Shares or the redemption date which is 24 calendar months after issue date of the Round 2 Bond, i.e. April 26, 2013.

Other rights under the Round 2 Bond

The Round 2 Bond Investors are entitled to various other rights under the Round 2 Bond, and such rights are summarized below, all of which shall terminate upon the Listing.

- Accounting and information rights

  Silver Lion shall provide each of the Round 2 Bond Investors copies of the Group's audited accounts and management accounts within a specified time frame and information which each of the Round 2 Bond Investors may request relating to the business, operations or financial affairs of the Group.

- Board seat

  The Round 2 Bond Investors holding in aggregate not less than 50% of the total amount of the Round 2 Bond then outstanding shall have the right to appoint one non-executive director to the board of each company in our Group. The right to appoint directors shall terminate on the Listing Date.

- Financial covenants

  Silver Lion shall ensure that the Group shall not exceed certain debt ratios and interest cover ratios set by the Round 2 Bond Investors from the issue date to June 30, 2013.

PROCEEDS OF THE EXCHANGEABLE BONDS AND THE KR LOAN AGREEMENT

The proceeds of the KR Loan Agreement, the Round 1 Bond and Round 2 Bond totalling US$90 million were received by Silver Lion, of which, up to May 31, 2011, US$80.5 million was then injected to the Company through shareholder's loan. The proceeds (i.e. the shareholder's loan) received by the Company from Silver Lion were reflected in the Accountants' Report as "Due to the immediate holding company" and "Increase in an amount due to the immediate holding company" under "cash flows from financing activities" in the Company's consolidated statements of financial position and the Company's statement of cash flow, respectively. The Company has then injected further funds to our subsidiaries. In particular, Dehong Yinbang has increased its registered capital of US$28,000,000 while Next Horizon has made a shareholder loan to Dehong Yinbang in the amount of US$21,000,000.

We utilized the remaining proceeds for the development and operation of the Shizishan Mine such as the construction of mining related facilities and purchase of mining and processing equipment. As of the Latest Practicable Date, US$69.6 million of the proceeds have been utilized.

Out of the remaining US$9.5 million proceeds of the KR Loan Agreement, the Round 1 Bond and Round 2 Bond that were not injected to the Company by Silver Lion, US$6 million has been retained in the interest reserve amount, US$2.5 million has been retained as expenses to professional parties and US$1 million has been retained as cash as general working capital of Silver Lion.

None of the proceeds of the Global Offering will be used to repay any outstanding loans or debts under the KR Loan Agreement, the Round 1 Bond and Round 2 Bond since all outstanding loans have been converted into our Shares immediately before the Global Offering.

SECURITY PROVIDED TO ROUND 1 AND ROUND 2 BONDHOLDERS

Our Group provided certain collateral to the KR Lenders, Challenger and the Round 2 Bond Investors by entering the following agreements (collectively the "S**ecurity Documents**"):

(a) the BVI Law Amendment Agreement;

(b) the Cayman Law Amendment Agreement;

(c) the Hong Kong Law Amendment Agreement;

(d) a share mortgage governed by the law of the British Virgin Islands entered into by Mr. Ran Chenghao in favor of Challenger in respect of the share capital owned by Mr. Ran Chenghao in Hover Wealth and dated December 24, 2010 (as amended and restated pursuant to the BVI Law Amendment Agreement);

(e) a debenture governed by the law of the British Virgin Islands entered into by Hover Wealth and Challenger and dated December 24, 2010 (as amended and restated pursuant to the BVI Law Amendment Agreement);

(f) a share mortgage governed by the law of the British Virgin Islands entered into by Hover Wealth and Challenger in respect of the share capital owned by Hover Wealth in Silver Lion and dated December 24, 2010 (as amended and restated pursuant to the BVI Law Amendment Agreement);

(g) a share mortgage governed by the law of the British Virgin Islands entered into by Mr. Shi Xiangdong and Challenger in respect of the share capital owned by Mr. Shi Xiangdong in Silver Lion and dated February 8, 2010 and amended by a deed of consent and variation dated December 24, 2010 (and as further amended and restated pursuant to the BVI Law Amendment Agreement);

(h) a debenture governed by the law of the British Virgin Islands entered into by the Silver Lion and Challenger and dated February 8, 2010 (as amended and restated pursuant to the BVI Law Amendment Agreement);

(i) a share mortgage governed by the law of the Cayman Islands entered into by the Silver Lion and Challenger in respect of the share capital owned by Silver Lion in the Company and dated December 23, 2010 (as amended and restated pursuant to the Cayman Law Amendment Agreement);

(j) a debenture governed by the law of the Cayman Islands entered into by the Company and Challenger and dated February 8, 2010 (as amended and restated pursuant to the Cayman Law Amendment Agreement);

(k) a share mortgage governed by the law of the British Virgin Islands entered into by the Company and Challenger in respect of the share capital owned by the Company in Gilberta and dated February 8, 2010 (as amended and restated pursuant to the BVI Law Amendment Agreement);

(l) a debenture governed by the law of the British Virgin Islands entered into by Gilberta and Challenger and dated February 8, 2010 (as amended and restated pursuant to the BVI Law Amendment Agreement);

(m) a share mortgage governed by the law of Hong Kong entered into by Gilberta and Challenger in respect of the share capital owned by Gilberta in Next Horizon and dated February 8, 2010 (as amended and restated pursuant to the Hong Kong Law Amendment Agreement); and

(n) a debenture governed by the law of Hong Kong entered into by Next Horizon and Challenger and dated February 8, 2010 (as amended and restated pursuant to the Hong Kong Law Amendment Agreement).

Pursuant to an intercreditor agreement dated April 20, 2011 among other parties, the KR Lenders, Challenger and the Round 2 Bond Investors, the collateral secured under the Security Documents shall be held by a security trustee on trust for the KR Lenders, Challenger and the Round 2 Bond Investors on the terms contained in the intercreditor agreement. The intercreditor agreement further provides that the collateral secured under the Security Documents shall rank pari passu without preference among the KR Lenders, Challenger and the Round 2 Bond Investors.

Any security created under each of the above agreements will be terminated and released on or prior to the Listing Date.

INFORMATION ABOUT CHALLENGER AND ROUND 2 BOND INVESTORS

Challenger is administered by a fiduciary administrator, Hawksford Fund Services Jersey Limited, whose directors are directors of Hawksford Fund Services Jersey Limited. Challenger is incorporated in Jersey. Its ultimate investors are multiple high net worth individual investors.

Deutsche Bank AG is a global financial service company with its headquarters in Frankfurt, Germany. The bank has a large presence in Europe, the Americas, Asia Pacific and the emerging markets. The bank invests in expanding markets, such as the Middle East, Latin America, Central & Eastern Europe and Asia Pacific. The bank offers financial products and services for corporate and institutional clients along with private and business clients. Services include sales, trading, research and origination of debt and equity; mergers and acquisitions; risk management products, such as derivatives, corporate finance, wealth management, retail banking, fund management, and transaction banking.

MS China 3 Limited is an affiliate of Morgan Stanley. Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, and investment management services. Morgan Stanley's employees serve clients worldwide including corporations, governments, institutions and individuals from more than 1,300 offices in 42 countries.

Each of CMS 2 Limited Partnership, F.S. B. S. Limited Partnership and RD 8 Limited Partnership is a limited partnership established in Jersey with a general partner limited company administered by Hawksford Fund Services Jersey Limited. The directors of Hawksford Fund Services Jersey Limited are the directors of each of the general partners. F.S. B. S. Limited Partnership is funded by an investment fund based in the United Kingdom. Each of CMS 2 Limited Partnership and RD 8 Limited Partnership is a collective investment vehicle funded ultimately by multiple high net worth individual investors.

CORPORATE BENEFIT

In determining the investment considerations payable by KR Lenders, Challenger and the Round 2 Bond Investors, we took into account investment risks that the investors were subject to when making the investment which include (a) the risks involved in our mining business, given that the Shizishan Mine was still in the early stages of development and we had not commenced trial production until the end of July 2011 and commercial production in October, 2011 and the Company did not have all the requisite mining licenses at the time of the pre-IPO investment; (b) the Company, at the time of the pre-IPO investment did not complete the exploration of the Shizishan Mine and there was no guarantee that the development plan of the Shizishan Mine would be executed according to plan and the actual production would materialize, (c) the relative value of our Shares at the time when the investors made the investment; (d) the illiquidity of the Shares at the time when the investors made the investment; and (e) the significant capital expenditure requirements of the Shizishan Mine. We consider that the entering into of the KR Loan Agreement, the Round 1 Bond and the Round 2 Bond are in the interests of the Group as a whole.

GENERAL

The following table summarizes details of the KR Loan, Round 1 Bond and Round 2 Bond:

Name of Investor	Date of investment agreement	Subscription Amount (in US$)	Date of receipt of principal sum by the Group	Cost per paid by each Investor immediately before the Global Offering (in HK$)(1)	Percentage of shareholding in the Company held by each Investor upon completion of the Global Offering(1)
KR Lenders	January 15, 2010	5,000,000	December 19, 2009	1.05	1.86
Challenger	February 8, 2010	25,000,000	February 9, 2010	1.51	6.44
Deutsche Bank AG, London Branch	April 20, 2011	35,000,000	April 28, 2011	1.99	6.85
MS China 3 Limited (an affiliate of Morgan Stanley)	April 20, 2011	10,000,000	April 28, 2011	1.99	1.96
F.S.B.S. Limited Partnership	April 20, 2011	6,562,500	April 28, 2011	1.99	1.28
RD 8 Limited Partnership	April 20, 2011	5,437,500	April 28, 2011	1.99	1.07
CMS 2 Limited Partnership	April 20, 2011	3,000,000	April 28, 2011	1.99	0.59

Note:

(1) Without taking into account the exercise of any Over-allotment Option and options granted under the Share Option Scheme. Assuming exercise of the conversion right of the Exchangeable Bonds in full.

The KR Lenders, Challenger and the Round 2 Bond Investors are Independent Third Parties and are not related to our Group nor any connected persons of our Company. Save that there may be common investors in Challenger and CMS 2 Limited Partnership, the KR Lenders, Challenger and the Round 2 Bond Investors are not related to one another. All of the Shares that would be exchanged and held by each of the KR Lenders, Challenger and the Round 2 Bond Investors shall count as part of the public float for the purposes of Rule 8.08 of the Listing Rules, save and except in the event any of Challenger or the Round 2 Bond Investors become a connected person of the Company as a result from any transfer of Shares under the top-up right under the Round 1 Bond or Round 2 Bond.

The Shares that would be exchanged and held by each of Challenger and the Round 2 Bond Investors are subject to a lock-up period of six months immediately after the Listing Date.

The principal sum under the KR Loan Agreement, the Round 1 Bond Deed and the Round 2 Subscription Agreement have been received by the Group on December 19, 2009, February 9, 2010, and April 28, 2011 respectively. All of the principal sums under the KR Loan Agreement, the Round

1 Bond Deed and the Round 2 Subscription Agreement have been irrevocably received by the Group more than 28 clear days before the submission of the listing application of our Company, therefore, the Sole Sponsor is of the view that the Company is in compliance with the Interim Guidance on Pre-IPO Investments published by the Listing Committee of the Stock Exchange on October 13, 2010.

This section discusses information regarding our mines and operations, including resources, mining and processing capacities and production volumes. Unless otherwise indicated, all technical data in this section is based on the Competent Person's Report, which is included as Appendix V to this Prospectus. In addition, we commissioned Hatch as an industry consultant to prepare an independent research report, the Hatch Report. Unless otherwise indicated, information and statistics relating to the global and PRC non-ferrous metal industry in this and other sections of this Prospectus have been derived from the Hatch Report.

We are a developing pure mining company with a limited operating history. A number of our business prospects and market position described below, including but not limited to our ramp-up plan, capital expenditure and market position information, are based on forward-looking statements rather than historical facts. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ materially from those expressed in any forward-looking statements. See "Forward-looking Statements" and "Risk Factors" in this Prospectus.

OVERVIEW

We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves, according to the Hatch Report. On the Listing Date, we will also be the first non-ferrous metal pure mining company(1) listed on the Stock Exchange. As a pure mining company, we only conduct upstream operations in exploration, mining and primary processing of mineral resources with no downstream operations in smelting and refining. We currently own and operate a large-scale, high-grade lead-zinc-silver polymetallic mine in Yunnan Province, the Shizishan Mine, which contains abundant and high-grade silver reserves. The mining permit for the Shizishan Mine has a term of 15 years ending in April 2026 and covers an area of 3.20 sq. km. We are currently at the commercial production stage of the Shizishan Mine with a current mining capacity of 700 tpd. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. We also own the exploration right to the Dazhupeng Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. In line with our vision to be a leading non-ferrous metal pure mining company in China and in order to leverage on our transferable experience and skills of processing lead-zinc-silver ore, we have also secured exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine in Yunnan Province. To tap into the abundant non-ferrous metal resources in Yunnan Province, we have also entered into an agreement to acquire the Liziping Mine and have an option to acquire the Dakuangshan Mine. Both the Liziping Mine and the Dakuangshan Mine are lead-zinc-silver polymetallic mines located in Yunnan Province. With our abundant and high-grade lead, zinc and silver resources and reserves and strategic proximity to local mineral assets and smelters in Yunnan Province, we believe that we are well-positioned to capture the market opportunities presented by the increasing demand for refined lead and zinc and the resulting significant supply shortfall in lead and zinc concentrates in China. In addition, we believe that non-ferrous metal concentrate producers enjoy and will continue to enjoy the highest margin in the non-ferrous metal value chain. Therefore, our strategy is to continue to focus on our business operation as a

Note:

(1) Non-ferrous metal pure mining company refers to a pure mining company that operates mines containing metals other than iron, manganese and chromium and alloys that do not contain appreciable amounts of iron, manganese or chromium, which includes lead, zinc, silver, tungsten and tin.

pure mining company and we currently do not intend to expand our operations to downstream business such as metal smelting and refining.

The Shizishan Mine contains abundant and high-grade lead, zinc and silver resources and reserves. According to the Competent Person's Report, as of October 25, 2011, the Shizishan Mine had an aggregate of 8,829,000 tonnes of JORC measured and indicated resources and 8,024,000 tonnes of JORC reserves, containing 745,900 tonnes of lead metal, 477,300 tonnes of zinc metal and 2,000 tonnes (64.3 million ounces) of silver metal in JORC reserves. The estimated average resource and reserve grades for lead, zinc and silver of the Shizishan Mine are 9.4% and 9.3%, 6.0% and 6.0%, and 256 g/t and 250 g/t, respectively. These are significantly higher than 3.3%, 5.4% and 100 g/t, which are the industry average grades for underground lead mines, underground zinc mines and the silver content threshold for silver ore in China, respectively, according to the Hatch Report. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. In addition, according to the Competent Person's Report, there is excellent potential to expand the currently defined resources at the Shizishan Mine. Our abundant and high-grade lead, zinc and silver polymetallic resources and reserves position us well to capitalize on any increase in the market demand for and price of lead, zinc and silver.

Yunnan Province has the second largest lead reserves, the second largest zinc reserves and the third largest silver resources in China, according to the Hatch Report, which provides us with significant opportunities to expand our resources and reserves through selective acquisition of local mineral assets. As such, on June 9, 2011, we entered into a share transfer agreement with Song Denghong (an Independent Third Party), the owner of the Liziping Company which owns the exploration right (covering an area of 18.29 sq.km and with a validity term from December 2010 to December 2012) to the Liziping Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. Pursuant to the share transfer agreement, we agreed to purchase 90% of the equity interest in the Liziping Company from Song Denghong. Under the share transfer agreement, Song Denghong undertakes to us that the lead and zinc resources of the Liziping Mine are not less than 1,000 kt in terms of metal contained. According to the Competent Person's Report, the Competent Person considers the likelihood of the definition of resources in the area of the Liziping Mine that will be drilled to be high and the mineralization tenor and geometry observed likely to be continuous. The Competent Person also considers the potential identification of the mineralized structures at depth to be encouraging for future exploration and the likelihood for discovery of significant mineralization at depth to be likely. As of the Latest Practicable Date, we have not completed such acquisition, therefore, we have no legal ownership right to the Liziping Mine. We currently expect to complete such acquisition in May 2012. The consideration payable for the 90% equity interest of the Liziping Company will be determined based on the amount of lead and zinc resources of the Liziping Mine, and will in any event be no less than RMB216 million and no more than RMB756 million. If (i) the lead and zinc resources of the Liziping Mine are less than 300 kt (in terms of metal contained) according to the final reviewed exploration report prepared by an Independent Third Party exploration entity designated by us or (ii) we are not satisfied with the results of our legal due diligence or audit on the Liziping Company and/or the Liziping Mine, we have the right to unilaterally terminate the share purchase agreement and Song Denghong shall refund all the deposit and payment made, and all the exploration expenses incurred, by us.

Furthermore, we also entered into an option agreement on May 21, 2011 with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. The option agreement allows us to purchase 90% of the equity interest in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011. The Dakuangshan Mine has a current mining capacity of approximately 500 tpd and processing capacity of approximately 100 tpd. As of the Latest Practicable Date, we have not exercised such option, therefore, we have no legal ownership right to the Dakuangshan Mine. The Dakuangshan Mine is a lead-zinc-silver polymetallic mine and has a mining permit covering an area of 1.56 sq. km. Under the option agreement, Xi Wanli undertakes to us that the Dakuangshan Mine has lead and zinc resources of no less than 400 kt in terms of metals contained, with the grades for lead, zinc and silver contained being no less than 3%, 7% and 50 g/t, respectively. The consideration for the 90% equity interest in the Dakuangshan Company will be determined based on the lead and zinc metals contained in the estimated resources of the Dakuangshan Mine that are category 332 and above at a price not less than RMB500/t and not more than RMB700/t (which was determined based on arms-length negotiations among the parties and was not referenced to any specific prevailing market price or benchmark) and will not exceed RMB145.0 million. The Directors believe this price is relatively attractive.

In addition, Yunnan Province has many smelters with large smelting capacities and is the second largest non-ferrous metal producing province (in terms of metal production from mine) in China, according to the Hatch Report. The location of the Shizishan Mine places us in close proximity to these potential customers and provides us with readily accessible infrastructure, including convenient local transportation and abundant water and electricity supplies, both of which are key utilities for our mining and processing operations.

We are currently at the commercial production stage of the Shizishan Mine with a current mining capacity of 700 tpd. We are undertaking a ramp-up of our mining capacity, which is expected to enable us to attain a planned mining capacity of 1,000 tpd in the second quarter of 2012 and 2,000 tpd (our full planned mining capacity) in the fourth quarter of 2012. We attained a full planned processing capacity of 2,000 tpd at the end of July 2011. According to the Competent Person's Report, the estimated total cash cost and total production cost for the Shizishan Mine will be approximately RMB1,313 (approximately US$207) and RMB1,511 (approximately US$238), respectively, per tonne of concentrate in 2013, the first year in which we will operate at our full planned mining and processing capacities. Silver is a byproduct of our processing process due to the polymetallic nature of the lead-zinc ore of the Shizishan Mine. As a result, revenue from silver can be deducted from the estimated total cash cost and production cost for the Shizishan Mine as a byproduct credit, which is consistent with common industry practice to deduct byproduct credit from cash cost and production cost of main stream products. Because of the high degree of silver contained in our concentrate products, both of the estimated total cash cost and total production cost for the Shizishan Mine are negative after deducting revenue from silver which is higher than the estimated total cash cost and total production cost at the Shizishan Mine. After deducting the value of silver contained in our concentrates based on the average spot price of silver for October 2011 on the Shanghai White Platinum & Silver Exchange, which is RMB6.89 per gram, our estimated total cash cost and total production cost will be approximately RMB-3,022 (approximately US$-475) and RMB-2,825 (approximately US$-444), respectively, per tonne of concentrate in 2013.

In addition to the Shizishan Mine, we obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km. According to the Dazhupeng Preliminary Survey, the Dazhupeng Mine is a lead-zinc-silver polymetallic mine in Yunnan Province located only approximately 20 km away from the Shizishan Mine and has significant potential in lead, zinc, gold and silver resources. In line with our vision to be a leading non-ferrous metal pure mining company in China and in order to leverage on our transferable experience and skills of processing lead-zinc-silver ore, we have also secured exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine in Yunnan Province located only approximately 30 km away from the Shizishan

Mine. Under such a pure contractual supply arrangement, we have not acquired any legal ownership right to the Lushan Mine. Pursuant to our exclusive supply agreement with Xiangcaopo Mining and its owner, Li Jincheng, Xiangcaopo Mining, which owns the right to the Lushan Mine, will supply all its polymetallic raw tungsten-tin ore to us for a period of at least 15 years, with the price for the raw ore of RMB260/t for the first five years. This prefixed price is expected to enable us to capitalize on any potential increase in the market price of tungsten and tin. According to the Lushan Geological Report, the results of the drill holes, and geological logging and underground sampling of the Lushan Mine have been highly encouraging to date, and clearly highlight the exploration potential within the exploration limits. With successful completion of the exploration, it is highly likely a significant mineral resource will be defined within the exploration limits of the Lushan Mine. The drilling and sampling will also likely result in further identification of mineralization along strike of the known mineralization. We plan to construct a new gravity-selection processing line at the Shizishan Mine ore processing plant to process tungsten-tin raw ore sourced from the Lushan Mine.

Since our inception in April 2009, we have primarily focused our business activities on exploration, mine planning, and construction and infrastructure development to prepare for the commercial production of lead-silver and zinc-silver concentrates and did not to generate revenue from our operations during the Track Record Period. As a result, our loss for the period from April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011 were RMB1.5 million, RMB5.1 million and RMB245.6 million, respectively. We commenced commercial production in October 2011.

COMPETITIVE STRENGTHS

We believe that we possess the following competitive strengths:

We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources abundant and high-grade silver reserves and, on the Listing Date, will be the first non-ferrous metal pure mining company listed on the Stock Exchange with abundant and high-grade silver reserves

We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves, according to the Hatch Report. On the Listing Date, we will also become the first non-ferrous metal pure mining company listed on the Stock Exchange. While there are a number of Hong Kong-listed companies which own non-ferrous metal resources or are engaged in the production of non-ferrous metal products, currently there is no Hong Kong-listed company focusing purely on the mining of non-ferrous metals or with non-ferrous metal resources as large as the Shizishan Mine. We believe that the control of or access to high-quality non-ferrous metal resources is, and will continue to be, a core competitive factor in the PRC non-ferrous metal industry. We believe, after the Shizishan Mine reaches its full mining capacity in 2012, its abundant and high-grade resources will help us to achieve our leading market position. Our such position will, among other things, enhance our profile and attractiveness to investors, provide us with increased access to external funding sources for our future expansion, enable us to benefit from economies of scale in our operations and enjoy strong pricing power for our products, and help us to more effectively secure customers.

China has in recent years experienced a significant supply shortfall of non-ferrous metal concentrates products while having an excess in smelting capacity nationwide, according to the Hatch Report. According to the Hatch Report, China is the world's largest lead and zinc consumer. China's consumption of refined lead and zinc increased by a CAGR of 16.7% and 11.9%, respectively, from 2004 to 2010, primarily due to strong demand for lead-acid batteries from the motor vehicle industry and galvanized steel products from the construction, transport and consumer electronics industries. As a result, China has experienced significant supply shortage for lead, zinc and silver concentrates in the past few years. According to the Hatch Report, China has been a net importer of lead and zinc concentrates in recent years and had a supply shortfall in lead and zinc concentrates of 985 kt and 1,464 kt, respectively, in 2010. The huge gap between the supply from concentrates production and the demand from smelting capacities enables the pure mining companies which control and operate the concentrates production to enjoy stronger bargaining power when negotiating pricing terms with their smelter customers. As a result, we believe that non-ferrous metal concentrate producers enjoy and will continue to enjoy the highest margin in the non-ferrous metal value chain.

The Shizishan Mine's abundant and high-grade silver reserves enable us to have a strong exposure to silver. According to the Competent Person's Report, the Shizishan Mine contains 2,000 tonnes (64.3 million ounces) of silver metal in JORC reserves. The estimated average resource and reserve grade for silver is 250 g/t, which is significantly higher than 100g/t, the silver content threshold for silver ore in China according to the Hatch Report. Calculated based on the prevailing market prices of lead, zinc and silver as of October 31, 2011 from the Shanghai Metals Market and the Shanghai White Platinum & Silver Exchange, the value of silver contained in the concentrates we produce from the Shizishan Mine ore amounts to approximately 45% of the combined value of all the metals contained in our concentrates. As a precious metal, silver has been particularly desirable to investors during periods of weak economic confidence and high inflation. Silver investment demand in China increased at a CAGR of 66.5% from 2004 to 2010 and peaked at 9,201 tonnes in 2010, making it the biggest driver of China's increasing silver demand for the same period. Moreover, international silver prices, which the PRC silver prices track closely, generally maintained a continuous upward trend from 2004 to 2010 and exceeded US$32 per ounce as of October 2011. We believe that we are well-positioned to capitalize on increases in the market demand for and price of silver because of our abundant and high-grade silver reserves at the Shizishan Mine.

The Shizishan Mine has abundant and high-grade polymetallic resources and reserves

The Shizishan Mine has abundant polymetallic resources and reserves. According to the Competent Person's Report, as of October 25, 2011, the Shizishan Mine had an aggregate of 8,829,000 tonnes of JORC measured and indicated resources and 8,024,000 tonnes of JORC reserves, containing 745,900 tonnes of lead metal, 477,300 tonnes of zinc metal and 2,000 tonnes (64.3 million ounces) of silver metal in JORC reserves. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. According to the Competent Person's Report, there is excellent potential to expand the currently defined resources at the Shizishan Mine. See "— The Shizishan Mine, Dazhupeng Mine and Lushan Mine have significant exploration potential."

In addition, according to the Competent Person's Report, our polymetallic resources and reserves at the Shizishan Mine are high-grade. The estimated average resource and reserve grades for lead, zinc and silver of the Shizishan Mine are 9.4% and 9.3%, 6.0% and 6.0%, and 256 g/t and 250 g/t, respectively. These are significantly higher than 3.3%, 5.4% and 100g/t, which are the industry average grades for underground lead mines, underground zinc mines and the silver content threshold for silver ore in China, respectively, according to the Hatch Report. We believe that our high-grade lead-zinc-silver resources and reserves will enable us to enjoy high margins and capitalize on any increase in the market prices of lead, zinc and silver. Moreover, our abundant and high-grade polymetallic resources allow us to maintain a competitive cost structure, consistent product quality and stable supply to our customers, which we believe will enable us to obtain attractive financial returns and enjoy significant competitive advantages in the highly fragmented non-ferrous metal market in China.

Our favorable cost position will enable us to enjoy high profitability

Because of the high-grade and polymetallic nature of our lead-zinc ore from the Shizishan Mine that include abundant and high-grade silver content, we believe that we will become a low-cost producer in the lead and zinc mining industry in China after we complete the full ramp-up plan of our mining and processing capacities in the fourth quarter of 2012. According to the Competent Person's Report, the estimated total cash cost and total production cost for the Shizishan Mine will be approximately RMB1,313 (approximately US$207) and RMB1,511 (approximately US$238), respectively, per tonne of concentrate in 2013, the first year in which we will operate at our full planned mining and processing capacities. After deducting the value of silver contained in our concentrates based on the average spot price of silver for October 2011 on the Shanghai White Platinum & Silver Exchange, which is RMB6.89 per gram, our estimated total cash cost and total production cost will be approximately RMB-3,022 (approximately US$-475) and RMB-2,825 (approximately US$-444), respectively, per tonne of concentrate in 2013. We believe the following factors will contribute to our favorable cost position, which is expected to enable us to enjoy a relatively high profit margin.

- *High-grade polymetallic ore with abundant silver content.* Costs in the mining industry are broadly linked to the cost of ore extraction. As a result, we believe that the high-grade polymetallic ore at the Shizishan Mine with abundant silver content will enable us to enjoy higher margins per tonne of ore extracted. In addition, due to the polymetallic content of the ore at the Shizishan Mine, we are able to separate and produce lead-silver concentrates and zinc-silver concentrates using a single streamlined production process, which will generate significant cost efficiencies in the production process.

- *Large-scale operations.* We plan to conduct our operations through large-scale mining and processing. For example, we have attained our full planned processing capacity of 2,000 tpd and mining capacity of 700 tpd as of the Latest Practicable Date. Upon completion of the full ramp-up plan for the Shizishan Mine in the fourth quarter of 2012, we expect our mining capacity to reach 2,000 tpd. Such large-scale operations will position us well to achieve economies of scale, which we believe will enhance our bargaining position with our current and potential customers.

- *Advanced and reliable technologies and equipment.* In choosing our mining method, we draw on successful mining practices used both in China and internationally to, among other things, maintain effective cost control, minimize mining loss and dilution, and achieve high ore recovery rates, and adopt an efficient, safe and environment-friendly mining method for the Shizishan Mine. We also place a strong emphasis on using advanced, reliable equipment and technologies in our processing operations to achieve greater efficiencies. For example, our ore crushers are from Metso, one of the world's leading mining and construction equipment and solutions provider.

- *Outsourcing labor-intensive works.* We sub-contract our labor-intensive mining operations to experienced third parties. This means that our management can focus on core activities which are most important to our operations, including exploration, mine design, mining and processing design, quality control, and environmental and safety protection and that we only have to employ a small number of management staff and technical personnel to provide guidance, supervision and management with regard to our mining operations. We believe this outsourcing arrangement will continue to result in reductions in mining expenditure, salaries and other staff-related expenses, which should further improve our cost position.

We will enjoy stable and low-cost polymetallic ore supply from the Lushan Mine on an exclusive basis

In line with our vision to be a leading non-ferrous metal pure mining company in China and in order to leverage on our transferable experience and skills of processing lead-zinc-silver ore, we entered into an exclusive supply agreement on December 31, 2010 with Xiangcaopo Mining, which owns rights to the Lushan Mine, and Li Jincheng, the sole owner of Xiangcaopo Mining and an Independent Third Party. Pursuant to this agreement, Xiangcaopo Mining agreed to supply all its polymetallic tungsten-tin raw ore from the Lushan Mine to us on an exclusive basis. Unless we request for an earlier termination, the exclusive ore supply agreement will expire upon the later of (i) the 15th anniversary of December 31, 2010, or (ii) the expiration of the Lushan Mine's exploration permit and mining permit (which may be renewed upon expiration). In addition, we have the sole discretion to extend the term of the exclusive ore supply agreement, if we so request before the expiration of its term. In connection with the exclusive ore supply agreement, Li Jincheng pledged his entire equity interest in Xiangcaopo Mining to us in May 2011. Li Jincheng also entered into a guarantee agreement with us on July 7, 2011. Pursuant to such guarantee agreement, Li Jincheng agrees to guarantee Xiangcaopo Mining's performance of its duties under the exclusive ore supply agreement, including Xiangcaopo Mining's refund of any prepayment amount advanced by us if Xiangcaopo Mining defaults in its raw ore supply to us. The price for the tungsten-tin raw ore sourced from the Lushan Mine will be RMB260/t for the first five years. For more details, please refer to the subsection headed "— Lushan Mine and Exclusive Ore Supply Agreement." According to the Lushan Preliminary Exploration Report, nine mineral veins of tungsten, two mineral veins of tin, and 0.3 sq. km of stream tin had been discovered in the Lushan Mine as of January 1, 2011, and there is significant exploration potential to identify other metal resources such as bismuth, lead and cadmium. According to the Lushan Geological Report, the results of the drill holes and geological logging and underground sampling of the Lushan Mine have been highly encouraging to date, and clearly highlight the exploration potential within the exploration limits. With successful completion of the exploration, it is highly likely a significant mineral resource will be defined within the exploration limits of the Lushan Mine. The drilling and sampling will also likely result in further identification of mineralization along strike of the known mineralization. We plan to construct a new gravity-selection processing line at the Shizishan Mine ore processing plant to process tungsten-tin raw ore sourced from the Lushan Mine. Our exclusive arrangement with respect to the Lushan Mine will provide us a stable long-term supply of polymetallic raw ore at a low fixed cost. We believe the prefixed price of RMB260/t is attractive and will enable us to attain a profitable tungsten-tin raw ore processing business. The prefixed price will also enable us to capitalize on any potential increase in the market price of tungsten and tin as the cost of the tungsten-tin raw ore sourced from the Lushan Mine will not increase in tandem with the market price. In addition, the new gravity-selection processing line at the Shizishan Mine ore processing plant is only approximately 30 km away from the Lushan Mine. We believe this proximity will enable us to enjoy relatively low transportation costs and economical operations.

We are well-positioned to expand our resources and reserves through selective acquisitions

We are well-positioned to further increase resources and reserves through the acquisition of non-ferrous metal resources. Yunnan Province, where our current operations are located, has the second largest lead reserves, the second largest zinc reserves and the third largest silver resources in China, according to the Hatch Report. Our location in the non-ferrous metal-rich region of Yunnan Province provides us with access to abundant non-ferrous metal resources in the surrounding regions. In addition, as indicated in the Yunnan Non-ferrous Metal Development Plan, the government of Yunnan Province encourages exploration activities and the consolidation of non-ferrous metal mines by large mining companies. The Yingjiang County government authority issued government meeting minutes on May 11, 2011 expressly supporting our efforts to consolidate local non-ferrous metal resources. We believe these governmental policies will put us in a favorable position in our future acquisition activities.

On June 9, 2011, we entered into a share transfer agreement with Song Denghong (an Independent Third Party), the owner of the Liziping Company which owns the exploration right to the Liziping Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. Liziping Mine's exploration permit covers an area of 18.29 sq.km. and has a validity term from December 29, 2010 to December 29, 2012. Under the share transfer agreement, Song Denghong undertakes to us that the lead and zinc resources of the Liziping Mine are not less than 1,000 kt in terms of metal contained. According to the Competent Person's Report, the Competent Person considers the likelihood of the definition of resources in the area of the Liziping Mine that will be drilled to be high and the mineralization tenor and geometry observed likely to be continuous. The Competent Person also considers the potential identification of the mineralized structures at depth to be encouraging for future exploration and the likelihood for discovery of significant mineralization at depth to be likely. Pursuant to such agreement, we agreed to purchase 90% of the equity interest in the Liziping Company from Song Denghong. We currently expect to complete such acquisition in May 2012. The consideration payable for the 90% equity interest of the Liziping Company will be determined based on the amount of lead and zinc resources of the Liziping Mine, and will in any event be no less than RMB216 million and no more than RMB756 million. The consideration payable for the 90% equity interest of the Liziping Company was arrived at after arms-length negotiations between the parties. In order to secure the performance of the share purchase agreement, Song Denghong pledged his entire interest in the Liziping Company to us. We will ensure that the acquisition of the Liziping Mine will comply with the of the Listing Rules requirements.

On May 21, 2011, we had also entered into an option agreement with the Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% of the equity interest in the Dakuangshan Company from Xi Wanli at our sole discretion, within a period of 18 months starting from May 2011. The Dakuangshan Mine is located approximately 100 km from the Shizishan Mine. The mining permit for the Dakuangshan Mine covers an area of 1.56 sq. km. Under the option agreement, Xi Wanli undertakes to us that the Dakuangshan Mine has lead and zinc resources of no less than 400 kt in terms of metals contained, with the grades for lead, zinc and silver contained being no less than 3%, 7% and 50 g/t, respectively. The consideration for the 90% equity interests in the Dakuangshan Company will be determined based on the lead and zinc metals contained in the estimated resources of the Dakuangshan Mine that are category 332 and above at a price not less than RMB500/t and not more than RMB700/t (which was determined based on arms-length negotiations among the parties and was not referenced to any specific prevailing market price or benchmark) and will not exceed RMB145.0 million. The Directors believe this price is relatively attractive. Xi Wanli pledged 50% of his equity interests in the Dakuangshan Company that owns the Dakuangshan Mine to us on July 29, 2011 to secure the performance of the option agreement. This option agreement provides us with an important opportunity to quickly expand our polymetallic resources in the future. In connection with the execution of the option agreement, we have conducted preliminary due diligence on the Dakuangshan Mine and the Dakuangshan Company. If we decide to exercise our option, the terms of purchase would be subject to further negotiations with the shareholder and such purchase will comply with the applicable requirements of the Listing Rules.

The Shizishan Mine, Dazhupeng Mine and Lushan Mine have significant exploration potential

We are well-positioned to significantly increase our resources and reserves in the future due to the significant exploration potential of the Shizishan Mine and Dazhupeng Mine. According to the Shizishan Detailed Exploration Report, six lead-zinc-silver polymetallic lodes have been discovered in the permitted mining area of the Shizishan Mine and three of these lodes contain approximately 89% of the total resources at the Shizishan Mine. We have focused our exploration activities on these three lodes, and the Competent Person estimates that these three lodes contain abundant and high-grade lead, zinc and silver resources and reserves. See "— The Shizishan Mine has abundant and high-grade polymetallic resources and reserves." As a result, we believe that, with further exploration at the Shizishan Mine (especially for the remaining three lodes identified in the Shizishan Detailed Exploration Report), there is significant potential to define more lead, zinc and silver resources within our permitted mining area. In addition, according to the Competent Person's Report, mineralization within the Shizishan Mine is open along the strike at both the north and south ends of the current drilling limits. By the date of the Competent Person's Report, only a small portion of the permitted mining area of the Shizishan Mine had been drilled and four main lodes (one of which is beyond the elevation limit of our current mining permit) had been successfully identified as a result of the drillings. Based on these, the Competent Person confirms that there is excellent potential to expand the currently defined resources at the Shizishan Mine with further drilling within the remainder of the permitted mining area. The exploration right for the Dazhupeng Mine covers an area of 15.19 sq. km. According to the Dazhupeng Preliminary Survey, the Dazhupeng Mine is a lead-zinc-silver polymetallic mine and has significant exploration potential to identify lead, zinc, gold and silver resources.

Furthermore, the Lushan Mine, which is currently at the exploration stage, also has significant exploration potential. The exploration area designated in the exploration permit of the Lushan Mine covers an aggregate area of approximately 81.55 sq. km. Xiangcaopo Mining expects to complete its first phase exploration activities at the Lushan Mine in the first quarter of 2012. It will continue to conduct exploration activities for the remaining areas of the Lushan Mine covered by its exploration right certificate in 2012. It expects to commence its polymetallic raw ore supply to us from the third quarter of 2012. According to the Lushan Preliminary Exploration Report, which focused on an aggregate area of approximately 1.73 sq. km, nine mineral veins of tungsten, two mineral veins of tin, and 0.3 sq. km of stream tin had been discovered at the Lushan Mine as of January 1, 2011, and there is significant exploration potential to identify other metal resources such as bismuth, lead and cadmium. According to the Lushan Geological Report, the results of the drill holes, and geological logging and underground sampling of the Lushan Mine have been highly encouraging to date, and clearly highlight the exploration potential within the exploration permit. With successful completion of the exploration, it is highly likely a significant mineral resource will be defined within the exploration limits of the Lushan Mine. The drilling and sampling will also likely result in further identification of mineralization along strike of the known mineralization. We believe that, with further exploration at the Lushan Mine (especially for the remaining area of approximately 80.15 sq. km), there is significant potential to define more polymetallic resources within the scope of Lushan Mine's exploration permit.

We are committed to materializing the potential of the Shizishan Mine and the Dazhupeng Mine through continuous exploration efforts. We are also committed to assisting in the exploration of the Lushan Mine to tap into its potential.

We benefit from our strategic location in Yunnan Province and our mine's close proximity to end customers and readily accessible infrastructure

According to the Hatch Report, China is the world's largest lead and zinc consumer. China's consumption of refined lead and zinc increased by a CAGR of 16.7% and 11.9%, respectively, from 2004 to 2010, primarily due to strong demand for lead-acid batteries from the motor vehicle industry and galvanized steel products from the construction, transport and consumer electronics industries. As a result, China has experienced significant supply shortage for lead and zinc concentrates in the past few years. According to the Hatch Report, China has been a net importer of lead and zinc concentrates in recent years and had a supply shortfall in lead and zinc concentrates of 985 kt and 1,464 kt, respectively, in 2010. We believe that, as the Chinese economy continues its rapid growth, the demand for refined lead and zinc and the shortfall in China's supply of lead and zinc concentrates will further increase. Although Yunnan Province has the second largest lead reserves and the second largest zinc reserves in China, it has also experienced a significant supply shortage of lead and zinc concentrates in recent years. Yunnan produced 106 kt of lead concentrate in 2010, which was less than a fifth of Yunnan's refined lead production capacity of 565 kt in 2010. Similarly, Yunnan's zinc concentrate output was 547 tonnes in 2010 while its refined zinc production was 870 tonnes in 2010, which meant that almost 40% Yunnan's zinc concentrate demand was met by imports in 2010.

In addition, the location of the Shizishan Mine places us in close proximity to potential end customers of our concentrate products with large smelting capacities. Yunnan Province is the second largest non-ferrous metal producing province (in terms of metal production from mine) in China, according to the Hatch Report. There are 14 non-ferrous metal smelters in Yunnan Province, including Xiangyun Feilong Non-ferrous Metal (祥雲飛龍), Jinding Zinc (金鼎鋅業), Yunxi Group (雲錫集團) and Chihong Zinc & Germanium (馳宏鋅鍺), with a combined smelting capacity of more than 530 kt of lead concentrate, 850 kt of zinc concentrate and 616 tonnes of silver concentrate per annum in 2007, respectively. The large demand of these local smelters provides us with a significant degree of visibility and stability in potential demand for our concentrate products. Given our strategic location in Yunnan Province and our position as the largest lead and zinc pure mining company in terms of resources with abundant and high-grade silver reserves in Yunnan Province, we believe that we are well-positioned to capture the market opportunities presented by the increasing demand of refined lead and zinc and the resulting significant supply shortfall in lead and zinc concentrates in China.

Furthermore, the convenient location of the Shizishan Mine provides us with easy access to readily accessible infrastructure. The Shizishan Mine is only approximately 300 m away from a county road that is approximately 45 km away from Yingjiang County. The Shizishan Mine is also approximately 50 km away from the Houqiao railway station located along the planned Kunming-Southeast Asia International Railroad, which will connect to China's national railway network. The construction of the Kunming-Southeast Asia International Railroad is expected to be completed before 2016. This proximity to the railway network is expected to expand our reach to customers and reduce the transportation cost of our products. In addition, our processing facility is located on-site near the Shizishan Mine's main adit opening, which will lead to low transportation costs from the mine to the processing facility and allow for economical on-site operations. The Shizishan Mine also has easy access to abundant water and electricity supplies within close proximity, both of which are key utilities for our mining and processing operations.

We have a strong management team with extensive industry and management experience, and a high standard of corporate governance enhanced by a significant composition of our Board comprised of our independent non-executive Directors

Our Executive Directors and senior management team comprise a group of industry veterans with a strong track record, including qualified geologists and engineers in the areas of exploration, mine planning and construction, mining, processing, production safety and environmental protection. Our Executive Directors and senior management team have an average mining industry experience of 20 years, with six of our Executive Directors and senior management team members each having over 25 years of mining industry experience. Our management team also has a strong track record of successful business ramp-up within a short period of time. Through the efforts of our management team, we successfully completed the geological and feasibility studies of the Shizishan Mine and obtained the approval for the construction and operation of the Shizishan Mine from the Yunnan Development and Reform Commission and other requisite regulatory approvals (including the approvals for environmental impact evaluation and design of the production safety facility). They were accomplished within 10 months after obtaining the initial mining permit of the Shizishan Mine in February 2010. We believe that our Executive Directors and senior management possess the skills, foresight and in-depth industry knowledge necessary to capture market opportunities, formulate and implement sound business strategies, assess and manage risks and improve and implement management and production schemes. We aim to leverage on their demonstrated ability to identify exploration and acquisition opportunities and exploit our mining resources efficiently, which we believe will enable us to implement our strategies to achieve profitable returns on our investment, minimize our investment risks and create shareholder value. We also believe that our management team possesses the leadership capabilities and qualifications required to sustain our business and lead us to continued success.

We also have a high standard of corporate governance enhanced by our six experienced independent non-executive Directors. Our Board consists of 13 board members, including six executive Directors, one non-executive Director, and six independent non-executive Directors. All six independent non-executive Directors possess strong experiences and stellar reputations in their respective fields of expertise in finance, accounting, investments, consulting and mining and all have long track-record of serving managerial roles and supervising corporate governance in public companies listed in the world's major stock exchanges, leading investment banks, consulting firms or accounting firms. The audit committee, remuneration committee and nomination committee of our Board consist of a majority of independent non-executives Directors and are chaired by independent non-executive Directors. We believe that our independent non-executive Directors, who comprise nearly half of the Board seats and a majority of the members of our audit, remuneration and nomination committees, will significantly enhance the standard of corporate governance of the Company and improve the transparency and soundness of the Board's decision-making process, which in turn will better serve the interests of our public investors and our Company as a whole.

BUSINESS STRATEGIES

Our goal is to become a leading non-ferrous metal pure mining company in China, which we plan to accomplish through implementing the following strategies:

Ramp up our mining and processing capacities

We currently have a mining capacity of 700 tpd and intend to significantly ramp up our mining capacity at the Shizishan Mine. We are undertaking a ramp up of our mining construction which is expected to enable us to attain a mining capacity of 1,000 tpd in the second quarter of 2012 and 2,000 tpd (our full planned mining capacity) in the fourth quarter of 2012. We completed the construction of a large ore processing facility and attained a full planned processing capacity of 2,000 tpd at the end of July 2011. Total capital expenditure for the ramp-up of our mining and processing capacities at the Shizishan Mine by the end of 2012 is expected to be RMB403.2 million. We also plan to construct a new gravity-selection processing line at the Shizishan Mine to process tungsten and tin raw ore from the Lushan Mine. We expect the total capital expenditure for such gravity-selection processing line to be RMB41.0 million. We also intend to ramp up our mining and processing capacities at the Dazhupeng Mine after the completion of our exploration activities and upon our obtaining the related mining permit. We currently intend to start to construct the Dazhupeng Mine and the related processing facility in the second quarter of 2013. We expect that the total capital expenditure for the exploration and construction of the Dazhupeng Mine to be approximately RMB225.1 million, assuming we determine it beneficial to, and will, develop the Dazhupeng Mine upon completion of its exploration activities. We will also ramp up our mining and processing capacities for new mines that we may acquire. We believe that, as demand for non-ferrous metal continues to increase in China, the expansion of our mining and processing capacities will position us well to capture these growing market opportunities.

Expand our resources and reserves through selective acquisitions

To complement our existing resources, we are actively seeking and intend to continue to actively seek selective acquisition opportunities. Our strategic location in Yunnan Province presents significant opportunities for our expansion and long-term sustainable growth through consolidation of mineral resources in the province. During the Track Record Period, we entered into a share transfer agreement and an option agreement that may enable us to acquire two additional mine assets in Yunnan Province. See "Competitive Strengths — We are well-positioned to expand our resources and reserves through selective acquisitions." In addition, the government of Yunnan Province encourages exploration activities and the consolidation of non-ferrous metal mines by large mining companies. In this regard, we have obtained the express support of the Yingjiang County government for our efforts to consolidate local non-ferrous metal assets. We will also explore and evaluate acquisition opportunities in other regions in China. We have a dedicated team led by our chief executive officer, Mr. Zhu Xiaolin, that consists of experienced geological, finance and legal personnel to identify and evaluate high-quality mineral resources for potential acquisition. Potential acquisition targets will only include non-ferrous metal mines that satisfy our assessment criteria which include, but are not limited to, the following attributes: (i) total resources and reserves; (ii) grade and content of the reserves; (iii) mining life; (iv) investment cost; (v) estimated return on investment; (vi) location; (vii) compliance with applicable PRC laws and regulations, including valid exploration permits, mining permits and/or production safety permits; and (viii) implementation of safe operating conditions and systems and environmental standards.

Expand our resources and reserves through further exploration

We believe that control of or access to high-quality non-ferrous metal resources and reserves is essential to the long-term sustainable development of our business and that increasing our resources and reserves by exploration is the most cost-efficient way to add value to our shareholders. As of October 31, 2011, our exploration cost of Shizishan Mine is RMB27 per tonne of lead equivalent resource (calculated based on the lead, zinc, and silver contained in our JORC measured and indicated resources and the prevailing market price for lead, zinc and silver as of October 31, 2011). We plan to take advantage of the significant exploration potential of the Shizishan Mine and Dazhupeng Mine to increase our resources and reserves. According to the Competent Person's

Report, there is excellent potential to expand the currently defined resources at the Shizishan Mine. We intend to carry out more substantial drillings and exploration at the Shizishan Mine through third-party exploration professionals. To further increase our access to resources and reserves, we plan to expand our current mining permit at the Shizishan Mine to explore the area below the 1,000 m elevation limit which is currently beyond our permitted mining area. In addition to the Shizishan Mine, we have obtained an exploration permit for the Dazhupeng Mine which covers an area of 15.19 sq. km and has a term of three years from April 2011 to April 2014. We expect to complete the exploration works for the Dazhupeng Mine in the second quarter of 2012. Upon completion of the exploration activities at the Dazhupeng Mine and if we consider it beneficial to do so, we plan to apply to the PRC governmental authorities for the relevant mining permit. Pursuant to the relevant PRC laws and regulations and as advised by our PRC legal advisor, we have a right of priority in the obtaining of any mining permit in mining areas that are covered by the exploration permit of the Dazhupeng Mine and there will not be any material legal impediment for us to obtain the mining permit if we meet all relevant conditions and requirements required by relevant PRC laws, regulations and all the competent authorities. As part of our exclusive raw ore supply agreement with Xiangcaopo Mining, we will also assist in its exploration activities at the Lushan Mine.

Pursue technological innovation to improve operational efficiency, mining safety and environmental protection

We intend to enhance our geological research and exploration capabilities and pursue technological innovation in our mining and processing activities. We also plan to utilize information technology to assist in the continuous monitoring and optimization of our operations. We plan to focus our research and development efforts on the following aspects:

- enhancing our geological research and exploration capabilities (including technologies for deep prospecting) to maximize the potential of our existing mines and assist us in identifying and exploring new mines with significant potential;

- improving our mining methods and technologies to minimize mining loss and dilution, increase efficiency, lower mining costs and enhance mining safety and environmental protection; and

- optimizing our processing technologies to improve production efficiency, lower processing cost and enhance product quality.

Strengthen our customer relationships and broaden our customer base

We sell our concentrate products to both smelter customers and concentrate traders who resell them to smelters. Our abundant high-grade polymetallic resources and close proximity to large local smelters has helped us to establish supplier relationships with three large, non-ferrous metal smelters located in Yunnan Province and two credible concentrate traders since April 2011. We intend to maintain and strengthen our relationships with smelters and concentrate traders. Although demand for non-ferrous metal concentrates in Yunnan Province generally tends to be greater than the supply, close relationships with customers provide a significant degree of stability and visibility in demand for our products, allow us to better anticipate the timing of orders and special requests and lower the cost of retaining existing customers as well as the pressure of acquiring new customers. We will also expand the geographical reach of our customer base beyond Yunnan Province.

RAMP-UP PLANS FOR OUR MINING AND PROCESSING CAPACITIES

Overview

We are currently at the commercial production stage of the Shizishan Mine. We started trial production at the Shizishan Mine at the end of July 2011 when we attained a full planned processing capacity of 2,000 tpd and commenced commercial production in October 2011. In August, September and October of 2011, we mined a total of approximately 24,800 tonnes of raw ore and processed a total of approximately 22,690 tonnes of raw ore, out of which we produced approximately 1,035 tonnes and 1,769 tonnes of lead-silver concentrates and zinc-silver concentrates, with an average selling price of approximately RMB9,596 and RMB3,880 per tonne, respectively. During this period, we sold a total of approximately 355 tonnes and 777 tonnes of lead-silver concentrates and zinc-silver concentrates, respectively, to our customers.

We currently have a mining capacity of 700 tpd and are ramping up the construction of the mining facility of the Shizishan Mine to increase our mining capacity to 1,000 tpd in the second quarter of 2012 and 2,000 tpd (our full planned mining capacity) in the fourth quarter of 2012. We commenced construction of the processing facility for the Shizishan Mine in December 2010 and attained its full planned processing capacity of 2,000 tpd at the end of July 2011.

The following table highlights our key development milestones for our ramp-up plan at the Shizishan Mine:

Time	Total Mining Capacity	Total Ore Processing Capacity	Capital Expenditure for Mining Facility	Capital Expenditure for Processing Facility	Capital Expenditure for Land Use Right and Buildings	Total Capital Expenditure	Sources of Funding
	(ktpa)	(ktpa)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	
2009	—	—	6.0	1.3	—	7.3	shareholder's loan
2010	—	—	34.7	48.7	7.2	90.6	shareholder's loan and proceeds from pre-IPO Exchangeable Bonds
2011	48	268	68.5	91.5	20.3	180.3	shareholder's loan, proceeds from pre-IPO Exchangeable Bonds, banking facilities, net proceeds from the Global Offering and operating cash inflow
2012	419	660	120.5	4.5	—	125.0	banking facilities, proceeds from the Global Offering and operating cash inflow
2013	660	660	—	—	—	—	N/A
Total Capital Expenditure .			**229.7**	**146.0**	**27.5**	**403.2**	

The following table illustrates our planned annual concentrates production at the Shizishan Mine from 2011 to 2015, according to the Competent Person's Report:

Products	Unit	2011	2012	2013	2014	2015
Lead-silver concentrate	kt	6.0	65.9	103.8	103.8	103.8
Zinc-silver concentrate	kt	3.7	40.3	63.6	63.6	63.6

We expect to complete the construction of our mining facility at the Shizishan Mine in the fourth quarter of 2012. The majority of our capital expenditure will be spent in 2011 and 2012 as facilities are constructed and equipment is delivered and installed. The development schedule of our ramp-up plan is as follows:

Year	Development Activities/Plan
2010	Commenced preliminary mine and processing facilities construction activities
2011	Completed a substantial part of the mine construction at the Shizishan Mine to attain a mining capacity of 700 tpd in November 2011
	Completed construction of a large ore processing facility with a processing capacity of 2,000 tpd at the end of July 2011 and a tailing storage facility
2012	Continue to ramp-up construction of the Shizishan Mine to attain a mining capacity of 1,000 tpd in the second quarter of 2012 and a full planned mining capacity of 2,000 tpd in the fourth quarter of 2012

Mining Capacity Ramp-up Plan

We are currently at the commercial production stage of the Shizishan Mine with a current mining capacity of 700 tpd. The ramp-up of mining capacity is expected to be completed in the fourth quarter of 2012 when we attain a full planned mining capacity of 2,000 tpd.

We expect to spend a total of RMB229.7 million for this ramp-up plan, including RMB156.8 million for mining infrastructure and RMB72.9 million for mining right and exploration. As of October 31, 2011, our capital expenditure in connection with our ramp-up plan of the mining capacity at the Shizishan Mine totaled RMB96.8 million, including RMB24.1 million for mining infrastructure and RMB72.7 million for mining right and exploration. Such capital expenditure was financed by shareholder's loan, proceeds received from the pre-IPO Exchangeable Bonds and bank borrowings. We expect to spend an additional RMB132.9 million in connection with the ramp-up plan of our mining capacity at the Shizishan Mine, and plan to fund the capital expenditure for this ramp-up of the mining capacity through net proceeds from the Global Offering, proceeds from the pre-IPO Exchangeable Bonds financing, bank borrowings and our operating cash inflow.

Processing Capacity Ramp-up Plan

As part of our ramp-up plan, we have completed the construction of the processing facility at the Shizishan Mine at the end of July 2011 when we attained its full planned processing capacity of 2,000 tpd. We are in the process of expanding the live capacity of Shizishan Mine's tailing storage facility.

We expect to spend a total of RMB146.0 million in connection with our ramp-up plan of the processing capacity for the Shizishan Mine, including RMB118.1 million for processing factory and equipment and RMB27.9 million for the tailing storage facility. As of October 31, 2011, our capital expenditure in connection with our ramp-up plan of the processing capacity for the Shizishan Mine totaled RMB137.6 million, including RMB115.2 million for processing factory and equipment and RMB22.4 million for the tailing storage facility. Such capital expenditures were financed by shareholder's loan, proceeds received from the pre-IPO Exchangeable Bonds financing and bank borrowings. We expect to spend an additional RMB8.4 million in connection with our ramp-up plan of the processing capacity and the tailing storage facility for the Shizishan Mine.

In addition, we also plan to construct a new gravity-selection processing line at the Shizishan Mine ore processing plant to tap into the potentially abundant and stable polymetallic tungsten-tin raw ore supply from the Lushan Mine, which is only approximately 30 km away from the Shizishan Mine. Such processing line is separate from our lead-zinc-silver processing facility at the Shizishan Mine ore processing plant and utilizes the crushing equipment, storage facilities, land, buildings and other supporting facilities of the Shizishan lead-zinc-silver ore processing facility. The gravity-selection processing line is expected to commence commercial production in the third quarter of 2012. For this gravity-selection processing line, we expect to spend a total of RMB41.0 million.

We plan to fund future capital expenditure on the ore processing facility through net proceeds from the Global Offering, proceeds from our pre-IPO Exchangeable Bonds financing, bank borrowings and our operating cash inflow.

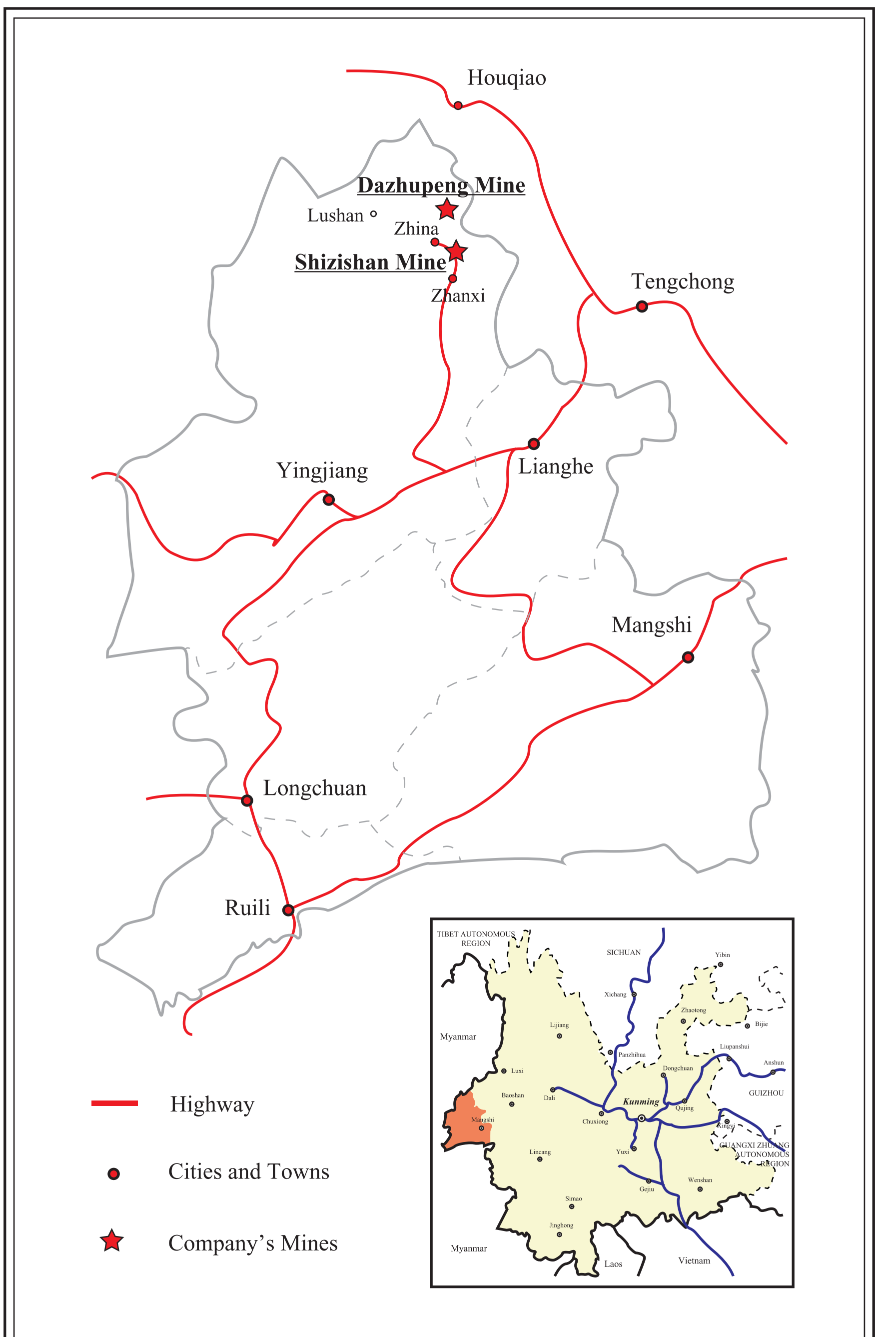
Land Use Right and Buildings

In connection with our ramp-up plan for the Shizishan Mine, we have procured the land use right to three parcels of land with a total area of 115,671 sq.m. used for the construction of the mining, processing, tailing storage and related facilities as well as buildings for general use at the Shizishan Mine. We expect to spend a total of RMB27.5 million for obtaining the land use right and the construction of the buildings, including RMB17.5 million for the land use right and RMB10.0 million for the construction of the buildings. As of October 31, 2011, we spent a total of RMB18.7 million for the land use right and the construction of buildings. We expect to spend an additional RMB8.8 million to fund the capital expenditure for the land use right and the construction of buildings at the Shizishan Mine, and plan to fund these capital expenditure requirements through proceeds from the Global Offering, proceeds received from the pre-IPO Exchangeable Bonds financing, bank borrowings and our operating cash inflow.

OUR MINERAL RESOURCES

Overview

We currently own one operating mine in Yingjiang County, Yunnan Province, the Shizishan Mine. We have also obtained an exploration permit for the Dazhupeng Mine which covers an area of 15.19 sq. km, and has a term of three years from April 2011 to April 2014. The Dazhupeng Mine is located only approximately 20 km away from the Shizishan Mine in Yingjiang County, Yunnan Province. The map below illustrates the geographical locations of the Shizishan Mine and the Dazhupeng Mine in Yingjiang County, Yunnan Province:



We have commissioned the Competent Person to undertake an independent technical review and assessment of the Shizishan Mine and the associated ore processing facility. Please refer to the Competent Person's Report for the details of the findings, reporting standards and scope of work conducted by the Competent Person.

Shizishan Mine

The Shizishan Mine is an underground lead-zinc-silver polymetallic mine located in Yingjiang County of Yunnan Province, China. The Shizishan Mine is only approximately 300 m away from a county road that is approximately 45 km away from Yingjiang County. The Shizishan Mine is only approximately 50 km away from Houqiao railway station, which is located along the planned Kunming-Southeast Asia International Railroad, the construction of which is expected to be completed in 2016. For details of the location of the Shizishan Mine and the surrounding transportation infrastructure, see the map under "— Overview" above. The mining permit for the Shizishan Mine covers an aggregate area of approximately 3.20 sq. km and has a term of 15 years ending in April 2026. We are currently at the commercial production stage of the Shizishan Mine, having commenced construction of the processing facility and the underground mine site of the Shizishan Mine in December 2010 and March 2011, respectively. We commenced trial production at the end of July 2011 when we attained a full planned processing capacity of 2,000 tpd and commenced commercial production in October 2011.

The location of the Shizishan Mine provides us with an optimal mining environment. The favorable geological, weather and mining conditions of the region can allow for the operation of our facilities for most of the year. We source water, a key component in our mining and processing activities, from the Zhina River which is located approximately 1.2 km away from the Shizishan Mine. Our electricity power supply is provided by China Southern Power Grid through its main electric power transmission-line system located approximately 4.5 km away from the processing facility of the Shizishan Mine.

According to the Competent Person's Report, which focused on a limited portion of the permitted mining area of the Shizishan Mine, four main lodes have been identified, with one of which being beyond the elevation limit of our current mining permit. In addition, there are several smaller pods within the permitted mining area of the Shizishan Mine. According to the Competent Person's Report, as of October 25, 2011, the Shizishan Mine had an aggregate of 8,829,000 tonnes of measured and indicated resources, containing 839,000 tonnes of lead metal, 538,500 tonnes of zinc metal and 2,300 tonnes of silver metal (73.9 million ounces), respectively, and an aggregate of 8,024,000 tonnes of proved and probable reserves, containing 745,900 tonnes of lead metal, 477,300 tonnes of zinc metal and 2,000 tonnes (64.3 million ounces) of silver metal in JORC reserves, respectively. The permitted mining area covered by our mining permit for the Shizishan Mine has an elevation limit from 1,000 m to 1,498 m above sea level. A total of 108,800 tonnes of indicated and inferred mineral resources containing 4.67% of lead, 4.43% of zinc and 170.70 g/t of silver are below the 1,000 m elevation limit of our current mining permit. We plan to apply for an extension of the elevation limit of our current mining permit of the Shizishan Mine from the relevant government authority in order to capture the resources below the 1,000 m elevation limit. Our PRC legal advisor has advised us that there is no material legal impediment in obtaining such an extension from the relevant government authority if we meet all relevant conditions and requirements required by relevant PRC laws, regulations and all the competent authorities. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation.

The following table, which is based on Table 2.4-1 in the Competent Person's Report, provides information on the lead-zinc-silver polymetallic resources and the average grade of lead, zinc and silver at the Shizishan Mine as of October 25, 2011:

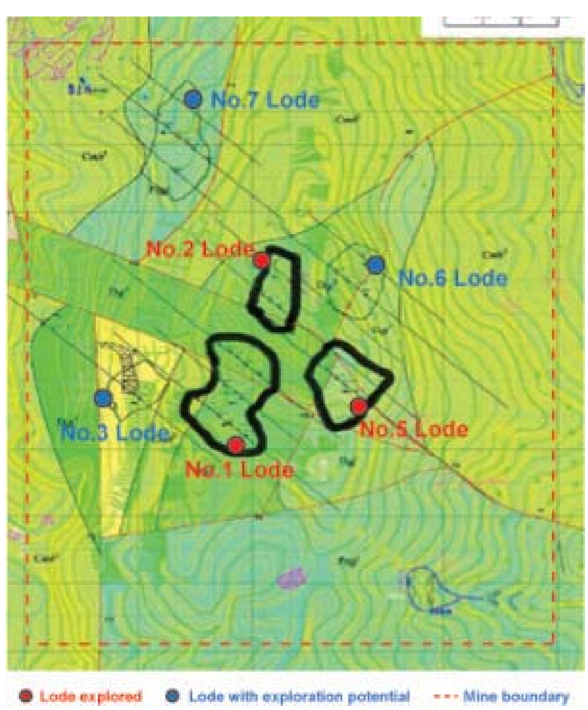
JORC Classification	Quantity(t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Measured	2,431,000	10.9	6.6	271	263,800	160,000	700
Indicated	6,398,000	9.0	5.9	250	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247	39,600	24,500	100
Total	**9,345,000**	**9.4**	**6.0**	**256**	**878,500**	**563,000**	**2,400**

Note: The above indicated and inferred resource data for the Shizishan Mine includes a total of 108,800 tonnes of indicated and inferred mineral resources containing 4.7% of lead, 4.4% of zinc and 171 g/t of silver that are below the 1,000 m elevation limit of our current mining permit.

The following table, which is based on Table 2.5-1 in the Competent Person's Report, provides information on the lead-zinc-silver polymetallic reserves and the average grade of lead, zinc and silver at the Shizishan Mine as of October 25, 2011:

JORC Ore Reserve Classification	Quantity(t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	2,311,000	10.0	6.1	251	231,400	140,400	600
Probable	5,713,000	9.0	5.9	250	514,500	336,900	1,400
Total	**8,024,000**	**9.3**	**6.0**	**250**	**745,900**	**477,300**	**2,000**

According to the Shizishan Detailed Exploration Report, six lead-zinc-silver polymetallic lodes have been discovered in the permitted mining area of the Shizishan Mine. For details of the outline of the permitted mining area of the Shizishan Mine and the locations of the six lodes, see the map below:



According to the Shizishan Detailed Exploration Report, three of these six lodes (being lodes No. 1, No. 2 and No. 5) contain approximately 89% of the total resources at the Shizishan Mine. We have focused our exploration activities on these three lodes, and the Competent Person estimates that these three lodes contain abundant and high-grade lead, zinc and silver resources and reserves. See "— The Shizishan Mine has abundant and high-grade polymetallic resources and reserves." As a result, we believe that, with further exploration at the Shizishan Mine (especially for the remaining three lodes identified in the Shizishan Detailed Exploration Report), there is significant potential to define more lead, zinc and silver resources within our permitted mining area. In addition, according to the Competent Person's Report, mineralization within the Shizishan Mine is open along the strike at both the north and south ends of the current drilling limits. By the date of the Competent Person's Report, only a small portion of the permitted mining area of the Shizishan Mine had been drilled and four main lodes (one of which is beyond the elevation limit of our current mining permit) have been successfully identified as a result of the drillings. Based on these, the Competent Person confirms that there is excellent potential to expand the currently defined resources at the Shizishan Mine with further drilling within the remainder of the permitted mining area.

As of the Latest Practicable Date, no material changes have occurred in the resources and reserves of the Shizishan Mine since the date of the Competent Person's Report included in Appendix V to this Prospectus.

Dazhupeng Mine

Dazhupeng Mine is also located in the Yingjiang County of Yunnan Province and is approximately 20 km away from the Shizishan Mine. We obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km. According to the Dazhupeng Preliminary Survey, the Dazhupeng Mine is a lead-zinc-silver polymetallic mine and has significant exploration potential for identifying lead, zinc, gold and silver resources. The Dazhupeng Preliminary Survey does not contain estimated resources and reserves amounts. Pursuant to the relevant PRC laws and regulations and as advised by our PRC legal advisor, we have a right of priority in the obtaining of the mining permit for the mining areas covered by the exploration permit of the Dazhupeng Mine and there will not be any material legal impediment for us to obtain the mining permit if we meet all relevant conditions and requirements required by relevant PRC laws, regulations and all competent authorities.

We are currently conducting exploration activities at the Dazhupeng Mine and expect to complete such activities in the second quarter of 2012. We did not conduct any exploration activities at the Dazhupeng Mine before we obtained its exploration permit in April 2011. Upon completion of the exploration activities at the Dazhupeng Mine and if we consider it beneficial to do so, we plan to apply to the PRC governmental authorities for the relevant mining permit. If we were to apply for the related mining permit and decide to develop the Dazhupeng Mine, we plan to commence the construction of the Dazhupeng Mine and its related processing facility in the second quarter of 2013 and begin its trial production in the second quarter of 2014. We will prepare a competent person's report for the Dazhupeng Mine and make an announcement on the resources and reserves identified once the exploration and feasibility studies are completed at the Dazhupeng Mine.

On a preliminary basis, we estimate that we may spend a total of RMB225.1 million for the development of the Dazhupeng Mine. We incurred RMB3.2 million of capital expenditure primarily in connection with obtaining the exploration right as of October 31, 2011. Such capital expenditure were financed by shareholder's loan from the Controlling Shareholders, proceeds received from the pre-IPO Exchangeable Bonds financing and bank borrowings. We also anticipate to spend an additional RMB221.9 million of capital expenditure in connection with our exploration and ramp-up plan for the Dazhupeng Mine. We plan to fund such capital expenditure through net proceeds from the Global Offering, proceeds from the pre-IPO Exchangeable Bonds financing, bank borrowings and our operating cash inflow.

LUSHAN MINE AND EXCLUSIVE ORE SUPPLY AGREEMENT

Lushan Mine

The Lushan Mine is a tungsten-tin polymetallic mine. Xiangcaopo Mining, an Independent Third Party, obtained a three-year exploration permit on January 1, 2010 to conduct exploration activities at the Lushan Mine. The Lushan Mine is located in Yingjiang County of Yunnan Province and is only approximately 30 km away from the Shizishan Mine. The exploration area designated in the exploration permit of the Lushan Mine covers an aggregate area of approximately 81.55 sq. km. Xiangcaopo Mining expects to complete its first phase exploration activities at the Lushan Mine in the first quarter of 2012. It will continue to conduct exploration activities for the remaining areas of the Lushan Mine covered by its exploration right certificate in 2012. It expects to commence its polymetallic raw ore supply to us from the third quarter of 2012 and expects to complete the entire exploration activities for the Lushan Mine in the first quarter of 2013.

Xiangcaopo Mining will apply to the PRC governmental authorities for a mining permit upon the completion of exploration activities at the Lushan Mine in 2012. Pursuant to PRC laws and regulations and as advised by our PRC legal advisor, Xiangcaopo Mining has a right of priority in the grant of the relevant mining permit for the areas covered by the exploration permit and there will not be any material legal impediment for it to obtain the mining permit if it meets all relevant conditions and requirements required by relevant PRC laws, regulations and all competent authorities, such as preparing for the mineral resources development and utilizing plan, going through the mineral reserve review and submitting the application and other documents. Xiangcaopo Mining does not anticipate any difficulty in meeting such conditions and requirements. Xiangcaopo Mining may also apply to the PRC governmental authorities for renewal of the existing exploration permit if such exploration permit expires before it completes the entire exploration activities for the Lushan Mine. Pursuant to the relevant PRC laws and regulations and as advised by our PRC legal advisor, there will not be any material legal impediment for it to renew the exploration permit if it meets all relevant conditions and requirements required by relevant PRC laws, regulations and all competent authorities, such as submitting the renewal application, the implementation plan on the mineral resources exploration and other documents.

Under the exclusive supply agreement, Xiangcaopo Mining undertakes to supply us an annual amount of no less than 120 kt, 240 kt, and 330 kt, respectively, in 2012, 2013 and 2014, based on its currently estimated level of ore output. According to the Lushan Preliminary Exploration Report, which focused on an aggregate area of approximately 1.73 sq. km, nine mineral veins of tungsten, two mineral veins of tin and 0.3 sq. km of stream tin have been discovered at the Lushan Mine as of January 1, 2011, and there is significant exploration potential for identifying other metal resources such as bismuth, lead and cadmium. As part of our technical due diligence to verify the exploration potential of the Lushan Mine, we have conducted geological survey and preliminary exploration at the Lushan Mine. To date, a total of 16 channel samples have been collected from the old workings and a total of 37 drill holes for approximately 8,035 m of drilling has been completed. The following table shows the sampling results from historical working and the assaying results of the recent drilling:

Lushan Mine — Sampling Results from Historical Workings (>0.5% WO_3)

Sample ID	Northing	Easting	Elevation	Vein Width (m)	WO3 (%)
LD01-H1	2,790,534	33,404,538	2,271	0.45	1.47
LD02-H1	2,790,640	33,404,545	2,323	0.65	0.76
LD02-H3	2,790,654	33,404,548	2,323	0.75	0.54
LD02-H4	2,790,664	33,404,551	2,323	0.40	0.58
LD02-H6	2,790,693	33,404,557	2,323	0.50	0.76
LD09-H1	2,791,282	33,404,851	2,343	0.15	2.65
LD12-H2	2,790,913	33,404,738	2,328	0.10	0.68
LD16-H1	2,790,496	33,404,286	2,213	0.25	3.32

Lushan Mine — Drilling Assaying Results (20.5% WO_3)

Hole ID	Depth From (m)	Depth To (m)	Down hole Length (m)	WO_3 (%)
ZK1001-1	20.7	23.1	2.4	0.85
ZK1001-1	44.1	44.4	0.3	0.70
ZK1001-1	45.6	45.9	1.3	0.54
ZK1101-1	100.6	101.1	0.5	0.90
ZK1101-1	139.9	140.1	0.2	0.63
ZK1201-2	213.3	216.4	3.2	0.64
ZK1202-1	84	85.1	1.1	0.50
ZK1202-2	119.1	119.4	0.3	0.50
ZK1302	122.5	123.45	0.95	1.34
ZK1301	101.15	101.35	0.2	1.84
ZK1303	40.8	43.0	2.2	0.56
ZK1303	132.4	133.4	1.0	0.79
ZK1304-1	73.5	74.2	0.7	0.65
ZK1304-1	142.7	143.7	1.0	0.67
ZK1401-1	73.2	73.9	0.7	0.43
ZK1401-1	108.3	110.6	2.3	0.54
ZK1401-1	175.6	176.3	0.7	0.60
ZK1401-1	187.6	188.2	0.7	0.91
ZK1401-2	11.8	14.8	3.0	0.84
ZK1401-3	29	33.5	4.5	2.98
		including		
ZK1401-3	29.7	30.7	1.0	4.79
ZK1401-3	31.7	32.7	1.0	7.30
ZK1401-3	66	66.6	0.6	0.60
ZK1401-3	68.8	70.8	2.0	0.75
ZK1501	36.5	37.1	0.6	0.74
ZK1601-1	27	28.0	1.1	0.60
ZK1601-1	51.2	52.0	0.8	0.70
ZK1601-1	145	145.7	1.0	0.70
ZK1601-2	53.3	65.8	0.7	0.90
ZK1601-2	65.1	65.8	0.8	1.10
ZK1601-2	83.2	85.4	2.2	0.93
ZK1601-3	32.8	35.0	2.2	0.75
ZK1601-3	53.9	54.9	1.0	0.90
ZK1601-3	125.1	126.3	1.2	0.96
ZK1601-3	136.3	137.3	1.0	0.50

As part of our technical due diligence, we engaged Minarco to conduct an independent technical review on the exploration results of the Lushan Mine and issue the Lushan Geological Report. According to the Lushan Geological Report, the results of the drill holes, geological logging and underground sampling of the Lushan Mine have been highly encouraging to date, and clearly highlight the exploration potential within the exploration permit. Although the data to date is yet to meet the recommendations of the JORC Code for drilling and sampling methodology, with successful completion of the exploration, it is highly likely a significant mineral resource will be defined within the exploration limits of the Lushan Mine. The drilling and sampling will also likely result in further identification of mineralization along strike of the known mineralization.

We believe that, with further exploration at the Lushan Mine (especially for the remaining area of approximately 80.15 sq. km), there is significant potential to define more polymetallic resources within the scope of the Lushan Mine's exploration permit.

Exclusive Ore Supply Agreement

We currently do not hold any equity interests in the Lushan Mine. In line with our vision to be a leading non-ferrous metal pure mining company in China and in order to leverage on our transferable experience and skills of processing lead-zinc-silver ore, we entered into an exclusive ore supply agreement on December 31, 2010 (as amended) with Xiangcaopo Mining and Li Jincheng. Pursuant to such exclusive ore supply agreement, Xiangcaopo Mining agreed to supply all its polymetallic tungsten-tin raw ore mined from the Lushan Mine to us on an exclusive basis. Unless we request for an earlier termination, the exclusive ore supply agreement will expire upon the later of (a) the 15th anniversary of the effective date of the agreement or (b) the expiration of Lushan Mine's exploration permit and mining permit (which may be renewed upon expiration). In addition, we have the sole discretion to extend the term of the exclusive ore supply agreement, if we so request, before the expiration of its term. We believe that our exclusive supply agreement with the Lushan Mine offers us a stable long-term supply of raw polymetallic ore. The prefixed pricing of such exclusive tungsten-tin raw ore supply also enables us to capitalize on any potential increase in the market price of tungsten and tin.

Pursuant to the exclusive ore supply agreement, Xiangcaopo Mining agrees to supply all its raw ore to us in accordance with purchase orders to be issued by us from time to time. Xiangcaopo Mining to supply us an annual amount of at least 120 kt, 240 kt and 330 kt of tungsten-tin raw ore with an average grade of no less than 0.6% for tungsten and an average grade of no less than 0.4% for tin in 2012, 2013 and 2014. The purchase price during the first five years for tungsten-tin raw ore is RMB260/t. Such prefixed price was determined based on arms-length negotiations among the parties after taking into account the prevailing market price of tungsten concentrate which is usually 65% grade and tin concentrate which is usually 45%-55% grade according to the Hatch Report and the estimated normal costs for processing tungsten-tin raw ore with 0.6% tungsten grade and 0.4% tin grade, according to the minimum grade undertaken in the Lushan Mine exclusive supply agreement, into concentrate. As of December 2010, when the raw ore supply agreement was executed, the prevailing market price of tungsten concentrate and tin concentrate was RMB108,500/t and RMB80,582/t (calculated based on tin metal price of RMB161,163/t and concentrate grade of 50%), respectively. After the end of the fifth year, we will negotiate with Xiangcaopo Mining for a new purchase price taking into account the impact of inflation.

Pursuant to the exclusive ore supply agreement, we made a prepayment of RMB18 million in December 2010 to Xiangcaopo Mining for the purchase of the raw ore and agreed to pay any remaining purchase price within 10 days upon receipt of the raw ore. The prepayment amount represented approximately 49% of the purchase price for the total raw ore to be supplied by Xiangcaopo Mining by the end of 2012 pursuant to the delivery schedule under the exclusive ore supply agreement. We may adjust the order amount or delivery schedule for the raw ore procured from Xiangcaopo Mining and purchase ore for tungsten, tin or any another minerals from any other third parties at our sole discretion. Given the long-term nature of our exclusive raw ore supply arrangement with Xiangcaopo Mining and to support the exploration and development of the Lushan Mine, and secure from it raw ore supply in a timely manner, we agreed, pursuant to a loan agreement (as amended) entered into between Li Jincheng and us, to provide up to a total amount of RMB80.0 million interest-free loans to Li Jincheng. Pursuant to the aforementioned arrangement, as of October 31, 2011, we had provided interest-free loans of RMB72.6 million to Li Jincheng. As of October 31, 2011, the total prepayment, interest-free loans and other receivables we made to the Xiangcaopo Mining and Li Jincheng was RMB90.6 million. We have conducted the necessary due diligence and market analysis before entering into the exclusive raw ore supply arrangement and interest-free loan arrangement with Xiangcaopo Mining. Based on our knowledge and discussions with other industry players, technical experts and private tungsten-tin mine owners in Yunnan Province, we believe such prepayment and interest-free loan arrangement under the exclusive raw ore supply agreement are on normal commercial terms and consistent with industry norm. As advised by our PRC legal advisor, the provision of such loan by us to Li Jincheng does not violate the PRC laws and regulations, including the General Lending Provisions ("貸款通則") as the provision of the loans among companies are prohibited under the PRC laws and regulations, since Li Jincheng is an individual, the provision of the interest-free loan by the Company to Li Jincheng is not prohibited under the PRC laws and regulations. We may elect to provide additional financing and technical support to the exploration and mining activities of the Lushan Mine. For risks relating to our exclusive ore supply arrangement with Xiangcaopo Mining and the prepayment, interest-free loans and other receivables made by us to Xiangcaopo Mining and Li Jincheng, please see "Risk Factors — Risks Relating to Our Business and Industry — Our business, financial condition and results of operations may be adversely affected if Xiangcaopo Mining fails or refuses to perform the agreed upon transaction with us or if our exclusive supply agreement with Xiangcaopo Mining fails to yield anticipated benefits."

Xiangcaopo Mining also undertakes to us in the exclusive supply agreement, among others, that (i) it will not supply raw ore for tungsten, tin or any another minerals that may be mined from the Lushan Mine to any other parties without our prior consent; (ii) it will unconditionally make adjustments and bear any losses arising therefrom to accommodate any order amount or delivery schedule adjustments made by us; (iii) upon our request, it will enter into similar exclusive supply agreements with us for any other minerals that may be extracted from the Lushan Mine in the future; (iv) it will not sell, transfer, pledge or dispose of its assets, business or interests of the Lushan Mine, without our prior consent, and we have a preemptive right to purchase such assets, business or interest; (v) it will not enter into any contract with contract price of RMB1.0 million or more which is not in the ordinary course of business without our prior consent, (vi) it will pledge its exploration permit (or mining permit after it obtains in the future) for the Lushan Mine to us to secure the performance of its obligations under the exclusive supply agreement and (vii) the tungsten and tin resources that are category 332 and above are no less than 100 kt (in terms of metal contained).

In connection with the exclusive supply agreement, Li Jincheng pledged 100% of his equity interests in Xiangcaopo Mining to us in May 2011. Li Jincheng also entered into a guarantee agreement with us on July 7, 2011. Pursuant to such guarantee agreement, Li Jincheng agrees to guarantee Xiangcaopo Mining's performance of its duties under the exclusive ore supply agreement, including Xiangcaopo Mining's refund of any prepayment amount advanced by us if Xiangcaopo Mining defaults in its raw ore supply to us. Based on the exploration potential of the Lushan Mine indicated in the Lushan Geological Report and the tungsten and tin resources amount of not less than

100 kt (in terms of metal contained) contained in the Lushan Mine that Xiangcaopo Mining undertakes to us in the exclusive supply agreement, with reference to the prevailing market price of tungsten concentrate and tin concentrate of approximately RMB140,400 and RMB91,584/tonne (calculated based on tin metal price of RMB183,167 and concentrate grade of 50%), respectively, in October 2011, we believe the estimated value of pledged equity interests in Xiangcaopo Mining exceeds the total sum of RMB90.6 million of prepayment, interest-free loans and other receivables made by us to Xiangcaopo Mining and Li Jincheng as of October 31, 2011.

Gravity-selection Processing Line

In line with our vision to be a leading non-ferrous metal pure mining company in China and in order to leverage on our transferable experience and skills of processing lead-zinc-silver ore, we plan to construct a new gravity-selection processing line at the Shizishan Mine ore processing plant to process the tungsten-tin raw ore supply from the Lushan Mine. Such processing line is separate from our lead-zinc-silver ore processing facility at the Shizishan Mine ore processing plant and utilizes the crushing equipment, storage facilities, land, buildings and other supporting facilities of the Shizishan lead-zinc-silver ore processing facility. We expect to commence the construction of the gravity-selection processing line in the first quarter of 2012. The gravity-selection processing line is expected to commence commercial production in the third quarter of 2012. We expect to spend a total of RMB41.0 million for the construction of this gravity-selection processing line.

OUR AGREEMENT AND OPTION TO ACQUIRE ADDITIONAL MINE ASSETS

Liziping Mine

We entered into a share transfer agreement on June 9, 2011 (as amended) with Song Denghong (an Independent Third Party), the owner of the Liziping Company which owns the exploration right to the Liziping Mine, a lead-zinc-silver polymetallic mine located approximately 700 km away from the Shizishan Mine in Yunnan Province. Liziping Mine's exploration permit covers an area of 18.29 sq.km. and has a validity term from December 29, 2010 to December 29, 2012. Pursuant to such agreement, we conditionally agreed to purchase 90% equity interests in the Liziping Company from Song Denghong. As of the date of this Prospectus, the acquisition of the Liziping Mine have not been completed, and we currently expect to complete such acquisition in May 2012 upon fulfillment of the relevant conditions. The consideration payable for the 90% equity interests of the Liziping Company will be determined based on the estimated amount of lead and zinc resources of the Liziping Mine, and will in any event be no less than RMB216 million and no more than RMB756 million. Such price range was determined based on arms-length negotiations between the parties by reference to both parties' estimation of Liziping Mine's potential resources and a unit price range of RMB400 to RMB560 per ton of lead and zinc metal. The unit price range was determined as a result of arms-length business negotiation between Song Denghong and us after taking into account the outcome of our internal assessment procedure (including the estimated return on investment) for the Liziping Mine and was not referenced to any specific prevailing market price or benchmark. According to the share transfer agreement, an Independent Third Party exploration entity should be engaged to issue an exploration report, and a professional resources appraisal entity to be jointly designated by Song Denghong and us will review such exploration report. The amount of lead and zinc resources stated in the final reviewed exploration report will be used to determine the final consideration for the 90% equity interests of the Liziping Company.

Under the share transfer agreement, Song Denghong undertakes to us that the lead and zinc resources of the Liziping Mine are not less than 1,000 kt in terms of metal contained. According to the Competent Person's Report, the Competent Person considers the likelihood of the definition of resources in the area of the Liziping Mine that will be drilled to be high and the mineralization tenor and geometry observed likely to be continuous. The Competent Person also considers the potential identification of the mineralized structures at depth to be encouraging for future exploration and the likelihood for discovery of significant mineralization at depth to be likely.

In order to secure the performance of the share purchase agreement, Song Denghong pledged his entire interest in the Liziping Company to us. We had paid RMB100.0 million as of October 31, 2011 primarily in connection with the deposit of partial purchase price to acquire the Liziping Mine and will make a further deposit of RMB20 million by the end of 2011. The remainder of the total consideration will be paid within five business days upon both parties' determination of the total consideration amount based on the final reviewed exploration report. Based on the exploration potential of the Liziping Mine indicated in the Competent Person's Report and the lead and zinc resources of not less than 1,000 kt (in terms of metals contained) contained in the Liziping Mine that the Liziping Company undertakes to us in the share transfer agreement, with reference to the market price of lead and zinc of approximately RMB14,938 and RMB16,219, respectively, in October 2011, we believe that the estimated value of pledged equity interests in the Liziping Company exceeds RMB100.0 million of the total sum of deposit made by us for the acquisition of the Liziping Mine as of October 31, 2011.

Pursuant to the share transfer agreement, if (i) the lead and zinc resources of the Liziping Mine are less than 300 kt (in terms of metal contained) according to the final reviewed exploration report or (ii) we are not satisfied with the results of our legal due diligence or audit on the Liziping Company and/or the Liziping Mine, we have the right to unilaterally terminate the share purchase agreement and Song Denghong shall refund all the deposit and payments made and all the exploration expenses incurred by us.

Pursuant to the share transfer agreement, Liziping Company engaged Regional Geological Survey Team, Sichuan Bureau of Geological Exploration and Exploration of Mineral Resources (四川省地質礦產勘查開發局川西北地質隊), an Independent Third Party exploration entity, to conduct exploration activities at the Liziping Mine in July 2011. Upon completion of the portion of the exploration activities at the Liziping Mine agreed to between the parties when the final reviewed exploration report for the purpose of acquisition can be prepared, if the lead and zinc resources are no less than 300kt (in terms of metal contained) according to the final reviewed exploration report and other conditions set forth in the share transfer agreement are satisfied, we will complete the acquisition and apply to the PRC governmental authorities for the relevant mining permit for the Liziping Mine. Such acquisition is currently expected to be completed in May 2012. The remaining exploration activities are currently expected to be completed in the third quarter of 2012. If we were to complete the acquisition of the Liziping Mine, we plan to commence the construction of the Liziping Mine and its related processing facility in the second quarter of 2013 and begin its trial production in the fourth quarter of 2013.

We currently expect to spend a total of RMB900.0 million for the acquisition and development of the Liziping Mine. We had paid RMB100.0 million primarily in connection with the deposit of partial purchase price to acquire the Liziping Mine as of October 31, 2011. Such deposit was financed by shareholder's loan from the Controlling Shareholders, proceeds received from the pre-IPO Exchangeable Bonds financing and bank borrowings. We expect to spend an additional RMB790.3 million in connection with our acquisition, exploration and development plan for the Liziping Mine. We plan to fund the capital expenditure for the development of the Liziping Mine and its related mining and processing capacity through proceeds from the Global Offering, proceeds from the pre-IPO Exchangeable Bonds financing, bank borrowings and our operating cash inflow.

Given that the Liziping Mine is only at the preliminary exploration stage and we have not yet completed our acquisition of the Liziping Mine, our development and capital expenditure plan for the Liziping Mine is only a preliminary plan based on our current estimation of the exploration potential at the Liziping Mine, and may be substantially adjusted after the exploration activities at the Liziping Mine is completed in the third quarter of 2012. Such plan is subject to the final reviewed exploration report and conclusions from the Liziping Mine's feasibility study, and is further subject to the satisfaction of all the conditions to close the acquisition as stipulated in the share transfer agreement. The transaction under the share transfer agreement will only be completed subject to satisfactory result of due diligence and exploration activities. The final consideration has not yet been fixed and may vary between RMB216 million and RMB756 million depending on the amount of resources. We will prepare and issue to shareholders a competent person's report on the resources information of the Liziping Mine upon completion of the acquisition of, and exploration at, the Liziping Mine. We will comply with all requirements under the Listing Rules (including Chapter 14) for the completion of the acquisition of the Liziping Mine.

Dakuangshan Mine

We entered into an option agreement on May 21, 2011 (as amended) with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion, within a period of 18 months starting from May 2011. This option agreement provides us with an important opportunity to quickly expand our polymetallic resources in the future.

The Dakuangshan Mine is located approximately 100 km from the Shizishan Mine. The mining permit for the Dakuangshan Mine covers an area of 1.56 sq. km. Such mining permit is currently in the process of being renewed. The Dakuangshan Company has been conducting small-scale mining operation since 2001 when it obtained the initial mining permit for the Dakuangshan Mine for an initial term of four years, and has a current mining capacity of approximately 500 tpd and processing capacity of approximately 100 tpd. It later successfully renewed such mining permit in 2007 for a term of four years. As advised by our PRC legal advisor, there will not be any material legal impediment to renew the mining permit if the Dakuangshan Company meets all relevant conditions and requirements required by relevant PRC laws, regulations and all the competent authorities, such as proof of residual resources at the Dakuangshan Mine, and submission of illustration of mine development status and other required documents.

We have engaged an Independent Third Party exploration company to conduct exploration of the Dakuangshan Mine before we decide to exercise the option. The resources estimate of such Independent Third Party exploration company will be used to determine the consideration for the acquisition of the Dakuangshan Mine. The consideration for the 90% equity interests in the Dakuangshan Company will be determined based on the lead and zinc metals contained in the estimated resources of the Dakuangshan Mine that are category 332 and above at a price not less than RMB500/t and not more than RMB700/t and will not exceed RMB145.0 million. Such purchase price was determined as a result of arms-length negotiation between Xi Wanli and us after taking into account the outcome of our internal assessment procedure (including the estimated return on investment) for the Dakuangshan Mine.

Xi Wanli has made certain undertakings, warranties and covenants to us, including but not limited to: (i) with respect to metals contained, the estimated aggregate resources for lead and zinc of the Dakuangshan Mine are no less than 400 kt, and the grades for lead, zinc and silver of the Dakuangshan Mine are no less than 3%, 7% and 50 g/t, respectively; (ii) the Dakuangshan Company is the legitimate holder of a valid mining permit for the Dakuangshan Mine, and the mining right is free and clear from any encumbrance or third-party claims; (iii) within the option period, he will not enter into any agreement to transfer his equity interest in the Dakuangshan Company or the mining permit for the Dakuangshan Mine to any third party, or initiate any negotiation, consultation, or discussion in connection with such transfer with any third party; and (iv) if he proposes to transfer the 90% equity interests in the Dakuangshan Company to any third party after the expiration of the option period, we have a right of first refusal with respect to the proposed transfer on the same terms and conditions. As advised by our PRC legal advisor, the terms of this option agreement are legal, valid and enforceable in accordance with the relevant PRC laws and regulations.

Xi Wanli pledged 50% of his equity interests in the Dakuangshan Company that owns the Dakuangshan Mine to us on July 29, 2011 to secure the performance of the option agreement. We did not pay any consideration for the option. We made a fully refundable good-faith deposit of RMB40.0 million to the Dakuangshan Company as of October 31, 2011. Pursuant to the option agreement, if the option is not exercised, such good-faith deposit shall be refunded to us in full. Based on the lead and zinc resources of not less than 400 kt (in terms of metals contained) contained in the Dakuangshan Mine that the Dakuangshan Company undertakes to us in the option agreement, with reference to the market price of lead and zinc of approximately RMB14,938 and RMB16,219, respectively, in October 2011, we believe that the estimated value of pledged equity interests in the Dakuangshan Company exceeds RMB40.0 million of the total sum of good-faith deposit made by us as of October 31, 2011.

We commenced exploration activities at the Dakuangshan Mine in September 2011, which are expected to be completed in the first quarter of 2012. We undertake such exploration activities as part of our due diligence for the purpose of determining whether we will exercise our option to acquire the Dakuangshan Mine under the option agreement. Upon completion of the exploration activities at the Dakuangshan Mine, if we are satisfied with the amount of resources in the Dakuangshan Mine and the other conditions set forth in the option agreement are met, we may elect at our discretion to exercise the option to acquire the Dakuangshan Mine. The Dakuangshan Mine has a current mining capacity of approximately 500 tpd and a current processing capacity of approximately 100 tpd. If we were to elect to exercise the option, we plan to renovate and upgrade the existing mining and processing facilities of the Dakuangshan Mine to increase its processing capacity.

Based on preliminary estimates, if we were to elect to exercise the option, we expect to spend a total of RMB241.0 million for the acquisition and development of the Dakuangshan Mine. We incurred RMB12.6 million of capital expenditure relating to the Dakuangshan Mine and made a good-faith deposit of RMB40.0 million as of October 31, 2011. Such capital expenditure and good-faith deposit were financed by shareholder's loan from the Controlling Shareholders, proceeds received from the pre-IPO Exchangeable Bonds financing and bank borrowings. We expect to spend an additional RMB188.4 million in connection with our acquisition, exploration and development plan for the Dakuangshan Mine, if we decide to exercise such option. We plan to fund the capital expenditure for the possible acquisition and ramp-up of the mining and processing capacity of the Dakuangshan Mine through proceeds from the Global Offering, proceeds from the pre-IPO Exchangeable Bonds financing, bank borrowings and our operating cash inflow.

Given that we have not exercised our option to acquire the Dakuangshan Mine, the foregoing development and capital expenditure plan for the Dakuangshan Mine is only a preliminary plan based on our current estimation of the exploration potential at the Dakuangshan Mine, is subject to our final decision to exercise the option to acquire the Dakuangshan Mine, and may be substantially adjusted after the exploration activities and feasibility study of the Dakuangshan Mine are completed. In addition, if we decide to exercise our option, the terms of purchase would be subject to further negotiations with Xi Wanli and such purchase will comply with the applicable requirements of the Listing Rules. In particular, upon completion of the exercise of the option to acquire the Dakuangshan Mine, we will comply with applicable laws and approval requirements stipulated under the Listing Rules at the time of the exercise of the option and the relevant size tests will be applied pursuant to the Listing Rules accordingly. We will prepare and issue to shareholder a competent person's report on the resources information of the Dakuangshan Mine upon completion of the acquisition of, and exploration at, the Dakuangshan Mine. We will also comply with all requirements under the Listing Rules (including Chapter 14) for the exercise of the option.

MINING RIGHTS, EXPLORATION PERMIT AND PRODUCTION SAFETY PERMIT

Under PRC laws and regulations, mining companies must obtain, among other things, a mining permit and a production safety permit for a mining site prior to commercial production. The production safety permit can be obtained only after the mining permit is granted. Mining companies must also obtain an exploration permit prior to obtaining a mining permit in order to conduct exploration activities to determine if a potential mining area is commercially feasible. For additional information about the related PRC laws and regulations, see the section entitled "PRC Laws and Regulations" in this Prospectus.

We obtained an initial mining permit for the Shizishan Mine in February 2010 and a renewed mining permit in April 2011. We obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km. The following table summarizes the information related to our mining permit and production safety permit for the Shizishan Mine and our exploration permit for the Dazhupeng Mine:

Name of Mine	Type of Permit	Type of Mine	Mining Method	Production Scale (tpa)	Area (sq. km)	Permit Holder	Validity Period
Shizishan Mine	Mining	lead, zinc, silver	Underground mining	450,000	3.20	Kunrun	From April 6, 2011 to April 5, 2026
	Production safety permit for mining activities	lead, zinc, silver	Underground mining	—	—	Kunrun	From May 10, 2011 to May 10, 2014
	Production safety permit for tailing storage facility	—	—	—	—	Kunrun	From October 14, 2011 to October 14, 2014
Dazhupeng Mine	Exploration	lead, zinc, silver	—	—	15.19	Kunrun	From April 26, 2011 to April 26, 2014

Mining Permit

In May 2009, we entered into an agreement with Tengchao Mining Factory, an Independent Third Party, to acquire the mining rights for the Shizishan Mine for a total consideration of RMB9.0 million. Such consideration was arrived at after arms-length negotiations between us and Tengchao Mining Factory based on the then estimated lead and zinc metal resources at the Shizishan Mine indicated in a resource report prepared by an Independent Third Party exploration entity in October

2004 and after taking into account the potential of the Shizishan Mine that may be discovered after further detailed exploration is carried out by us after the acquisition. Both parties decided to use the October 2004 resource report as the basis for determination of the consideration because they considered the report to be reliable at that time. The transfer of the mining rights for the Shizishan Mine was approved by the Yunnan Land and Resources Department in January 2010. We obtained a mining permit under our name for the Shizishan Mine in February 2010 which covers the mining of lead and zinc, has an approved production scale of 300 ktpa and a valid period of 14 months that ended on April 5, 2011 (i.e. the balance valid period of the original mining permit held by Tengchao Mining Factory). Prior to the expiration of the mining permit in April 2011, we successfully renewed our mining permit in March 2011 for a term of 15 years ending in April 2026. The renewed mining permit expands the mineral coverage to the mining of silver and expands the approved production scale of the Shizishan Mine to 450 ktpa. Our renewed mining permit for the Shizishan Mine covers an area of 3.20 sq. km with an elevation limit from 1,000 m to 1,498 m above sea level.

According to the Competent Person's Report, there is a total of 108,800 tonnes of indicated and inferred mineral resources containing 4.67% of lead, 4.43% of zinc and 170.70 g/t of silver below the 1,000 m elevation limit of our current mining permit. We plan to apply for an extension of the elevation limit of our current mining permit of Shizishan Mine from the relevant government authority in order to capture the resources below the 1,000 m elevation limit. Our PRC legal advisor advised us that there will not be any material legal impediment to obtaining such extension from the relevant government authority if we meet all relevant conditions and requirements required by the relevant PRC laws, regulations and all the competent authorities. We also plan to apply for an updated mining permit for the Shizishan Mine to expand the approved production scale of the Shizishan Mine from the currently approved 450 ktpa to 660 ktpa. Our PRC legal advisor advised us that, there will not be any material legal impediment in obtaining an updated mining permit from the relevant government authority if we meet all relevant conditions and requirements, required by relevant PRC laws, regulations and all the competent authorities. Such conditions and requirements include but are not limited to preparing for the mineral resources development and utilizing plan, issuance of required opinions by the environmental protection authorities and safety production authorities and submission of the required application.

In addition, under PRC laws and as advised by our PRC legal advisor, if residual resources remain after the expiration of the mining permit, the holders of such mining permit are entitled to apply for extensions for an additional term. As advised by our PRC legal advisor, as long as the Shizishan Mine has residual resources upon expiration of the mining permit, we are permitted to apply for renewal of our mining permit. We plan to continue to renew our mining permit for the Shizishan Mine. Our PRC legal advisor also advised that there will not be any material legal impediment to renewing our mining permit in the future if we meet all relevant conditions and requirements required by relevant PRC laws, regulations and all the competent authorities, such as proof of residual resources, submission of an the application, the illustration of mine development status and other documents. We do not anticipate any difficulty in meeting such conditions and requirements.

In April 2011, we mortgaged our mining right to the Shizishan Mine to Agricultural Bank of China to secure banking facilities amounting to RMB130.0 million, which has been completely drawn down as of September 30, 2011. Such mining right mortgage will be released upon repayment of all borrowings under the banking facilities.

Exploration Permit

We won the public bid for the exploration right to the Dazhupeng Mine organized by the Yunnan Land and Resources Department on July 1, 2010. We signed a Mine Exploration Right Grant Agreement with respect to the exploration right for the Dazhupeng Mine with the Yunnan Land and Resources Department on July 12, 2010 and paid the exploration right fee of RMB2.02 million (which was the highest bid price determined through the public bid process) pursuant to the agreement. We consider such bid price to be attractive because (a) the Dazhupeng Mine is adjacent to the Shizishan Mine and has a larger area of 15.19 sq. km, and we believe the Dazhupeng Mine contains sizable polymetallic ore resources; (b) we conducted our own due diligence including assignment of our geological experts to the Dazhupeng Mine prior to the bid who identified signs of polymetallic resources in the area; and (c) the bid price of RMB2.02 million was relatively low, and as a result we considered the potential loss for any failure of the exploration at the Dazhupeng Mine as relatively low. We obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km.

Upon completion of exploration activities in the Dazhupeng Mine and if we obtain satisfactory exploration results and consider it beneficial to do so, we plan to apply to the PRC governmental authorities for a mining permit for the Dazhupeng Mine. Pursuant to PRC laws and regulations and as advised by our PRC legal advisor, we have a right of priority in the obtaining of the relevant mining permit for the areas covered by the exploration permit and there will not be any material legal impediment for us to obtain the mining permit if we meet all relevant conditions and requirements required by relevant PRC laws, regulations and all competent authorities, such as preparing for the mineral resources development and utilizing plan, going through the mineral reserve review and submitting the application and other documents. We do not anticipate any difficulty in meeting such conditions and requirements.

Production Safety Permits

As advised by our PRC legal advisor, we have obtained the requisite production safety permit for the Shizishan Mine as required by the applicable PRC laws and regulations. The production safety permit for our mining activities at the Shizishan Mine was issued for our mining operation on May 10, 2011 for a term of three years. The production safety permit for the tailing storage facility at the Shizishan Mine was issued on October 14, 2011 for a term of three years. We plan to renew the production safety permits upon their expiration. Our PRC legal advisor has advised that there will not be any material legal impediment in renewing the production safety permits required for our mine operations at the Shizishan Mine in the future if we meet all relevant conditions and requirements required by relevant PRC laws, regulations and all the competent authorities, such as complying with related safety production requirement for safety related investment, safety qualifications for persons in charge of safety production and submission of the original production safety permit and other documents. We believe there is no difficulty for us to meet these legal conditions and requirements.

OUR EXISTING OPERATIONS AND FACILITIES

Overview

We are a pure mining company focusing on operating non-ferrous metal mines and producing and selling concentrate products. We are primarily engaged in the following key activities with respect to our mineral resources:

- *Overall Management* — Although we outsource substantially all of our exploration, mine construction and mining works to third-party contractors, our staff manage and supervise the overall development of our mineral resources and the mineral quality in order to ensure that third-party contractors meet our quality, production safety and environmental protection standards. Our third-party contractors receive payments for performing specific tasks that they undertake and do not have any economic interest in our mineral resources. Please refer to the subsection headed "— Third-Party Contractors" below for more information;

- *Exploration* — Our exploration activities are focused on expanding the exploration and drilling of our existing mines to optimize their output potential and actively seeking new exploration opportunities with high potential. We have a specialized and dedicated exploration team, comprising of experienced geologists and engineers to identify exploration and to assess the prospect, scale, nature and timing of the exploration activities for each specific exploration target. After we identify the exploration opportunities and obtain the requisite exploration rights, we engage a professional third-party exploration company with the requisite experience and qualifications to carry out the actual exploration work. Our exploration team actively supervises and monitors the third-party exploration company to ensure that the exploration work is carried out on time, on budget and to specification;

- *Mining* — We engage third-party contractors to extract ore from our mines and to transport them to our ore processing facility. Please refer to the subsection headed "—Mining" below for more information;

- *Processing* — We process the extracted ore at our ore processing facility to produce saleable mineral concentrates. Please refer to the subsection headed "— Ore Processing" below for more information; and

- *Concentrate sales* — We mainly sell our concentrate products to customers in the Yunnan Province and other surrounding areas in China. Please refer to the subsection headed "— Sale and Customers" below for more information.

Mining

The Shizishan Mine is an underground operation. Our mining process consists of planning and development of stopes, construction of adits and panel ramps to create access to the lodes, division of the lodes into minable divisions, extraction of the ore mine and transportation of the raw ore to the processing facility. We use a cut-and-fill stoping mining method at the Shizishan Mine, which is a mining method suited for high-value resources where high ore recovery and reduced dilutions are desired. In this method, the lodes are retrieved in horizontal slices from the top downwards and, once a slice is completely mined out, the empty space is backfilled using dewatered tailings mixed with cement and waste rocks to keep the mine walls stable and to serve as the floor for mining the next slice. Mining continues until the lodes are depleted. The initial mining at the Shizishan Mine takes place at both the 1,200 m and 1,250 m elevation sections and, as our mining progresses, we plan to extract at both upper and lower elevations to meet the production targets.

The underground mining and transportation systems for the Shizishan Mine mainly consist of adits, panel ramps, ventilation rises and ore passes. The ore slices and waste rocks are transported through adits and panel ramps. The opening for panel ramps is set at the 1,220 m elevation on the north side of the Shizishan Mine. Every adit between the altitudes of 1,200 m to 1,250 m also has adit opening connecting to panel ramps that connect to the mine surface. Miners, materials and rail-less equipment have access to production sections via adit openings located between the 1,200 m and 1,250 m elevation. All the stopes within the mine body are linked through the adits and panel ramps. The ore slices are drilled by miners using a jumbo and then blasted by charging the drill holes with explosives. After the ore slice is extracted, it is then loaded into a 15-ton mine car and transported out of the mine to our ore processing facility via the panel ramp that are connected to the mine surface, while waste rocks are transported to the waste rocks storage area.

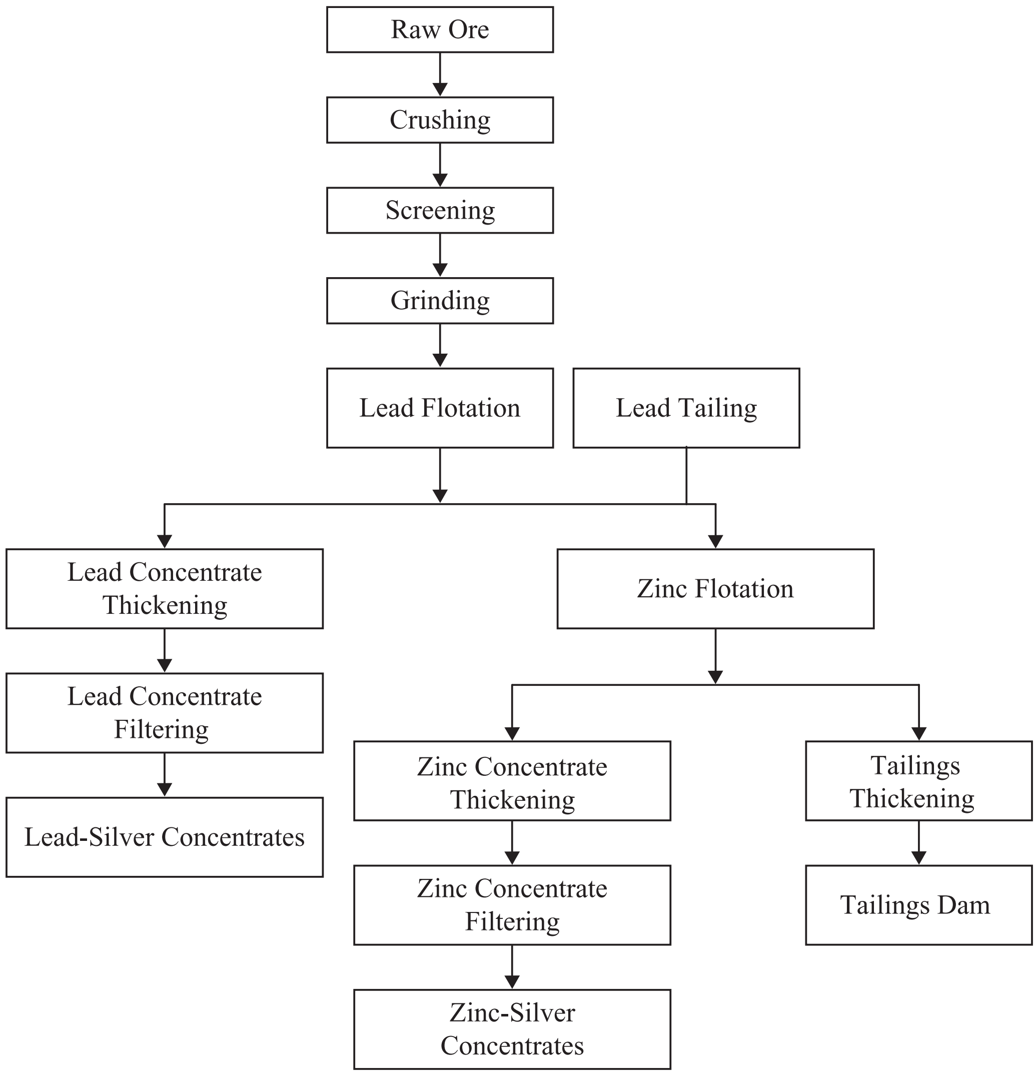
We outsource all of the mining work of the Shizishan Mine to third-party contractors. The mining work at the Shizishan Mine is conducted by two Independent Third Party mining contractors in China, who are engaged to extract ore, haul the extracted ore to the processing facility, and move the waste rock from our mining activities to the waste rocks storage area. The contractors are under the supervision and management of our onsite engineers. The contractors are required to carry out work according to the project design and production plan and in accordance with the applicable safety and environmental protection requirements under the PRC laws and regulations. See "— Third-Party Contractors."

Ore Processing

We have one ore processing facility located approximately 200 m westward of the Shizishan Mine's panel ramp exit at the 1,220 m elevation. The construction of the processing facility was completed at the end of July 2011 when it attained a full planned processing capacity of 2,000 tpd. During the initial three months, our processing facility underwent a stage of plant and equipment tuning and optimization before achieving its optimal processing capabilities.

According to the Competent Person's Report, the average recovery rate at our ore processing facility for lead, zinc, silver in lead-silver concentrate and silver in zinc-silver concentrate is expected to be approximately 93.0%, 89.0%, 89.0% and 7.4%, respectively, from 2012 onwards. Silver at the Shizishan Mine is contained in both silver-bearing lead and zinc ores. As a result, the overall recovery rate for silver at the Shizishan Mine is 96.4%, being the sum of the recovery rates for silver in lead-silver concentrate (89.0%) and in zinc-silver concentrate (7.4%).

We use the flotation method for ore processing for the Shizishan Mine, which is a conventional method to separate lead and zinc concentrates from the lead-zinc ore. We produce lead-silver and zinc-silver concentrates through a relatively simple, low-cost and environmentally safe process as illustrated by the following chart.



The main phases of our processing operations are described as follows:

- *Crushing*. After extraction, raw ore with a size of less than 500 mm is crushed in a three-stage crushing process into ore particles with a fineness of less than 12 mm.

- *Screening*. The crushed ore particles are then screened on an elliptical vibrational screen with 12 mm apertures. The oversized particles with 12 mm apertures or more from the screening process are sent back to the crushing machines for further crushing. The undersized particles with 12 mm apertures or less from the screening process are sent to a fine ore storage bin.

- *Grinding*. The crushed ore particles recovered from the storage bin are ground using two parallel ball mills, which work in a closed circuit with two sets of hydrocyclones. The hydrocyclone overflow generated from the grinding process is sent to flotation while the hydrocyclone underflow is returned to the ball mills for further grinding.

- *Lead flotation.* After conditioning with conventional reagents, the hydrocyclone overflow is sent to a stirring tank where it is stirred twice. It then enters the lead flotation circuit where lead minerals containing silver are separated from the gangue and zinc minerals. The lead flotation circuit is conventional, consisting of a rougher stage and two scavengers stages with the rougher concentrate upgraded in three stages of cleaning. During the lead flotation stage, zinc sulphate and sodium sulphite are added to inhibit the flotation of any activated zinc minerals. Lead-silver concentrate is extracted from the lead flotation circuit. The tailings generated from the scavenger stage of the lead flotation process is then dewatered in a thickener, where most of the reagents are removed prior to zinc flotation.

- *Zinc flotation.* The zinc flotation circuit is the same as the lead flotation circuit; however, copper sulphate is added to activate zinc minerals for flotation. Zinc-silver concentrate is extracted from the zinc flotation circuit.

- *Concentrates dehydration.* The lead-silver and zinc-silver concentrates are dewatered in dedicated dewatering circuits, consisting of two thickeners followed by two ceramic disc filters, to produce final marketable lead-silver and zinc-silver concentrate products. The dewatered lead-silver and zinc-silver concentrates are sent to our concentrate storage facility for storage.

- *Tailings.* The zinc tailings generated from the zinc flotation process are dewatered in a 40 m diameter thickener before flowing to the tailing dam for storage or the mining areas for stope backfills.

Tailing storage facility

Our tailing storage facility is located adjacent to our Shizishan lead-zinc-silver ore processing facility with a transportation distance of approximately 500 m. Our tailing storage facility includes a tailing dam, tailing storage area, water drainage system and tailing flow transportation system. We strive to implement environmentally responsible processes at our facilities to recycle and reuse the water from the tailings pond. Our tailing storage facility achieved an initial live capacity of 356.8 thousand m^3 in July 2011. We plan to expand the live capacity of our tailing storage facility to 1,280.0 thousand m^3 by May 2013. We estimate to spend approximately RMB26.4 million in total on the tailing storage facility. Tailings from the Shizishan lead-zinc-silver ore processing facility and the gravity-selection processing line that is used to process tungsten-tin raw ore sourced from the Lushan Mine both may be stored at such tailing facility.

Products

The products of the Shizishan Mine include lead-silver concentrate and zinc-silver concentrate. When our concentrates are sold to customers, lead, zinc and silver contained in the concentrates will be analyzed and priced separately. According to the Competent Person's Report, the concentrate grades of lead, zinc, silver in lead-silver concentrate and silver in zinc-silver concentrate are expected to be approximately 55%, 55%, 1,414 g/t and 192 g/t, respectively.

Operating and Production Costs

The estimated total production cost for the Shizishan Mine includes total cash cost and depreciation and amortization cost. The estimated total cash cost includes total operating cash cost and taxes and royalties. The estimated total operating cash cost includes mining cost, processing cost, and general and administration ("G&A") costs. According to the Competent Person's Report, the estimated total cash cost and total production cost for the Shizishan Mine will be approximately RMB1,313 (approximately US$207) and RMB1,511 (approximately US$238), respectively, per tonne of concentrate in 2013, the first year in which we will operate at our full planned mining and processing capacities. Silver is a byproduct of our processing process due to the polymetallic nature of the lead-zinc ore of the Shizishan Mine. As a result, revenue from silver can be deducted from the estimated total cash cost and production cost for the Shizishan Mine as a byproduct credit, which is consistent with common industry practice to deduct byproduct credit from cash cost and production cost of main stream products. Because of the high degree of silver contained in our concentrate products, both of the estimated total cash cost and total production cost for the Shizishan Mine are negative after deducting revenue from silver which is higher than the estimated total cash cost and total production cost at the Shizishan Mine. After deducting the value of silver contained in our concentrates based on the average spot price of silver for October 2011 on the Shanghai White Platinum & Silver Exchange, which was RMB6.89 per gram, our estimated total cash cost and total production cost will be approximately RMB-3,022 (approximately US$-475) and RMB-2,825 (approximately US$-444), respectively, per tonne of concentrate in 2013. This indicates the significant potential for profitability for the Shizishan Mine operations.

The table below sets forth a summary of the total operating cost and total production cost for the Shizishan Mine for the periods indicated, as set forth on Table 2.8-1 in the Competent Person's Report:

Cost Item	Unit	Aug 2011 (Actual)	Sep 2011 (Actual)	Oct 2011 (Actual)	2011	2012	2013	2014	2015
Mining cost	RMB/t ore mined	**62**	**58**	**58**	**62**	**62**	**62**	**62**	**62**
Subcontracting fee	RMB/t ore mined	**62**	**58**	**58**	**62**	**62**	**62**	**62**	**62**
Processing cost	RMB/t ore processed	**153**	**129**	**146**	**121**	**89**	**82**	**82**	**82**
Materials cost	RMB/t ore processed	51	53	60	40	38	38	38	38
Labor	RMB/t ore processed	49	35	32	41	13	8	8	8
Electricity and Water	RMB/t ore processed	39	37	46	23	23	23	23	23
Maintenance and Others	RMB/t ore processed	14	4	8	17	15	13	13	13
G&A and Other Costs	RMB/t ore processed	**84**	**113**	**103**	**270**	**55**	**39**	**40**	**42**
Total Operating Cash Cost*	RMB/t ore processed	**299**	**300**	**307**	**453**	**206**	**183**	**184**	**186**
Total Operating Cash Cost*	RMB/t concentrate	**2,633**	**2,366**	**2,419**	**2,232**	**812**	**722**	**726**	**734**
Total Taxes and Royalties	RMB/t ore processed	55	63	79	176	154	150	150	150
Total Cash Cost+	RMB/t ore processed	**354**	**363**	**386**	**629**	**360**	**333**	**334**	**336**
Total Cash Cost+	RMB/t concentrate	**3,117**	**2,863**	**3,041**	**3,100**	**1,420**	**1,313**	**1,317**	**1,325**
Total Depreciation and Amortization	RMB/t ore processed	38	28	123	110	52	50	50	50
Total Production Cost	RMB/t ore processed	**392**	**391**	**509**	**739**	**412**	**383**	**384**	**386**
Total Production Cost	RMB/t concentrate	**3,452**	**3,083**	**4,010**	**3,642**	**1,625**	**1,511**	**1,515**	**1,522**

Source: Feasibility Study update provided by the Company and reviewed by the Competent Person

*Note: * "Total Operating Cash Costs" includes all mining, processing, G&A and other costs, which are inclusive of administrative and sales costs.*

+ "Total Cash Costs" includes Total Operating Cash Costs as well as Taxes and Royalties

Third-Party Contractors

In line with common industry practice, we outsource substantially all of our mine construction and mining works to qualified third-party contractors. We believe that these outsourcing arrangements, if managed properly, can lower our operating costs and reduce our capital expenditures for equipment and machinery. For the period from our inception on April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011, we paid aggregate fees of nil, RMB24.1 million and RMB23.6 million to these third-party contractors, respectively. See "Risk Factors — Risks Related to Our Business and Industry — We plan to engage third-party contractors for our mining operations and are subject to risks inherent in such arrangements."

The following table set forth a brief introduction of the third-party contractors that we had engaged by the Latest Practicable Date:

Major contractors	Type of Contractor	Status and Prior Experience	Roles and Activities Performed	Work Commencement Date
Contractor A	Independent Third Party mine site construction contractor	• state-owned enterprise; • holding qualifications in geographic prospecting, construction implementation, geographic drilling and geographic tunnel; • has about 1,000 employees, with rich industry projects experience	construct the underground mine site at the Shizishan Mine, including adits and panel ramps to create access to ore body	May 2011
Contractor B	Independent Third Party processing facility construction contractor	—	construct the ore processing facility at the Shizishan Mine	December 2010
Contractor C	Independent Third Party tailing storage facility construction contractor	—	construct the tailing storage facility at the Shizishan Mine, including a tailing dam, the tailing storage area, water drainage system and tailing flow transportation system	December 2010
Contractor D	Independent Third Party mining contractor	• private enterprise; • holding class-three qualification in overall contracting of mining projects; • has over 274 technical staff, with rich industry projects experience	extract ore, haul the extracted ore to the processing facility, remove the waste rocks from our mining activities to the waste rocks storage place	August 2011

Major contractors	Type of Contractor	Status and Prior Experience	Roles and Activities Performed	Work Commencement Date
Contractor E	Independent Third Party mining contractor	● state-owned enterprise; ● holding class-two qualifications in mining construction, tunnel drilling, foundation construction and water tunnel drilling, and class-three qualifications in blasting and demolition ● has about 20,000 employees, with rich industry projects experience	extract ore, haul the extracted ore to the processing facility, remove the waste rocks from our mining activities to the waste rocks storage place	September 2011

We select third-party contractors through a tender process based on prices as well as the contractors' skills and experience. All of our contractors must possess the requisite qualifications, production safety permits as well as technical and financial capabilities for the work for which they are commissioned to do. Such third-party contractors are required to carry out their work in accordance with the design and schedule of the relevant assignments as well as with our quality, safety and environmental standards, which are defined in the contracts we sign with them. We generally retain control over project design, production planning and on-site work monitoring. Our specialized technical and management personnel supervise the work performed by our third-party contractors and regularly inspect their work quality and safety management.

Pursuant to the agreements we entered into with our third-party contractors, third-party contractors shall maintain insurance to cover the safety and casualty of their own employees that perform work for us. We are not responsible for and do not carry any insurance for the employees of third-party contractors. During the Track Record Period, we did not have any disputes with our third-party contractors that would have resulted in a material adverse effect on our business, financial condition or results of operations. In addition, we did not experience any suspensions or delays as a result of any improper act of the independent third-party contractors during the Track Record Period.

Competent Person's Recommendations

To ensure the successful implementation and optimization of the mining plans for the Shizishan Mine, the Competent Person provided us the following recommendations:

- *Evaluation and design program for tailings and backfill products:* The Competent Person recommended us to complete an evaluation and design program for the tailings and backfill products upon commencement of trial processing and develop a quality assurance/quality control program to measure achieved performance and variance to design once the backfill product design is optimized. We started the evaluation and design program since we commenced trial production at the end of July 2011 and expect to complete such program by the end of 2011. We will also develop a quality assurance/quality control program to measure achieved performance and variance to design once the backfill product design is optimized;

- *Ground control management plan:* The Competent Person recommended us to progressively conduct a geotechnical review of ore and waste rock properties and develop a ground control management plan as further development is undertaken. We are developing a detailed ground control management plan (including geotechnical review of ore and waste rock properties) and expect to finalize and implement such plan at the Shizishan Mine by the end of 2011;

- *Operating risks of cut-and-fill mining method:* The cut-and-fill mining method adopted by the Shizishan Mine requires mining workers to operate in active stope areas, which exposes the workers to the risk of rock falls. Such risk will potentially increase as mining progresses, but can be mitigated through effective mine management and implementation of a ground control management plan. As set forth above, we are developing a detailed ground control management plan that will be implemented at the Shizishan Mine. We are committed to undertake high-standard operational safety measures and effective mine management to mitigate safety and productivity risks; and

- *Cut-off grade study:* Variable cut-off grades present an opportunity to maximize the Shizishan Mine's value. As a result, although it is not essential, the Competent Person recommended us to complete a cut-off grade study to determine the optimum cut-off grade at relevant stages of the mine life of the Shizishan Mine. The optimum cut-off grade for the Shizishan Mine will vary at the different stages of its mine life, depending on our mining cost and the prevailing market price of lead, zinc and silver. We will conduct a cut-off grade study on a constant basis and adjust the optimum cut-off grade for the Shizishan Mine from time to time after taking into account our mining cost and the prevailing market prices of lead, zinc and silver.

Please see "Appendix V — Competent Person's Report — Mining — Comments and Recommendations" for further details relating to the Competent Person's recommendations for the implementation and optimization of the mine plans of the Shizishan Mine.

SALES AND CUSTOMERS

We commenced commercial production in October 2011. Our current products are lead-silver concentrates and zinc-silver concentrates, which are produced at the Shizishan Mine and sold at the prevailing market prices to our customers. We price our concentrates based on the prevailing prices of metals on the Shanghai Metals Market in the case of lead and zinc, the Shanghai White Platinum & Silver Exchange in the case of silver and other international and other applicable domestic benchmarks for the remaining metals in our concentrates at or about the time of sale. Our initial sales and marketing strategy is focused primarily on the PRC domestic market and, in particular, the non-ferrous metal smelters in our surrounding regions in Yunnan Province. In August, September and October of 2011, we sold a total of approximately 355 tonnes and 777 tonnes of lead-silver concentrates and zinc-silver concentrates, respectively, to our customers.

Customers

We sell our concentrate products to both smelter customers and concentrate traders, who resell them to smelters. We are in close proximity to potential smelter customers with strong demand for our concentrate products. Yunnan Province is the second largest non-ferrous metal producing province (in terms of metal production from mines) in China, according to the Hatch Report. There are 14 non-ferrous metal smelters in Yunnan Province (including Xiangyun Feilong Non-ferrous Metal (祥雲飛龍), Jinding Zinc (金鼎鋅業), Yunxi Group (雲錫集團) and Chihong Zinc & Germanium (馳宏鋅鍺)) with a combined smelting capacity of more than 530 kt of lead concentrate, 850 kt of zinc concentrate and 616 tonnes of silver concentrate per annum in 2007. The large lead and zinc concentrate demand of these local smelters potentially provides us with a significant degree of visibility and stability in demand for our concentrate products.

Our abundant high-grade polymetallic resources and reserves and our proximity to major non-ferrous metal smelters in Yunnan Province have helped us to establish supplier relationships with five Independent Third Party customers since April 2011, including two of Yunnan Province's key lead smelters, according to CNIA. See "Industry Overview — Lead — Yunnan's Key Lead Smelters in 2007." The following table summarizes key information regarding these five customers:

Customers[(1)]	Type of Customer	Contracted Purchase Volume in Terms of Metal Contained 2011	2012	Price
Customer A	smelter	minimum of 1,000 tonnes of zinc contained in the concentrates	minimum of 12,000 tonnes of zinc contained in the concentrates	determined by reference to the prevailing spot price of the related metal
Customer B	smelter	minimum of 1,500 tonnes of lead and 500 tonnes of zinc contained in the concentrates	minimum of 15,000 tonnes of lead and 15,000 tonnes of zinc contained in the concentrates	determined by reference to the prevailing spot price of the related metal
Customer C	smelter	900 tonnes of lead and 600 tonnes of zinc contained in the concentrates	N/A	determined by reference to the prevailing spot price of the related metal
Customer D	trader	minimum of 1,000 tonnes of lead and 500 tonnes of zinc contained in the concentrates	minimum of 14,000 tonnes of lead and 10,000 tonnes of zinc contained in the concentrates	determined by reference to the prevailing spot price of the related metal
Customer E	trader	1,000 tonnes of lead and 700 tonnes of zinc contained in the concentrates	14,500 tonnes of lead and 7,500 tonnes of zinc contained in the concentrates	determined by reference to the prevailing spot price of the related metal

Note:

(1) We do not disclose the names of such customers since we have not been able to obtain their consents for such disclosure due to the sensitivity of such information.

We intend to maintain and strengthen these relationships in order to stabilize our customers' orders and grow our revenue. As of the Latest Practicable Date, none of our Directors or their respective associates or our shareholders holding more than 5% of our issued capital, to the best knowledge of our Directors, had any interest in any of our five largest customers.

Contracts

We have entered into offtake agreements with our four existing customers as of the Latest Practicable Date. We are in the process of negotiating an offtake agreement with another existing customer with whom we have entered into lead-silver and zinc-silver concentrates supply agreements to supply 900 tonnes of lead and 600 tonnes of zinc contained in the concentrates by the end of 2011. Based on the terms of the offtake agreements and concentrates supply agreements with our five existing customers, we agreed to supply to these customers, and these customers agreed to purchase from us, lead-silver concentrate and/or zinc-silver concentrate which would enable us to sell concentrates containing, in the aggregate, at least 47,900 tonnes of lead metal and 47,800 tonnes of zinc metal, respectively, in 2011 and 2012. As we only commenced commercial production at the Shizishan Mine in October 2011, we did not supply any amount of concentrate products to these five customers during the Track Record Period. We began supplying concentrate products to our customers since the commencement of trial production at the Shizishan Mine at the end of July 2011. Based on estimated production schedule at the Shizishan Mine according to the Competent Person's Report, we expect that sales of our concentrate products to these five customers will be enough to cover 100% of the total estimated concentrate products output from the Shizishan Mine in 2011 and 2012. The purchases of lead-silver concentrate and zinc-silver concentrate under the offtake agreements and concentrate supply agreements are priced by reference to the prevailing market prices of the lead, zinc and silver metals contained in the concentrates. As advised by our PRC legal advisor, the offtake agreements and concentrate supply agreements we entered into with our five existing customers constitute valid contracts, and are legally binding and enforceable.

Under the four offtake agreements, our customers will send us a monthly purchase plan at the end of each month specifying the amount of concentrate products ordered for the next month. We will confirm the amount within three business days after receiving the order. Under three of our four offtake agreements, we are not subject to any liability to our customers if we fail to meet the annual supply volume as stipulated in the offtake agreements and have the right to supply more concentrate products than the stipulated annual supply volume. We are entitled to adjust monthly sales price to reflect changes in the market price of the metals contained in our concentrates.

Pursuant to the offtake agreements and concentrate supply agreements with our five existing customers, after the purchase order for each month is made by our customers and confirmed by us, we require our customers to make payments of 75% of the estimated purchase price of the concentrate products pursuant to the purchase order. Such 75% payments are generally made by our customers one or two days before the date of delivery. The estimated purchase price is based on the most recent prevailing market prices of the metals and the delivery volume. We generally provide invoice to the customers within 30 days of the receipt of the 75% payments. The remaining 25% of the purchase price is generally made within two weeks upon the customers' receipt of invoice from us, which usually takes place at the beginning of the following month, when the final purchase price for the purchase order has been determined based on the actual prevailing market prices of the metals at the time of delivery.

Prior to delivery of the concentrate products, the customers and us will inspect the samples of the concentrate products to be delivered and agree on the product quality. Therefore, there is no sales return policy or order cancellation policy to the customers. Once the customers have inspected the samples and agreed on the product quality of the concentrate products and we have made the delivery, the sales revenue is recognized, regardless of whether the customers have received the concentrate products or the sales invoice.

Delivery of products

Under the offtake agreements with our four existing customers, we are not responsible for the transport of our concentrate products. The delivery of our concentrates takes place at our processing facility, and customers bear all transportation and other relevant costs. Under the concentrate supply agreements with the remaining existing customer, we agreed to, during the interim period of time before we enter into offtake agreement with it, transport our concentrate products to its warehouse and bear the relevant transportation costs.

INFRASTRUCTURE, SUPPLIES AND EQUIPMENT

Electricity and Water

Our operations require electricity and water. The regional grid network from the China Southern Power Grid has been connected to the Shizishan Mine through an interim electric power transmission line since December 2010 when we commenced construction of the processing facility at the Shizishan Mine. In July 2011, we entered into an electricity supply contract with the China Southern Power Grid for the supply of electricity to the Shizishan Mine at market rates through a dedicated electric power transmission line. Pursuant to such electricity supply contract, electricity required for the Shizishan Mine is supplied by the China Southern Power Grid through a dedicated main electric power transmission-line system located approximately 4.5 km away from the Shizishan Mine. Prior to our entering into such electricity supply contract, electricity required for the construction at the Shizishan Mine had been supplied at the market rates through the aforementioned interim electric power transmission line. Apart from China Southern Power Grid, there are several other electricity power plants in the area that can be used as backup in case of any disruptions to electricity supply due to temporary shutdowns by China Southern Power Grid. During the Track Record Period, we did not experience any interruptions arising from sudden shortages or suspensions of electricity supply that caused a material adverse effect to our business, financial condition or results of operations.

We source water, a key component in our mining and processing activities, from the Zhina River which is located approximately 1.2 km away from the Shizishan Mine. We have received a water harvesting permit for taking water from the Zhina River with a permitted quota of harvesting 807.6 thousand m^3 of water annually with a validity period from May 20, 2011 to May 20, 2016. We will renew such water harvesting permit upon its expiration. In addition, we recycle and reuse the water used in our ore processing and tailings storage facility for use in ore processing or dust suppression. We have also built a 800 m^3 water storage pond, two 600 m^3 water recycling ponds and two tube wells as additional water sources. There were no material water supply interruption or shortages at the Shizishan Mine during the Track Record Period.

We believe that we will not have any difficulties in securing the supply of electricity and water to meet our construction, production and expansion plans. We did not receive any government subsidies on electricity or water during the Track Record Period.

Raw materials and auxiliary materials

The ore extracted from the Shizishan Mine are our principal raw material. During the Track Record Period, we only purchased a limited amount of ore from third parties in connection with our trial production. The production process at our mines requires many types of auxiliary materials, including forged steel grinding balls, chemical products, explosives, lubricating oil, electric wires and cables, rubber, steel, plastic products and fuel. Because we only commenced commercial production in October 2011, we only purchased a limited amount of processing materials, such as kerosene, from our suppliers during the Track Record Period. We generally make payments to our suppliers within 30 days after we receive the supplied goods. During the Track Record Period, we did not have any trade payables.

Machinery and equipment

The mining and processing facilities at the Shizishan Mine require the purchase of many types of machinery and equipment, including but not limited to drilling machines, air compressors, ore crushers, screening equipments, ball mills, flotator, thickeners and ceramic filters. All of our machinery and equipment for mining and production are sourced from local third-party suppliers in China. For the period from our inception on April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011 our total purchases of machinery and equipment amounted to nil, RMB27.5 million and RMB6.7 million, respectively.

Major suppliers

During the Track Record Period, our five largest suppliers were suppliers for machinery and equipment. For the period from our inception on April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011, purchases from our five largest suppliers collectively accounted for 0.0%, 57.8% and 76.2% of our total purchases, respectively. For the year ended December 31, 2010 and the six months ended June 30, 2011, purchases from the largest supplier accounted for 21.4% and 37.4% of our total supply purchases, respectively. Since we only commenced commercial production in October 2011, the abovementioned supply purchase information may not be indicative of our future supply purchases. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued capital is related to or owns any interest in any of our five largest suppliers.

All of our suppliers are Independent Third Parties and are primarily based in China. We have not signed any fixed or long-term contracts with any of our suppliers other than the exclusive supply agreement with respect to the Lushan Mine. We maintain good relationships with our suppliers and did not have disputes with any of them during the Track Record Period.

INVENTORY AND QUALITY CONTROL

Our inventory include ore extracted from our mines, concentrates and auxiliary materials consumed during the production process such as steel balls and medicament. We take measurements of our raw ore and concentrate products at four points during the production process, including at the mining sites, at the processing facility and upon the sale of our concentrates to a customer. We also utilize information technology to assist our inventory management and use a computer based inventory management system to keep real-time records of the inflow and outflow of various materials. We also keep detailed inventory records at different stages such as procurement, production, usage and sales, including real-time inventory records of concentrates processed, stored, and sold at the ore processing facility. As a result of our systematic inventory recording system, we are able to closely monitor our inventory level to keep it at a reasonable level.

Our products are lead-silver concentrate and zinc-silver concentrate. They are not subject to any environmental protection standards. We believe maintaining high product quality is key to our success. We have established a quality control department consisting of highly trained technicians to ensure that all of our products meet the relevant quality control standards prior to the commencement of our commercial production. Our quality control department monitors our products through on-site inspections of our mining site as well as regular sample checking of our products. We have established a quality management system and compiled a quality control manual. We maintain production records to facilitate the improvement of our quality control system. In addition, as part of our quality control system, we require that all of our third-party contractors possess the requisite qualifications for undertaking their respective works in mining, exploration or construction. Under the signed contracts with the third-party contractors, third-party contractors shall comply with our quality, production safety and environmental protection requirements. As advised by our PRC legal advisor, if we are penalized or requested to compensate the losses suffered by any third parties for the non-compliance caused by the third-party contractors, we can request the third-party contractors to compensate us for the consequential loss. We were not penalized or requested to compensate for any third-party losses due to non-compliance of our third-party contractors during the Track Record Period and as at the Latest Practicable Date.

COMPETITION

China's non-ferrous metal concentrate industry, including the lead, zinc, silver, tungsten and tin concentrate industry, is fragmented with a large number of small-to-medium size concentrate suppliers and no single dominant nationwide supplier. According to the Hatch Report, the majority of lead and zinc mines in China have an annual production capacity of below 10,000 tonnes of concentrates. Yunnan Province's non-ferrous metal market is also comprised of numerous small-to-medium size companies without a high degree of market power concentration. We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves, according to the Hatch Report. For more information relating to the suppliers of the lead, zinc, silver, tungsten and tin concentrates in China and Yunnan Province, please see the section entitled "Industry Overview" in this Prospectus. China has experienced significant supply shortage for non-ferrous metal concentrates, including lead, zinc and silver concentrates in the past few years. According to the Hatch Report, China has been a net importer of lead and zinc concentrates in recent years and had a supply shortfall in lead and zinc concentrates of 985 kt and 1,464 kt, respectively, in 2010. According to the Hatch Report, China has been a net importer of silver concentrate since 2007 and its silver concentrate imports reached a historical high of 191,406 tonnes in 2010, which makes China the largest importer of silver concentrate in the world. Although Yunnan Province has the second largest lead reserves, the second largest zinc reserves and the third largest silver resources in China, it has also experienced significant supply shortages for lead and zinc concentrates in recent years. According to the Hatch Report, Yunnan Province produced 106 kt of lead concentrate in 2010, which was less than a fifth of Yunnan Province's refined lead production capacity of 565 kt in 2010. Similarly, Yunnan Province's zinc concentrate output was 547 tonnes in 2010 while its refined zinc production was 870 tonnes in 2010, which meant that almost 40% Yunnan Province's zinc concentrate demand was met by imports in 2010. As a result, we currently do not view competition from other suppliers as presenting a substantial challenge to the market demand for our products.

Competition for dominance in the PRC non-ferrous metal concentrates market is based on factors such as amount of non-ferrous metal resources and reserves owned, scale of operations, grade and quality of concentrate products, cost-efficiency, as well as the level of experience of the management and technical team. We have abundant and high-grade lead, zinc and silver resources. We will also enjoy a favorable cost position upon completion of the full ramp-up plan for our mining and processing capacities, and benefit from our mine's close proximity to local smelters. Assuming that the Shizishan Mine reaches its full mining and process capacities by the end of 2012, we expect to produce 103.8 kt of lead-silver concentrate and 63.6 kt of zinc-silver concentrate annually from 2013, which will make us a large-scale lead, zinc and silver concentrate producer and a major player in China's fragmented lead, zinc and silver concentrates industry. See "— Competitive Strengths." As a result, although most non-ferrous metal concentrates producers in Yunnan Province are in a position to benefit from the significant shortfall in the supply of non-ferrous metal concentrates in the region, to the extent that we compete with other local non-ferrous metal concentrate producers, we believe that we are competitive.

OCCUPATIONAL HEALTH AND SAFETY

We are committed to operating in a responsible manner to ensure the health and safety of our employees, contractors and the communities in which we operate. We are also committed to meeting applicable legal requirements and where possible seek to implement leading international industry standards in our operations. We have established a dedicated production safety department that is responsible for the occupational health and safety of our mines and operations.

We are subject to various PRC laws and regulations with respect to the prevention and treatment of occupational diseases, the prevention of worksite accidents and the handling of industrial injuries. For additional information, please refer to the section entitled "PRC Laws and Regulations — PRC Laws Relating to Production Safety" and "PRC Laws and Regulations — PRC Laws Relating to Prevention and Control of Occupational Diseases" in this Prospectus. The Shizishan Mine conducts its operations in accordance with specific national laws and regulations covering labor, occupational health and safety in mining, production, blasting and explosives handling, mineral processing, tailings storage facility design, environmental noise, construction, fire protection and fire extinguishment, and power maintenance. We have obtained production safety permits for Shizishan Mine's mining operation and tailing storage facility. Since our acquisition of the Shizishan Mine in May 2009, the Shizishan Mine has not been subject to any government agency investigation with regard to work safety practices, nor have we been cited for any non-compliance.

We have adopted a comprehensive set of internal occupational health and safety policies for the Shizishan Mine. The production safety department at the Shizishan Mine conducts staff training, reviews internal safety procedures, carries out regular on-site safety inspections and continuously monitors the implementation of safety policies. We have adopted an internal handbook containing guidelines with respect to occupational safety, safety production measures, procedures for handling dangerous and hazardous materials and emergency plans.

We conduct occupational safety training for our new hires as well as existing staff. All of our equipment operators and safety management staff must hold requisite licenses. We also require that our contractors to possess requisite production safety licenses and relevant qualifications for the work they contract from us and to undertake appropriate safety measures.

No accidents involving any personal injury or property damage were reported to our management and we were not subject to any claims arising from any material accidents involving personal injury or property damage during the Track Record Period and as at the Latest Practicable Date that had a material adverse effect on our business, financial condition or results of operation. We complied with all relevant PRC laws and regulations regarding occupational health and safety in all material respects during the Track Record Period and as at the Latest Practicable Date.

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

Environmental Protection

Our operations are subject to various PRC laws and regulations with respect to environmental protection and rehabilitation. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, noise control, discharge of wastewater and pollutants as well as waste disposal. For additional information, please refer to the section entitled "PRC Laws and Regulations — PRC Laws Relating to Environmental Protection." We are committed to following environmentally responsible practices and have adopted measures to minimize the impact and risk of our operations on the environment.

The major environmental issues in the non-ferrous metal mining industry are management of wastewater, tailings, dust and noise. To address these environmental issues, we are implementing, or plan to implement, various measures, including, but not limited to, the following:

- *Recycling and Reuse of Water.* The Shizishan Mine is being developed as a zero discharge operation for mining process and most waste water from the processing and tailings storage facility are to be recycled. Under our water reuse and recycling system, top-up water is drawn from bores and any water pumped out from the mine is recycled and reused for processing and dust suppression in the mine. Water quality is monitored regularly to ensure the pH level and other measures are acceptable. This system not only saves water and protects the environment but also lowers our production costs.

- *Waste Rock and Tailings.* Waste rock from underground development is and will continue to be used for stope backfills and construction purposes, in particular for the construction of the tailing dam. All tailings produced from processing is stored in the tailing dam or the waste rocks storage area. At the Shizishan Mine, pressure filtration and dry heaping of tailings are employed whereby the tailings are pressed and filtered into dry tailings and the water is recycled and reused. This technology reduces the size of the tailings and reduces the demand for fresh water. The tailing dam at the Shizishan Mine is a class-3 dam and is designed to accommodate the mine's requirements during its lifetime and seismic and flooding risks.

- *Dust Mitigation.* The ore processing facility at the Shizishan Mine is designed to be environmentally friendly. Dust collectors and exhaust fans fitted with filters have been, or will be, installed at the processing facility, and water is regularly sprayed to reduce dust. PPE, such as face masks, that provide additional personal protection from dust is provided, and their use is strongly encouraged.

- *Noise.* We have adopted various measures to reduce noise generated from the mining and processing processes. For example, we purchased less noisy mining and processing equipment, have built sound-proof operation units to protect the operators from noises, and require workers to wear ear muffs and other noise insulators.

We believe that we were in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects during the Track Record Period and as at the Latest Practicable Date. During the Track Record Period and as of the Latest Practicable Date, we were not subject to any environmental claims, lawsuits, penalties or administrative sanctions. We received a letter from the local environmental protection authority of the Yingjiang County confirming that we were in compliance with the relevant environmental laws and regulations with respect to the

Shizishan Mine as of May 10, 2011. Since we only commenced commercial production in October 2011, we incurred no environmental protection costs during the Track Record Period. We expect to spend approximately RMB1.2 million annually in environment protection cost in year 2011, 2012 and 2013. We intend to allocate operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations.

Land Rehabilitation

We are required by the relevant PRC laws and regulations to rehabilitate and restore mining sites to their prior condition after completing our mining operations. Land rehabilitation typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, the restoration of land features in mined areas and dumping sites, and contouring, covering and revegetation of waste rock piles and other disturbed areas. In accordance with the relevant PRC laws and regulations, we have developed a rehabilitation and re-planting program for the mined and disturbed areas of the Shizishan Mine, pursuant to which we will rehabilitate our tailings storage facility and waste rock storage area upon mine closure and plant vegetation to stabilize the ground and to prevent erosion. Such program is in compliance with PRC legislative requirements and incorporates recognized international industry practices.

RESEARCH AND DEVELOPMENT

We are currently not engaged in any research and development projects. As a fairly new mining company, we purchase and employ the latest technology in ore selection and processing from Independent Third Parties. In addition, we employ an experienced in-house geology research team consisting of seven members, including four geological engineers led by Mr. Huang Wei, who has been engaged in geological survey and mining exploration for more than 29 years, an ore mining research team consisting of five members, including three engineers led by Mr. Wang Fahai, who has been engaged in mining and production safety for more than 28 years. and an ore processing team consisting of five members, all of whom are engineers and led by Mr. Zhao Shaohua, who has been engaged in ore processing and production for more than 25 years. With the expertise drawn from our specialized in-house research and development teams, we plan to enhance our geological research and exploration capabilities and pursue technological innovation in our mining and processing activities to maximize the potential of our existing mines, identify and explore new mines with significant potential, minimize mining loss and dilution, enhance mining safety and environmental protection, improve our production efficiency and enhance our product quality and recovery rate.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we have filed application for our trademark "中国多金属矿业 CHINA POLYMETALLIC MINING" with the Trade Marks Registry of the Intellectual Property Department in Hong Kong and our trademark with the Trademark Office of State Administration for Industry and Commerce of the PRC. Details concerning our trademark applications, domain names and other registered intellectual property rights are set out in "Statutory and General Information — Further Information about Our Business." We also possess unregistered trade secrets, technologies, know-how, processes and other intellectual property rights.

As of the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of intellectual property rights, nor are we aware of any such claims, either pending or threatened.

CUSTODY OF ASSETS AND ACCESS CONTROL

Metal concentrates are kept in secure storage at the Shizishan Mine with access restricted to authorized personnel. Each storage facility is equipped with stringent security systems, including electric security and alarm systems.

INSURANCE

We have taken out insurance on certain of our assets (including certain buildings, equipment, and motor vehicles) which are subject to certain operating risks. We have also maintained motor vehicle accident insurance and mandatory social security insurance and housing funds for our employees. Pursuant to the agreements we entered into with the third-party contractors for our construction, exploration and mining works, all legal liabilities arising from safety accidents and construction project quality caused by such third-party contractors in the course of operations at our mines are borne by our third-party contractors.

According to the "Work-Related Injury Insurance Regulations" (工傷保險條例), employers of all types of enterprises and sole traders shall participate in work-related injury insurance and pay work-related injury insurance premiums for all employees in their work unit in accordance with the regulations. We maintain such work-related injury insurance for our relevant employees and collective accidental injury insurance for our employees in change of safety production. Pursuant to the agreements we entered into with the third-party contractors, the third-party contractors are responsible for insuring their employees and properties at construction site and we are not responsible for insuring the workers of the third-party contractors. We are also in compliance with the relevant PRC laws and regulations relating to work-related injury insurance in all material aspects.

Save as disclosed above, we have not maintained any other insurance coverage with respect to our assets and operations. We believe that the insurance coverage on our assets and operations is consistent with the industry practice in China.

EMPLOYEES

As of the Latest Practicable Date, we had 249 full-time employees. The following table shows a breakdown of our employees by department:

Functions	Number of Employees
Administration Department	29
Financial Department	23
Legal Department	2
Sale & Procumbent Department	4
Production Department	157
Construction Department	10
Geological Engineering Department	12
Safety & Environmental Protection Department	12
Total	**249**

Our success depends on our ability to attract, retain and motivate qualified personnel. We believe that we offer our employees competitive compensation packages, and as a result, we have generally been able to maintain a stable management team. For the period from our inception on April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011, our labor costs (including Directors' and senior management's emoluments) were RMB0.2 million, RMB10.2 million and RMB247.6 million (including equity-settled share-based payment of RMB233.0 million, further details of which are given in Note 23 of the Accountants' Report included as Appendix I of this Prospectus), respectively. We are committed to our employees' continuing education and development and regularly provide training for our staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards.

We make contributions to mandatory social security insurance and housing fund for our employees to provide for retirement, housing, medical, work-related injury, maternity and unemployment benefits. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government. For the period from our inception on April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011, our employee benefit contributions were approximately nil, RMB0.2 million and RMB0.3 million, respectively.

We believe that we have a good working relationship with our employees and have not experienced any significant labor disputes since our inception.

PROPERTIES

The following table sets forth a summary of our properties and land use rights:

Type of Property Right	Location	Area (in sq.m.)
Owned Property	office building	1,058.81
	20th Floor, No. 1 Building, No. 145 Tiantai Road, Chengdu Hi-tech Industrial Development Zone, Sichuan Province	
	(四川省成都市高新區天泰路145號1棟20層)	
	12 buildings and various structures	14,038.55
	Lanniqing and Tuanpo Villages, Zhanxi Town, Yingjiang County, Dehong Dai & Jingpo Autonomous Prefecture, Yunnan Province	
	(雲南省德宏傣族景頗族自治州盈江縣盞西鎮濫泥箐村和團坡村)	
Leased Property	No. 2 Building, Line 8, Zone A, Huangfeng Community, Mang City.	320.80
	(芒市華豐小區一A區8排2棟)	
	No.205, Meng La Street, Yingjiang County (second floor)	190.00
	(盈江縣勐臘路205號) (房屋第二層)	
	No.205, Meng La Street, Yingjiang County (third floor)	190.00
	(盈江縣勐臘路205號) (房屋第三層)	
	Unit 4712, 47/F, the Center, 99 Queen's Road Central, Hong Kong	94.76
Land Use Right	Shizishan Mine	115,671.00

Land Use Rights

On November 18, 2010, we received an approval in principle from the Yunnan Land and Resources Department for the use of three parcels of land with a total area of 115,671 sq.m. used for the construction of our mining, processing, tailing storage and related facilities at the Shizishan Mine. In September 2011, we obtained their official land use right certificates. As advised by our PRC legal advisor, it is not necessary for us to obtain the land use right for all the mining areas covered by the mining permit at the Shizishan Mine, and it is lawful for us to obtain the land use right for the surface entrance to the Shizishan Mine underground mine site given that we are an underground mining operator and that our underground mining operation will not damage the surface land at the Shizishan Mine. In addition to the surface entrance to the underground mine site, the ground site for the processing facilities and tailing storage and related facilities also require land use right. The land use right certificates that we have obtained cover the above mentioned areas. Other than the three parcels of land mentioned above, we do not hold long-term land use rights to other land parcels covered by our mining right for the Shizishan Mine.

Owned Properties

As of September 30, 2011, we had four building ownership certificates with an aggregate gross floor area of approximately 1,058.81 m^2 for our office in Chengdu, China. As mentioned above, we also had three parcels of land with a total area of approximately 115,671.00 sq.m. and 12 buildings with a total gross floor area of approximately 14,038.55 sq.m. erected thereon which are occupied by us for production and ancillary purposes at the Shizishan Mine. We have obtained the land use rights certificates and building ownership certificates for such three parcels of land and 12 buildings, respectively.

Leased Properties

As of September 30, 2011, we leased three office units with a total gross floor area of approximately 700.80 sq.m. that support our business activities and operations in Yunnan Province.

Jones Lang LaSalle Sallmanns Limited, an independent property valuation firm, has valued our property interests as of September 30, 2011. Details of Jones Lang LaSalle Sallmanns Limited's property valuation together with its valuation summary and valuation certificates are set out in Appendix IV to this Prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

As of the Latest Practicable Date, we were not a party to any legal or administrative proceedings. In addition, our Directors are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business.

We are subject to a wide variety of laws and regulations in the ordinary course of our business operations and other activities. See section entitled "PRC Laws and Regulations" in this Prospectus for more information. We have established a legal department to supervise our overall legal compliance. We also provide training on regulatory requirements to our employees from time to time, and remain in close contact with the relevant regulatory authorities in order to keep abreast of regulatory developments that may have a significant impact on our business and operations. As advised by our PRC legal advisor, we are in compliance with the relevant laws, regulations in all material aspects and have obtained the necessary licenses, approvals and permits which are material for our current operations in China. As also advised by our PRC legal advisor, we have obtained all the licenses, permits and approvals required for the commencement of our commercial production at the Shizishan Mine in October 2011.

DIRECTORS AND SENIOR MANAGEMENT

Chapter 18 of the Listing Rules contains a series of requirements applicable to mineral companies. Such companies include those engaged in the exploration for or extraction of natural resources. The Company's listing application has been made on the basis of Chapter 18 of the Listing Rules. Key to the application is that our Directors and senior management have sufficient and satisfactory experience, of at least five years, in the exploration and/or extraction activities that the Company is pursuing. We have a management team comprising, principally, six executive Directors, one non-executive Director, six independent non-executive Directors with strong experience and industry reputation and six senior management members, who we believe as a whole possess the requisite mining experience to operate the Company. In particular, each of Mr. Huang Wei, Mr. Wang Fahai, Mr. Wu Wei and Mr. Zhao Shaohua, who are our heads of exploration, head of mining and co-heads of ore processing respectively, has more than 25 years of experience in the mining industry. Most of our executive directors and senior management have extensive experience in polymetallic ore mining industry, such as mining, extraction and processing of manganese, iron ore, titanium, nickel, copper, cobalt, gold, silver, platinum and palladium. As these ores are all metallic minerals like lead and zinc ore the characteristics of these ores are substantially similar to lead and zinc ore, and the exploration, mine planning, ore extraction and production, ore handling and processing, and safety measures are also similar to those of lead and zinc ore. Therefore, such experience of our executive directors and senior management is relevant and can be transferred and contribute to and enhance our skills and operations in the mining of lead and zinc ore. We believe that our Directors and senior management possess the skills, foresight and extensive industry knowledge necessary to capture market opportunities, formulate sound business strategies, assess and manage risks, as well as increase and implement management and production plans. Such experience is able to satisfy the requirements under Rule 18.04 of the Listing Rules.

The following table below sets forth information regarding our Directors and senior management:

Name	Title within the Group	Responsibilities within the Group	Year of joining the Group	No. of years of experience in the exploration and mining industry	Experience focus in the field of exploration and mining industry	Experience in the following minerals[(2)]
Executive Director						
Mr. Ran Xiaochuan (冉小川)	executive Director and chairman	Overall strategic planning and management	2009	2	Overall strategic planning and management	Lead, zinc and silver
Mr. Zhu Xiaolin (朱曉林)	executive Director and chief executive officer	Overall operations and financial management	2010	7[(1)]	Overall strategic planning and management of mines and acquisition of mining and exploration rights	Lead, zinc, silver, coal, iron ore, tin, titanium and tungsten
Mr. Huang Wei (黃衛)	executive Director and head of geology and exploration	Geology and mine design and production	2011	29	Geology and exploration	Lead, zinc, silver, antimony, chromium, coal, copper, iron, gold, limestone, molybdenum and platinum
Mr. Wang Fahai (王法海)	executive Director and head of mining	Mineral mining management	2011	29	Ore mining and extraction	Lead, zinc, silver, copper, iron, iron ore, manganese and steel
Mr. Wu Wei (吳瑋)	executive Director, co-head of ore processing and head of safety	Mineral processing management and safety production management	2010	29	Ore processing	Lead, zinc, silver, iron, iron ore and titanium

Name	Title within the Group	Responsibilities within the Group	Year of joining the Group	No. of years of experience in the exploration and mining industry	Experience focus in the field of exploration and mining industry	Experience in the following minerals[(2)]
Mr. Zhao Shaohua (趙韶華)	executive Director and co-head of ore processing	Mineral processing management	2010	25	Ore processing	Lead, zinc, silver, cobalt, copper, gold, magnesium, nickel, nickel ore, palladium and platinum

Notes:

(1) Mr. Zhu Xiaolin's experience in the exploration and mining industry relates to and focuses on general management, strategic planning and supervision of the safe production of the Shizishan Mine of our Group and overall and day-to-day management of mines (including ore mining, geology and exploration), acquisition of mining and exploration rights and formulation of acquisition strategies when he worked at Chuan Wei. Mr. Zhu Xiaolin's biographical details are set out below under the paragraph headed "Executive Directors" in this section

(2) Most of our executive directors and senior management have extensive experience in polymetallic ore mining industry, such as mining, extraction and processing of manganese, iron ore, titanium, nickel, copper, cobalt, gold, silver, platinum and palladium. As these ores are all metallic minerals like lead and zinc ore the characteristics of these ores are substantially similar to lead and zinc ore, and the exploration, mine planning, ore extraction and production, ore handling and processing, and safety measures are also similar to those of lead and zinc ore. Therefore, such experience of our executive directors and senior management is relevant and can be transferred and contribute to and enhance our skills and operations in the mining of lead and zinc ore.

Name	Title within the Group	Responsibilities within the Group	Year of joining the Group	No. of years of experience in the exploration and mining industry	Experience focus in the field of exploration and mining industry	Experience in the following minerals
Non-executive Director						
Mr. Shi Xiangdong (石向東)	non-executive Director and advisor	Overall strategic advice	2009	—	—	—
Independent non-executive Director						
Mr. Keith Wayne Abell	independent non-executive Director	Oversee management independently	2011	—	—	—
Mr. Christopher Michael Casey	independent non-executive Director	Oversee management independently	2011	—	—	—
Mr. Richard Wingate Edward Charlton	independent non-executive Director	Oversee management independently	2011	—	—	—
Mr. William Beckwith Hayden	independent non-executive Director	Oversee management independently	2011	36	Property evaluation design and geophysical interpretations	Gold, platinum, palladium and uranium
Mr. Maarten Albert Kelder	independent non-executive Director	Oversee management independently	2011	—	—	—
Mr. Miu Edward Kwok Chi (繆國智)	independent non-executive Director	Oversee management independently	2011	—	—	—
Senior Management						
Mr. Li Tao (李濤)	chief financial officer	Overall financial management	2010	—	—	—
Mr. Li Xingqian (李興千)	deputy director of the concentrator at Shizishan Mine	Overall production facilities management	2010	27	Ore processing	Lead, zinc, silver, cobalt, copper, gold and nickel
Mr. Liu Wangsheng (劉旺生)	deputy director of the concentrator at Shizishan Mine	Overall production management	2010	25	Mining and processing technology and equipment	Lead, zinc, silver, cobalt, copper, iron and nickel
Mr. He Min (何敏)	head of administration	General administration management	2010	—	—	—

Name	Title within the Group	Responsibilities within the Group	Year of joining the Group	No. of years of experience in the exploration and mining industry	Experience focus in the field of exploration and mining industry	Experience in the following minerals
Mr. Yang Xiaosong (楊小松)	head of geology engineering department	Overall exploration and mine geology management	2010	11	Geology	Lead, zinc and silver
Mr. Shen Yang (沈洋)	chief legal officer and director of safety and quality assurance department	Overall legal and compliance management and safety production management	2010	5	Safety and environmental protection	Lead and zinc

EXECUTIVE DIRECTORS

Mr. Ran Xiaochuan (冉小川), executive Director, Chairman

Mr. Ran Xiaochuan, aged 46, has been an executive Director of our Company since June 8, 2011. Mr. Ran was one of the founders of the Group in 2009 and is currently the Chairman of the Group. Mr. Ran holds 1% of the equity interests in Kunrun. Mr. Ran has been instrumental in finding and recruiting experienced mining specialists who have engaged in the exploration and extraction activity. Mr. Ran has over 2 years of mining and exploration experience, and over 20 years of experience in general corporate management. Mr. Ran has spent a considerable amount of time and effort at the Shizishan Mine to oversee its acquisition, development and overall operation. After the inception of Kunrun in 2009, Mr. Ran established and led a team of professionals to acquire and develop the Shizishan Mine. Mr. Ran has been responsible for the strategic planning and overall operation the Group, including, among others, formulating the overall development and expansion plan of the Group, examining mine reserve and feasibility reports to assess and verify mine reserves, geological examination and exploration of the mines and construction and development of the mining and processing facilities. Mr. Ran was also responsible for selecting and engaging geologists, mining specialists, engineers and metallurgists, and worked closely with these professionals. In addition to the acquisition of the Shizishan Mine, Mr. Ran is responsible for our Group's development of production facilities. With Mr. Ran's extensive experience, Mr. Ran has provided valuable advice and contributed to our Group's expansion development plan, including formulating our Group's annual production target and expansion timetable.

Apart from his involvement in mining and exploration of our Group, Mr. Ran is heavily involved in the strategic decisions of the restructuring in preparation of the IPO. Mr. Ran also assisted the Group to complete three rounds of pre-IPO investments from various sophisticated international investors, which enabled us to successfully commence the commercial production of the Shizishan Mine in October 2011. For more information, please see "History and Organization — Pre-IPO Investments and Shareholder Reorganization".

Prior to joining the Group, Mr. Ran worked as the sales chief in the Foreign Trade Bureau of Cangxi County of Sichuan province (四川省蒼溪縣外貿局) from 1982 to 1987, during which time he was responsible for the sales of domestic agricultural produce to overseas purchasers. Between 1988 to 1997, Mr. Ran worked in Zhuhai Haiyuan Trading Company (珠海海元經貿公司) as its general manager and was responsible for sales and marketing. Zhuhai Haiyuan Trading Company was the trading company of Haiyuan City government to conduct business with external parties. Between 1998 to 2004, Mr. Ran worked in Chongqing Jianxing Company Limited (重慶建興有限公司), principally engaged in residential and commercial real estate development, and highways and tunnel construction and management business, as its general manager and was responsible for marketing, daily operation and management of Chongqing Jianxing Company Limited. While Mr. Ran was with Chongqing Jianxing Company Limited, he developed a comprehensive internal management and sales and marketing system based on his prior experience of developing similar systems. Between 2005 and 2008, Mr. Ran worked in Sichuan Henglu Industrial Company Limited (四川恒路實業有限公司), a company principally engaged in the construction and consulting business, as its general manager and was responsible for the general operations of the company.

Mr. Ran is the father of our Controlling Shareholder, Mr. Ran Chenghao.

Mr. Zhu Xiaolin (朱曉林), executive Director, chief executive officer

Mr. Zhu Xiaolin, aged 38, has been an executive Director of our Company since June 8, 2011. Mr. Zhu joined the Group in March 2010 and is also currently the chief executive officer of the Group. Mr. Zhu indirectly holds 9.77% of the issued share capital of the Company through Grow Brilliant. Mr. Zhu has over 16 years of experience in corporate finance, capital management and enterprise management in various industries in the PRC, of which 7 years of his experience is in the management of mining companies.

Mr. Zhu joined our Group in March 2010 and is responsible for the general management, strategic planning and supervision of the safety production of our Group. Since joining the Group, Mr. Zhu has established a high-quality management team, and formulated the overall strategy for the mine development of our Company. He was substantially involved in, among others, the studies of mine geology and exploration of resources, the review of the feasibility report and the Competent Person's Report of the Shizishan Mine, environmental impact assessment, the construction of mining infrastructure, the design and execution of the ramp-up plan and the sales and marketing strategy. Mr. Zhu led the process to successfully renew the Shizishan Mine's mining permit for 15 years in April 2011 and to win the public bid for the Dazhupeng Mine's exploration right in July 2010. Mr. Zhu also helped obtained all material government permits and approvals for the construction and mining of the Shizishan Mine and the construction and operating of the processing facilities. Mr. Zhu oversaw the design and construction of the Shizishan Mine and the processing facilities. Mr. Zhu has been the main person representing the Group in obtaining the material permits and licenses to enable the Group to commence commercial productions. Mr. Zhu led the Group in the process of assessing the mineral resources, successful negotiation of the exclusive long-term supply agreement and planning of the processing facilities of the Lushan Mine.

Mr. Zhu had successfully developed the Group from a start-up company to one with substantial resources completing three rounds of pre-IPO investments (value of US$90 million) from sophisticated international investors specialized in investment in the mining industry, such as Challenger 8 Mining Limited and investment arms of Morgan Stanley and Deutsche Bank. Mr. Zhu demonstrated his extensive knowledge in mining, exploration and extraction and presented to these investors the investment merits in relation to Shizishan Mine, Dazhupeng Mine, Lushan Mine and the Group's production plan. These pre-IPO investments were completed before the commencement of the Group's commercial production.

From October 2004 to February 2010, Mr. Zhu worked with Sichuan Chuanwei Group Co., Ltd. (四川川威集團有限公司) ("Chuan Wei") and its group companies. Chuan Wei is principally engaged in mining and steel production and was listed as one of the PRC largest 500 companies in 2010 (2010年中國500強企業). Mr. Zhu held several positions at Chuan Wei and its group companies, such as the chief investment officer of Chuan Wei, chief executive officer of Trisonic International Limited (a Hong Kong incorporated private company which is the substantial shareholder of China Vanadium Titano-Magnetite Mining Company Limited (stock code: 00893)) ("China Vanadium"), and the director and later, the non-executive director of China Vanadium. During his five year employment period at Chuan Wei, Mr. Zhu gained extensive experience in the mining industry relating to vanadium, titanium, coal, iron ore, lead, zinc and silver. In particular, Mr. Zhu was responsible for the investment and acquisition of major mineral assets (including mineral reserves) for Chuan Wei and China Vanadium, corporate strategic planning, capital management and human resources management. Mr. Zhu was also in charge of the strategic development, investment, acquisition, operation, day-to-day management and financial planning of Chuan Wei's and China Vanadium's mineral assets and reserves.

During Mr. Zhu's employment with Chuan Wei and China Vanadium, Mr. Zhu successfully led China Vanadium to develop into the first PRC iron ore mines operator listed in Hong Kong with an annual production of over 2 million tonnes of iron ore. Mr. Zhu has also assisted Chuan Wei and China Vanadium to acquire 5 iron ore mines, 1 zinc mine, and 1 coal mine in the PRC in the years of 2005, 2006, 2008 and 2009. Mr. Zhu was heavily involved in the expansion development projects of China Vanadium which increased its ore processing capacity by 8,000,000 tonnes annually. During his involvement in the acquisition of these mineral assets and production capacity increase, he participated in the assessment and evaluation of mineral assets, which includes the study of mineral reserve reports and feasibility reports, engagement of and interactions with and advising geologists, mining experts, engineers and metallurgists; and (ii) formulation and implementation of mining plans, including the design, selection of appropriate machineries, operation plan and production plan. Mr. Zhu spent a significant amount of time at mining sites and closely supervised China Vanadium's production and expansion and implementation of its mining plans.

Following the listing of China Vanadium, Mr. Zhu was in charge of the acquisition of the mining right of Yangqueqing Iron Mine (17.92 mt of iron ore resources) and exploration right of Cizhuqing Mine by China Vanadium's subsidiary for 3 months in 2010. Mr. Zhu was overall-in-charge of the acquisition strategy of the group from 2009 to 2010, including identification of mineral resources, discussion, liaison and coordination of geologists, mining experts, engineers, technical experts and metallurgists.

In addition, Mr. Zhu successfully assisted Trisonic International Limited to obtain a banking facility of US$1.23 billion in August 2007 and a US$50 million private equity investment in November 2007. He also represented Chuan Wei in the negotiation of a US$35 million private equity investment in Chuan Wei's cement business in December 2007. In June 2008, Mr. Zhu led Trisonic International Limited to acquire Sapphire Corporation Limited, a listed company in Singapore (stock code: NF1.SI). In July 2009, despite the occurrence of financial crisis, Mr. Zhu has assisted China Vanadium to complete a private equity investment of US$90 million before its listing.

In recognition of Mr. Zhu's experience and contribution in the mining industry in the PRC, Mr. Zhu was nominated on March 2011 as the council member of the Yunnan Mining Association (雲南省礦業協會), in which most companies in the mining industry in Yunnan are members of this association.

Prior to joining Chuan Wei and China Vanadium, Mr. Zhu was head of internal control and senior accountant of Leshan-Phoenix Semiconductor Co., Ltd., the first joint venture by Motorola, Inc. in PRC principally engaged in the manufacturing of semiconductors, from August 1995 to

March 1997. Mr. Zhu was responsible for financial management, costing, taxation and internal control. Thereafter, Mr. Zhu was the financial manager and director of business management of Xinde Telecom International Venture, a subsidiary of Siemens AG principally engaged in telecommunications, investments and management, until March 2002. Mr. Zhu was responsible for financial management, investments and investor relations. Mr. Zhu then joined New Hope Group, a company listed as one of the PRC largest 500 companies in 2010 (2010年中國500強企業) in the same year to be their head of finance and vice-head of management, a position he held until his departure in December 2004. New Hope Group is principally engaged in mining, animal feed, chemical, real estate, food and financial services business. Mr. Zhu was responsible for the general management and financial management.

Mr. Zhu graduated from Southwestern University of Finance and Economics (西南財經大學) in Chengdu City, Sichuan province in July 1995 with a Bachelor's degree in accounting and obtained the Qualified Accountant Certificate from Ministry of Finance (財政部) in December 1997.

Mr. Huang Wei (黃衛), executive Director, head of geology and exploration

Mr. Huang Wei, aged 53, is an executive Director of our Company since November 2011. Mr. Huang joined the Group in 2011 and is currently the head of geology and exploration of the Group. Mr. Huang has been primarily responsible for all exploration activities of the Group. He has over 29 years of experience in geology, specifically the exploration of metallic and nonmetallic mineral resources.

Mr. Huang has extensive experience in geology and exploration in Tibet Autonomous Region. Mr. Huang worked at the 1st division in the geology team (第一地質大隊) of the Geology Bureau of Tibet Autonomous Region (西藏地礦局) (the "1st Geology Team") from 1982 to 1993, where he was the team leader and technical supervisor from 1982 to 1989, and subsequently the project director from 1990 to 1993. The 1st Geology Team was principally engaged in minerals exploration, such as iron, gold, copper and coal mines, in the eastern region of Tibet Autonomous Region. Mr. Huang was responsible for geological prospecting and exploration of copper, molybdenum, gold, silver, lead and zinc resources by utilizing his knowledge in geophysics and geochemistry and all technical aspects of geological prospecting and exploration, including road coding and mapping. Mr. Huang also made significant contribution to the discovery and exploration of the renounced Yulong Copper Mine (玉龍銅礦) which has the second largest non-ferrous metals (copper) reserves in the PRC.

Mr. Huang completed the research and testing of Yulong Copper Mine wet leaching method (玉龍銅礦溶浸試驗研究) from 1990 to 1992. The wet leaching method was a ground-breaking method of mining of non-ferrous metals which is vastly different from the traditional processing method that requires high energy consumption and was first experimented in the alpine plateau in Tibet Autonomous Region with an elevation of over 4,200 meters at the Yulong Copper Mine, and was subsequently recognized by the experts from the Ministry of Geology and Mineral Resources (國家地質礦產部) in 1992. This wet leaching method is now widely adopted in Canada and the U.S..

From 1994 to 2004, Mr. Huang worked with the 6th division of the geology team (第六地質大隊) of Bureau of Geology and Mineral Resources of Tibet Autonomous Region (西藏地礦廳) (the "6th Division") which was principally engaged in minerals exploration in Tibet Autonomous Region. During this time, Mr. Huang gained experience in relation to copper, molybdenum, gold, silver, lead, zinc, antimony, limestone, platinum and chromium. From 1994 to 1999, he was the technical supervisor of the 6th Division and was responsible for the exploration of mines. Mr. Huang's focus was to assist the 6th Division in the technical aspects of surveying and exploration, and preparation of copper ore mining of the 2nd ore body at the Yulong Copper Mine. From 1998 to 1999, Mr. Huang was also appointed as the general manager and chief engineer of Tibet Zangdong Mining Co., Ltd. (西藏藏東礦業有限責任公司), a company principally engaged in mining and exploration of mineral resources, where he was responsible for exploration of copper, molybdenum, gold, silver, lead and zinc resources. During this time, Mr. Huang discovered certain non-ferrous metals mineral bases including two large-scale exploration bases for mineral resources and evaluated their potential for development.

In 2000, Mr. Huang was appointed as a deputy chief engineer of the 6th Division. In 2002, he was promoted as the chief engineer, a position he held till 2004. While Mr. Huang was the deputy chief engineer and the chief engineer, he was responsible for the geological work of the 6th Division and arranged the geological prospecting of non-ferrous metals minerals as well as standardized and rationalized the technical and geological specifications to be adopted by the 6th Division, the overall management of these mining projects and led a team of experienced engineers to prepare and design the mines, verify exploration data and issue technical reports. In addition, Mr. Huang was in charge of exploration for over 20 nationwide projects.

Mr. Huang worked as a deputy chief engineer at the Geological Survey Institution of Tibet Autonomous Region (西藏自治區地質調查院) from 2004 to 2006 where he was responsible for various mining projects of copper, molybdenum, gold, silver, lead and zinc in Tibet Autonomous Region and was in charge of locating possible non-ferrous metals mineral resources, conducting exploration work, technology management and preparation of technical reports in relation to mining and exploration, such as investigation, design and quality control reports. During this time, Mr. Huang successfully implemented one of the key projects of the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部): the Geological Survey of the Duobuza Copper Mine (多不雜銅礦（特大型）地質勘查).

Between 2006 and 2007, Mr. Huang worked as the chief engineer at Tibet Autonomous Region Project Surveying and Construction (Group) Co., Ltd. (西藏工程勘察施工集團公司), a company principally engaged in construction-related geology exploration business, such as geology engineering for tunnels and roads construction and foundations. Mr. Huang was responsible for the management of mineral prospecting of copper, molybdenum, gold, silver, lead and zinc and development of exploration technology, and was in charge of the entire exploration operation.

From 2007 to 2010, Mr. Huang worked as the technical consultant for various mining companies, such as Tibet Yuanze Mining Company (西藏元澤礦業公司) and Tibet Jinhua Mining Development Co., Ltd. (西藏錦華礦業開發有限公司). Mr. Huang assisted these companies to evaluate and obtain mining rights and carried out geological surveys.

Mr. Huang graduated from Chengdu University of Technology (成都理工大學), formerly known as Chengdu Geological College (成都地質學院), with an engineering degree in January 1981. In September 2003, Mr. Huang qualified as a Geological Mining Senior Engineer (Professor Level) (教授級地質礦產高級工程師) by the PRC Safety Production Supervision Bureau (國家安全生產管理局). Mr. Huang was awarded the third Prize of Reserve Report by the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) in 1996, the Second Prize of Advancement in Technology by Tibet Autonomous Region in 2004 and the First Prize of Advancement in Technology by Ministry of Land and Resources of the PRC in 2005. Amongst his professional achievements, Mr. Huang has also published various articles in respected journals in the PRC such as "Porphyry Copper (Chemical) Belt: Tibet's Second "Yulong" Copper Belt?" (岡底斯斑岩銅礦（化）帶：西藏第二條"玉龍"銅礦帶?) in 2011, "Yulong Copper Deposit in Tibet — Large-scale Deposits Controlled by Structural Nose Trap" (西藏玉龍銅礦床—鼻狀構造圈閉控制的特大型礦床) in 2006 and "Re-Os Isotopic Age and their geological significance at Tibet Daxian Bujiang County Gongbo'gyamda Molybdenite Porphyry Molybdenum Deposit" (西藏工布江達縣沙讓斑岩鉬礦床輝鉬礦錸-鋨同位素年齡及其地質意義) in 2009.

Mr. Wang Fahai (王法海), executive Director, head of mining

Mr. Wang Fahai, aged 56, has been an executive Director of our Company since November 2011. Mr. Wang joined the Group in 2011 and is currently the Group's head of mining. He is primarily responsible for the Group's overall mining management, and the development of our mining production facilities at Shizishan Mine. Mr. Wang has over 29 years of experience in mining and production management.

Between 1982 and 2002, Mr. Wang held various positions at different mines of Angang Iron and Steel Group Corporation (鞍鋼鋼鐵集團有限責任公司) ("Angang"), a state-owned corporation principally engaged in mining and steel production business. Mr. Wang worked as the mining technician at the Jiguanshan workshop (the "Jiguanshan Workshop") of Angang's Wafangzi Manganese Mine (瓦房子錳礦雞冠山車間) ("Wafangzi Manganese Mine") from 1982 to 1984. During this time, Mr. Wang gained extensive experience in manganese mining. The Jiguanshan Workshop was principally engaged in underground mining of the Wafangzi Manganese Mine. The Wafangzi Manganese Mine is situated in the northeast region of the PRC with an annual production capacity of 50,000 tonnes of manganese ore of average grade of 25% – 28%. It had over 2,300 employees, of which approximately 1,000 employees were involved in the mining operation. Mr. Wang was responsible for the management of underground mining and production technology, general management of production, organization of the workshop's personnel and labor union. Mr. Wang was also in charge of the implementation of the monomeric design of ore block at the Jiguanshan Workshop, which was used for manganese ore mining and designed by Angang's design institution. Mr. Wang then worked as the deputy production director of the Jiguanshan Workshop from 1984 to 1987. During this time, he was responsible for the organization of underground mining production and ensuring that production targets were met.

Mr. Wang worked at the Baoshenmiao workshop of the Wafangzi Manganese Mine (瓦房子錳礦雹神廟車間) (the "Baoshenmiao Workshop") in 1988 as a director. The Baoshenmiao Workshop had three underground mines and had over 200 employees. Mr. Wang was responsible for the Baoshenmiao Workshop's operations and production. In June 1988, the Baoshenmiao Workshop was integrated into the Jiguanshan Workshop. Mr. Wang served as the director of the Jiguanshan Workshop since the integration and was responsible for the operation and production of the integrated workshop.

Mr. Wang was then assigned to the Wafangzi Manganese Mine's safety and environmental protection department and served as a mining engineer from 1989 to 1995. The safety and environmental protection department was responsible for the introduction and implementation of safety and environmental protection policies in respect of the operations at the Wafangzi Manganese Mine. Mr. Wang was responsible for the formulation and implementation of the safety and environmental protection policies. At the same time, he actively participated in the mining operations of the Wafangzi Manganese Mine. In 1996, Mr. Wang was transferred to the technical and production department of the Wafangzi Manganese Mine as the deputy chief, was promoted to chief after six months, and held that position until 1998. At the technical department and production department, Mr. Wang was responsible for the design of the Wafangzi Manganese Mine, which included the preparation of technical drawings, and improving the mining techniques and mine design, and the coordination of various departments (for example, sales, finance, marketing, quality control, safety and environmental protection departments) to ensure that the Wafangzi Manganese

Mine achieved the targeted production volume. In particular, Mr. Wang improved the design of the auxiliary shaft of the workshops in the Wafangzi Manganese Mine.

Mr. Wang was then assigned to the production department of the Wafangzi Manganese Mine as director, chief and assistant to the head of mine in 1998. The production department supervised the production scheduling section, technology department, planning department, geology department, quality measurement department, machinery department, safety and environmental protection department and the three underground mine's workshops at the Wafangzi Manganese Mine. Mr. Wang was responsible for the general management, production and technology of underground mining conducted at the Wafangzi Manganese Mine. In 1999, Mr. Wang was transferred to the head office of the Wafangzi Manganese Mine and worked as a external operation manager till June 2002 where he was responsible for organizing machineries and managing personnel at the mining sites, as well as the processing and transportation of manganese ores at the mining sites.

Between 2002 and 2009, Mr. Wang worked as the deputy technology manager at the Daye project group of JCHX Mining Construction Group (金誠信礦業建設集團有限公司) ("JCHX"), one of the largest mining contractors in the PRC and was rated as a Class A mining contractor by The Ministry of Construction of PRC (中華人民共和國建設部). Golden Faith had various projects in the PRC and overseas, including mining projects in Shandong, Beijing, Hubei province, Inner Mongolia, Yunnan province, Kunming, Zambia and Laos. The Daye project group owns and operates numerous copper-iron ore mines located in Daye City, which includes the Jiguanzui working zone (雞冠嘴工區), the Shitouzui working zone (石頭嘴工區), the Tongshan working zone (銅山工區), and the Dazhishan working zone (大志山工區). Mr. Wang was responsible for the overall underground mining operations of the mines of copper and iron ore at the Jiguanzui working zone and the Shitouzui working zone. In addition, with the help of the Changsha Research Institute of Mining Design (長沙礦山設計研究院), Mr. Wang designed and implemented the empty field subsequent filling method, which was a new mining method at the Shitouzui working zone. Mr. Wang participated in the commencement of production at the Shitouzui working zone in 2002 which reached an annual output of 280,000 tonnes in 2003.

Mr. Wang worked as the chief engineer of Wenzhou Construction Group Co., Ltd. (溫建集團公司) ("Wenzhou Construction") in Anhui Province from 2009 to 2011. Wenzhou Construction is a mining contractor and Mr. Wang participated in one of its contracted projects which involved underground mining of copper and iron ore at the deepening mine of Anhui Taiping Mining Co., Ltd. (安徽太平礦業有限公司), a subsidiary of China National Gold Group Corporation (中國黃金總公司). The mine is located at the site of a large-scale copper-iron deposit in Northern Anhui Province and had an annual production output of 240,000 tonnes in 2010. Mr. Wang was responsible for technical instruction on mining production and construction planning of the deep exploration project.

Mr. Wang graduated from Northeastern University of Technology (東北工學院) with a Bachelor of Engineering degree majored in mining engineering in July 1982. Mr. Wang was recognized as an "Advanced Producer" (先進生產者) and "Advanced Worker" (先進工作者) by Angang and Golden Faith for his outstanding contribution to the respective companies.

Mr. Wu Wei (吳瑋), executive Director, co-head of ore processing and head of safety

Mr. Wu Wei, aged 51, has been an executive Director of our Company since November 2011. Mr. Wu joined the Group in 2010 and is currently the co-head of ore processing and head of safety of the Group. Mr. Wu is responsible for the Group's overall mining management, and the development of our mining production facilities at Shizishan Mine. Mr. Wu is also responsible for the formulation and implementation of safety production policies of the Group. Mr. Wu closely supervises the implementation of the Group's safety production plan to ensure that it complies with PRC laws and regulations and meets international industry standards. Mr. Wu has over 29 years of experience in mining and ore processing.

Mr. Wu worked at the Panzhihua Iron & Steel (Group) Company (攀枝花鋼鐵（集團）公司) ("PIS Group") between 1982 and 1993. He started out as an engineer in 1982 and was promoted to deputy director in 1991 at the technical department of the ore processing plant of the PIS Group. PIS Group's ore processing plant was the largest ore processing plant in the PRC in 1982 with a total annual production capacity of 1.3 million tonnes of iron and titanium concentrates. Mr. Wu was responsible for the technology management and research and development of PIS Group's processing plant of iron and titanium concentrates. In particular, he conducted over 20 research and development projects, which brought significant development to the ore processing technology, application of large-scale ore processing machineries and the application of ball mill. Mr. Wu also formulated the nation's leading ore processing standardization system with the support of PIS Group and the Sichuan provincial government. One of the most important research projects that Mr. Wu was involved in was the application of Model 1050 large scale magnetic separator and the application of XSS frequency demagnetizer. Mr. Wu received the "Major Scientific and Technological Progress Award" from the Anhui provincial government (安徽省重大科技進步獎) in 1989.

Mr. Wu worked as the deputy production director and senior engineer of Panzhihua Scientific Research Titanium Concentrator (攀枝花市科研選鈦廠) ("PZH Titanium") from 1993 to 1999. PZH Titanium is a wholly-owned subsidiary of Panzhihua Steel Layer Industrial Company (攀枝花鋼城實業公司), which is an associated company of the PIS Group. PZH Titanium had approximately 190 employees and was mainly engaged in the business of collecting and processing the tailing ore from PIS Group's ore processing plant. PZH Titanium was the second largest titanium concentrate processing plant in the PRC in 1999. Mr. Wu was responsible for managing PZH Titanium's production, safety, technology and machineries in relation to iron and titanium concentrates. After he joined PZH Titanium, Mr. Wu successfully led a team of approximately 231 employees and turned around PZH Titanium from a company on the verge of being wound up to a profitable titanium concentrator with an annual production capacity of 20,000 tonnes. Through Mr. Wu's contribution in technology, PZH Titanium vastly increased its production capacity and became the first company with the capability of recovering and recycling iron and titanium concentrates.

Between 1999 to 2001, Mr. Wu worked as the manager and senior engineer of Xingfa Branch of Panzhihua Fengtai Industrial and Trading Company (攀枝花市豐鈦工貿公司興發分公司) ("PZH Trading"), an associated company of PIS Group. Mr. Wu was responsible for the operation and management of PZH Trading. When Mr. Wu joined PZH Trading in 1999, PZH Trading was engaged in the production of iron products for vehicles and motorcycles and was a loss making operation. Under Mr. Wu's management, PZH Trading reorganized the existing employees and utilized its existing equipments to recover and recycle ore tailings and blast furnace dust from all ore processing plants in Panzhihua and processed these ore tailings. Mr. Wu successfully turned around PZH Trading to become a profitable operation within the first three months of his engagement.

Mr. Wu worked as a director and senior engineer of Pangang Yunnan Wuding Titanium Concentrator (攀鋼雲南武定選鈦廠) ("Pangang Wuding"), a wholly-owned subsidiary of PIS Group engaged in the business of processing of titanium-iron ore, from 2001 to 2003. Mr. Wu was responsible for Pangang Wuding's operation and production of titanium concentrates, including the formulation and standardization of company policies, investment in equipments and machineries, and organization of personnel postings. Mr. Wu successfully increased Pangang Wuding's monthly processing capacity from 10,000 tonnes to 25,000 tonnes.

Mr. Wu then worked as a senior engineer at Pangang Titanium Company Titanium Concentrator (攀鋼鈦業公司選鈦廠) ("Pangang Titanium"), a wholly-owned subsidiary of PIS Group engaged in the business of processing titanium concentrates and production of basic raw materials for the titanium industry, from 2003 to 2005. Mr. Wu was responsible for the technical research and development and technical application of titanium concentrates at Pangang Titanium. Mr. Wu was also in charge of the research project in fine particles of titanium float level which was regarded as the leading research project in titanium in the PRC. Mr. Wu then returned to Pangang Titanium in 2006 as senior engineer until 2009. Mr. Wu was responsible for setting up a new titanium processing plant with a daily production capacity of 25,000 tonnes including the technical development and upgrade in machineries in relation to titanium concentrates production at this new titanium processing plant.

Mr. Wu was appointed as an independent non-executive director of China Vanadium in 2009 until April 2010. Mr. Wu was responsible for providing technical support and independent advice to assist the management in connection with construction of vanadium titano-magnetite iron ore processing and expansion plant and general management. For example, Mr. Wu provided valuable advice and technical support in China Vanadium's 500,000 tonnes expansion plan.

From April 2010 to October 2010, Mr. Wu worked at Huili County Caitong Iron-Titano Company Limited (會理縣財通鐵鈦有限責任公司) ("Huili Caitong") as the chief engineer. Huili Caitong is an operating subsidiary of China Vanadium and is engaged in the business of mining, processing and iron pelletizing. Mr. Wu led a team of engineers to expand Huili Caitong's annual production capacity from 1.85 million tonnes to 2.35 million tonnes and gained extensive experience in vanadium titano-magnetite iron ore mining and processing. Mr. Wu and his team provided critical solutions and transformed Huili Caitong's crushing system and processing system.

Mr. Wu received a Bachelor's degree in Engineering from the mining faculty of the North Eastern Engineering College (東北工學院) in Shenyang City, Liaoning Province in July 1982. Mr. Wu was certified as a Senior Engineer (高級工程師) by PIS Group in April 1994. Mr. Wu is a member of China Metals Association.

Mr. Zhao Shaohua (趙韶華), executive Director, co-head of ore processing

Mr. Zhao Shaohua, aged 46, has been an executive Director of the Company since November 2011. Mr. Zhao joined the Group in 2010 and is currently the co-head of ore processing of the Group. Mr. Zhao is responsible for the general management and operation of the processing plant at Shizishan Mine. Mr. Zhao has over 25 years of experience in developing concentrating technology and managing ore processing facilities.

Mr. Zhao held various positions at Jinchuan Group Company (金川集團有限公司) ("Jinchuan") from 1986 to 2010 and gained extensive experience in processing nickel, copper, gold, silver, platinum and palladium. Jinchuan is a large integrated non-ferrous metallurgical and chemical engineering enterprise engages in mining, concentrating, metallurgy and chemical engineering and produces nickel, copper, cobalt, rare and precious metals and chemical products. Jinchuan is one of the companies listed in the PRC largest 500 companies in 2010 (2010年中國500強企業) and had the third largest nickel reserve in the world. Between 1986 and 1989, Mr. Zhao worked as a grinding and flotation technician at Jinchuan's first processing workshop. This first processing workshop was a nickel and cobalt processing plant with a daily production capacity of 2,000 tonnes. Mr. Zhao was responsible for processing and technology management. Between 1989 and 1992, Mr. Zhao worked as a director of Jinchuan's first processing workshop's laboratory and was responsible for conducting testing on processed ore. In this position, he assisted the Jinchuan's head office to provide solutions to various technical difficulties encountered at various production facilities. Between 1992 and 1994, Mr. Zhao was a director at the technical department of Jinchuan's first processing plant and was responsible for formulating and implementing technical production proposals. Between 1994 and 1998, he worked as a deputy director of Jinchuan's first processing plant and was responsible for the processing production line, technical department and the laboratory. During Mr. Zhao's employment with Jinchuan's first processing workshop, he successfully conducted the project "Improvement of Lung Shou Mine Concentrate Grade and Magnesium Oxide Reduction Research and Industrial Test" project (提高龍首礦富礦石精礦品位降低氧化鎂小型試驗研究及工業試驗), the results of which were endorsed by experts at China Nonferrous Metals Company (中國有色金屬公司). In 1997, Mr. Zhao conducted a study on "Mixture of Nickel Ore to Improve Recovery Rate and Reduce the Consumption of Pharmaceutical" (提高混合礦鎳回收率，降低藥劑消耗) under the direction of Jinchuan's head office.

In 1998, Mr. Zhao was assigned to Jinchuan's second processing plant and worked as the deputy chief. He was then promoted to chief of the grinding and floating station at the second processing plant in 1999. At the time when Mr. Zhao joined, the second processing plant had over 400 employees. Mr. Zhao was responsible for the processing production and technology management. Mr. Zhao completed the improvement reports (改造報告) of the 3rd, 4th and 5th systems of the grinding and floating station.

Mr. Zhao was assigned to Jinchuan's processing plant in 2001 and held various positions at the processing plant. Between 2001 and 2003, Mr. Zhao worked as the chief of the processing plant's research department where he was responsible to lead Jinchuan's technical team research and development efforts. In this position, Mr. Zhao successfully improved the processing plant's work flow and conducted various industrial tests. For instance, Mr. Zhao completed the "KYF-50 Flotation Processing Machine Flotation Test" (the "KYF-50 Test") in 2000 and as a result, a patent has been registered resulting from the KYF-50 Test and the patent is jointly owned by Jinchuan and the Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院). Mr. Zhao also completed the Y89-2+PN405 New Pharmaceutical Industrial Test in 2003. Between February 2003 and August 2003, Mr. Zhao worked as the chief of the 1st processing plant of Jinchuan and was responsible for the entire operation of the plant. Mr. Zhao then worked as the chief of the 2nd processing plant from 2003 to 2006 and was responsible for the entire operation of the plant.

Mr. Zhao was then assigned to Jinchuan's research and development technology department and worked as its director from 2006 to 2009. Mr. Zhao was responsible for the technological aspects of all Jinchuan's processing plants, including setting standards and implementing systems management. Mr. Zhao participated and completed the "KYF-160 Flotation Processing Machine Flotation Test" (the "KYF-160 Test") and as a result, a patent has been registered from the KYF-160 Test and the patent is jointly owned by Jinchuan and the Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院). Mr. Zhao also completed the study of "Improvement of Grading of Mineral Concentrates Stable Recovery Rate" (提高選礦精礦品位穩定回收率的技術攻關) and improved the liquid concentrate grading by 0.5%, which brought an increase in economic benefit of RMB10 million.

Mr. Zhao was later transferred to Jinchuan's maintenance workshop in 2009 and the metal concentrate workshop as a director in 2010. In these positions, he was responsible for processing production, machineries maintenance and technology management. His role included hosting lectures and conferences on applicable technology and on-site implementation of certain new technology.

Mr. Zhao completed and implemented the technical proposal for metal concentrate compression equipment and provided technical support to two of Jichuan's projects with a daily production capacity of 6,000 tonnes and 14,000 tonnes.

Mr. Zhao graduated from the mineral engineering department of Central South University of Technology (中南科技大學) with a Bachelor's degree in Engineering in July 1986. Mr. Zhao was elected as a "Top Ten New Talents in Science and Technology" of Jinchuan in 1993, and has also published a number of thesis papers in magazines and journals. Mr. Zhao was the author and editor of "KYF-50 Test" which was published in "Non-Ferrous Metals Journal: Ore Processing" (有色金屬: 選礦部份) in 2001 and "Development and Application Trend of Large-scale Processing Ore Machineries" which was published in "Jinchuan Technology Journal" (金川科技) in 2001. Both Non-Ferrous Metals Journal and China Metallurgical Journal are national publications popular in the mining industry.

Mr. Zhao was awarded with the "Top Ten New Talents in Science and Technology" by Jinchuan in 1994, the 7th Five Small Achievement Award ("五小"成果奬) in 1998, the "Advanced Worker" award (先進工作者) by Jinchuan in 1999, and the 7th Five Small Achievement Award ("五小"成果奬) by Gansu province in 1999. Mr. Zhao has received awards from Jinchuan and the 1st Prize in Technology Improvement by PRC Nonferrous Metals Industry Association and was awarded the Technology Improvement Award from Jinchuan as a result of the successful KYF-50 Test and KYF-160 Test.

NON-EXECUTIVE DIRECTORS

Mr. Shi Xiangdong (石向東), non-executive Director

Mr. Shi Xiangdong, aged 47, is a co-founder and non-executive Director of our Company. Mr. Shi is an indirect Shareholder of our Company. Mr. Shi has been a personal friend with Mr. Ran Xiaochuan for a long period of time, and was introduced to the Group through the Ran family. Mr. Shi has an advisory role within the Group with a focus on strategic development.

Mr. Shi has over 16 years of experience in the capital markets, especially in risk management and capital operation. Mr. Shi joined Union Bank of Switzerland ("UBS") from 1994 to 1997 as Associate and was responsible for the design of its global market risk model. From 1997 to 2000, Mr. Shi worked in Barclays Bank as an associate director and was responsible for trading in US treasury bond 30-year maturity sector. Mr. Shi then joined Merrill Lynch in 2000 as director and was responsible for risk management of US and Latin American equity derivative and convertible bond trading. From April 2003 to March 2010, Mr. Shi worked in Citigroup Global Market Inc. as director and was responsible for trading management, including market risk management of equity business in the Americas and management of equity division's private investment portfolio. Mr. Shi graduated from University of Pennsylvania in June 1992 and obtained a Doctorate Degree in Physics. Mr. Shi received a Bachelors degree in Nuclear Engineering from Tsinghua University in Beijing in June 1985.

Due to Mr. Shi's extensive work experience in international financial institutions in the area of risk management and capital operation, our Company views Mr. Shi's appointment as an non-executive Director to be beneficial to the Group to enhance the level of corporate governance and risk management. As disclosed in the Prospectus, although Mr. Shi is a friend of Kevin Russell, Mr. Shi is not acting as representative of the KR Lenders.

INDEPENDENT NON-EXECUTIVE DIRECTORS

We also have six experienced independent non-executive Directors to enhance our high standard of corporate governance. They all possess strong experiences and stellar reputations in their respective fields of expertise in finance, accounting, investments, consulting and mining and all have long track-record of serving managerial roles and supervising corporate governance in public companies listed in the world's major stock exchanges, leading investment banks, consulting firms or accounting firms. We believe that our independent non-executive Directors, who comprise nearly half of the Board seats and a majority of the members of our audit, remuneration and nomination committees, will significantly enhance the standard of corporate governance of the Company and improve transparency and soundness of the Board's decision-making process, which in turn will better serve the interests of our public investors and our Company as a whole. For instance, our management will prepare a detailed monthly management report to the independent non-executive directors, which would include the monthly sales price and sales volume. Further, our management will report to the independent non-executive directors every quarter on our Group's financial position at the board meetings to be held every quarter.

Mr. Keith Wayne Abell, independent non-executive Director

Mr. Keith Wayne Abell, aged 54, has been the independent non-executive Director of our Company since November 2011. Mr. Abell has over 21 years in corporate finance and investment strategies in Asia. Mr. Abell is fluent in Mandarin.

Mr. Abell served as a vice president at Goldman Sachs & Co. from 1986 to 1990. While Mr. Abell was at Goldman Sachs & Co., he served in the global finance and mergers and acquisitions departments as a corporate finance generalist and an Asia specialist.

Mr. Abell served as a managing director of The Blackstone Group from 1990 to 1994, based in Hong Kong and Tokyo. He also founded and headed Blackstone's private equity office in Hong Kong. In 1994, Mr. Abell co-founded GSC Group, an alternative investment management firm, and served as vice chairman until his departure in February 2007. During this time, Mr. Abell established and built the firm from inception to over $20 billion of assets under management as of the time of his departure. Mr. Abell was responsible for developing corporate strategy, raising capital for new funds, providing oversight of financial and corporate matters, hiring and overseeing key managers, serving on investment committees and serving as a director of portfolio companies. While Mr. Abell was at GSC Group, he also founded and served as co-chairman of Tishman Speyer-GSC China Fund (later known as Tishman Speyer China Fund) (the "**Tishman Fund**"), a US$880 million fund dedicated to real estate development in China. Mr. Abell recruited Tishman Speyer as GSC Group's partner and real estate manager for the venture, and assisted Tishman Fund to develop business strategy, raise funds and oversee all aspects of establishing China offices, including hiring local managers, identifying investment opportunities, and managing government relations.

Since 2009, Mr. Abell has been the co-founder and managing director of Sungate Properties, LLC, a real estate investment and advisory firm. Sungate Properties, LLC serves as a U.S. office for non-U.S. buyers of commercial and residential properties in the U.S. It provides various investment and strategic advice and services to clients, including developing investment strategy, identifying acquisition targets, establishing dialogues with property owners, and providing all necessary valuation, structuring, bidding, negotiating, management of outside advisors, and post-acquisition services.

Mr. Abell graduated from the University of Pennsylvania in May 1986, where he received an MBA from The Wharton School, and an MA in International Studies from the School of Arts and

Sciences. He was a Fellow of The Joseph H. Lauder Institute of Management and International Studies, where he was a China specialist from September 1984 to May 1986. Mr. Abell also received a BA in Semiotics with honors from Brown University in June 1979. Mr. Abell currently serves as treasurer and a member of the board of directors of the National Committee on United States-China Relations. He also is a member of the Council on Foreign Relations.

Mr. Abell is one of the KR Lenders. Mr. Abell is interested in less than 1% of our issued share capital immediately before Listing. As Mr. Abell is interested in less than 1% of our issued share capital immediately before Listing, Mr. Abell is considered as independent under Rule 3.13 of the Listing Rules. Mr. Abell is not acting as a representative of the KR Lenders.

Mr. Christopher Michael Casey, independent non-executive Director

Mr. Christopher Michael Casey, aged 56, has been the independent non-executive Directors of our Company since November 2011. Mr. Casey has over 32 years of experience in public practice as an auditor and more latterly as a consultant advising companies on acquisitions, disposals and refinancing.

In 1977, Mr. Casey joined Peat Marwick & Mitchell which was a predecessor firm of KPMG, currently one of the "Big Four" accounting and auditing firms. At the time of his joining the firm and for the next 20 years he specialized in auditing where he was exposed to a wide variety of businesses. In recognition of his skills and efforts, Mr. Casey was admitted to the partnership of KPMG in 1992 and practiced as an Audit Partner. He was an audit partner for five years during which time he led the audits of multi-national organizations in Aerospace and Defence, Retail and Distribution and Property and Construction. A number of his clients were listed on the London Stock Exchange.

In 1997, KPMG was seeking to build a team devoted to assisting clients with corporate mergers and acquisitions and Mr. Casey was asked to lead the team in the South region of the UK firm dedicated to Transaction Services. He also became part of the leadership team which saw that discipline grow to revenues of over £200m. In addition, Mr. Casey led a group of talented individuals to develop the service and codify a methodology which became the worldwide practice principles for providing support to clients undertaking acquisitions. Mr. Casey led the roll out of this methodology to KPMG practices in continental Europe, USA, Australia and the Far East. Throughout this period, Mr. Casey continued to have a critical role with a number of clients where he was the focal point of KPMG's interface.

Mr. Casey retired from KPMG in 2010 and is now a senior advisor to Alvarez & Marsal, a non-executive director of TR European Growth Trust PLC and Chairman of their Audit Committee as well as being a freelance consultant to some private company boards.

Mr. Casey is a fellow of the Institute of Chartered Accountants in England and Wales since January 1992. Mr. Casey obtained a Bachelor of Arts degree in Politics, Philosophy and Economics from Oxford University in November 1977.

Mr. Richard Wingate Edward Charlton, independent non-executive Director.

Mr. Richard Wingate Edward Charlton, aged 63, has been an independent non-executive Director of the Company since November 2011. Mr. Charlton has over 30 years of experience in the banking industry, and has served on the board of directors for various companies in the past.

From 1968 to 1973, Mr. Charlton trained at Frere Cholmeley & Co, Solicitors, and later continued his legal career at Swales & Co, Solicitors from 1974 to 1976. He is a solicitor of the Supreme Court of England and Wales and maintains a practicing certificate.

From 1977 to 1981, Mr. Charlton served as a manager at Hambros Bank, based in London, the United Kingdom. During this time, Mr. Charlton was responsible for opening the Middle East Bond sales desk covering Middle East, India and Singapore. Mr. Charlton was also responsible for the related international private placement activity.

From 1981 to 1988, Mr. Charlton was appointed as one of the six executive directors of Banque Paribas in London. During this time, Mr. Charlton was responsible for the building up of a significant international business in London and during this time created and managed the private banking, export and trade finance, project finance, international lending and syndication divisions of the bank in London.

From 1988 to 2002, Mr. Charlton served as the managing director and chief executive of Banque Internationale à Luxembourg's London branch ("BIL"). During his time with BIL, Mr. Charlton was responsible for successful businesses in treasury, corporate lending, media and sport, private banking, asset management and trust and company creation and administration activities of the bank, which later grew and contributed to its profits. In addition, Mr. Charlton was responsible for setting up the bank's offshore companies in Jersey, and he served on all the Boards of those companies as a non-executive Director and chaired many Board meetings.

From 2002 to 2005, Mr. Charlton was a special advisor to the DEXIA Group, a Franco Belgian banking group whose principal business was municipal lending which acquired and integrated the business of BIL. During these years, Mr. Charlton worked closely with the senior management of DEXIA Group in both London and Europe as an advisor in divesting the DEXIA Group of some of the main line businesses of BIL.

From 2005 to 2010, Mr. Charlton served as one of the executive directors of HSBC Private Bank (UK) Ltd, based in London. During this time, Mr. Charlton was primarily responsible for the business development within the bank, where he worked closely with the marketing and communications division and the global sports practice. This involved an ambassadorial role within the bank and he made several marketing trips abroad including to Russia and a speaking tour to China.

Currently, Mr. Charlton serves as a Senior Advisor to Citibank International plc and is a non-executive director of Williams Grand Prix Holdings Plc. He also currently serves as the chairman of Strabens Hall Ltd, a company that provides independent financial advice and a non-executive Director of Ocean Sport Management Ltd. In the past, Mr. Charlton has served as a non-executive Director of companies such as Henry Ansbacher & Co, FILMS (Guernsey) Ltd, Vector Investments, the Absolute Fund and the Absolute Focus Fund; and he also served as Chairman of the Board of Diligent Board Member Services, Inc. (NZX listed, stock code: DIL).

Mr. William Beckwith Hayden, independent non-executive Director.

Mr. William Beckwith Hayden, aged 60, has been the independent non-executive Director of the Company since November 2011. Mr. Hayden has over 35 years of experience in mineral exploration industry.

Mr. Hayden currently serves on the board of directors of various companies, including Globe Metals & Mining Ltd. (ASX listed, stock code: GBE.AX), Sunward Resources Ltd. (TSX listed, stock code: SWD.V) and Condoto Platinum NL (ASX listed, stock code: CPD.AX), all of which are companies involved in the mineral exploration business. Apart from the above directorships, Mr. Hayden is also a director of Ivanplats Limited, a Canadian company that Mr. Hayden helped form in 1991, which has assembled extensive mineral projects in South Africa, Zambia and the Democratic Republic of Congo. Mr. Hayden is the President of Ivanhoe Philippines Inc., a wholly owned subsidiary of Ivanhoe Mines.

From 1976 to 1979, Mr. Hayden worked as a geophysicist for Geoterrex Pty Ltd (Australia), a large Canadian ground and airborne geophysical company. During this time, Mr. Hayden was responsible for the compilation of data on ground geophysical surveys throughout Australia.

From 1979 to 1982, Mr. Hayden worked as a geophysicist for Carpentaria Exploration Company Pty Ltd (a wholly owned subsidiary of MIM Holdings Limited) based in Mount Isa, Queensland, Australia. During this time, Mr. Hayden was responsible for the planning, supervision and interpretation of various geophysical surveys.

From 1982 to 1985, Mr. Hayden worked as a senior geophysicist for Esso Australia Ltd, based in Perth, Western Australia. During this time, Mr. Hayden was responsible for the wide variety of geophysical surveys in search of precious and base metals within Western Australia and Northern Territory.

From 1985 to 1986, Mr. Hayden served as the Vice President, International Operations for Technomin Australia and Parmelia Resources NL, based in Perth, Western Australia. During this time, Mr. Hayden was responsible for the setting up of the Western Australia office, liaison with joint venture partners, property evaluation, budget forecasts, geophysical interpretations and human resources. Mr. Hayden was also involved in the first Sino-Australia gold joint venture in the Gobi Desert, China.

From 1986 to 1987, Mr. Hayden was appointed as the chief geophysicist and special projects manager for Taurus Resources NL, based in Perth, Western Australia. During this time, Mr. Hayden was responsible for the supervision of all geophysical data collection, interpretation, evaluation and acquisition of exploration properties (precious stones and metals) in South-East Asia and Southern Africa.

From 1987 to 1993, Mr. Hayden was first appointed as the director of Challenger Mining International Ltd. in 1987, and was later promoted as a Managing Director in late 1988. During this time, Mr. Hayden was responsible for the co-ordination of the company's precious stone and gold exploration program in Botswana and the acquisition of platinum exploration properties in the Republic of South Africa. Mr. Hayden assisted the company to acquire its diamond prospecting licenses in Botswana and formed Kalahari Exploration (Pty) Ltd. in 1987.

From 1993 to 2011, Mr. Hayden served as the Managing Director of Platreef Resources and African Consolidated Mineral Exploration (Pty) Ltd. These two companies were incorporated in the Republic of South Africa and are involved in the exploration of platinum and precious stones. In the meantime, Mr. Hayden was also appointed as a director of African Minerals Corp (Canada) and President-CEO of African Minerals Ltd. and consultant to Ivanhoe Capital Corp. of Singapore in February 1995.

From 2002 to 2009, Mr. Hayden was appointed as a director of Pan Palladium Ltd. (ASX listed: stock code: PPD), a mineral exploration company with interests in three platinum, palladium and gold projects in Republic of South Africa. From 2007 to 2010, Mr. Hayden was appointed as a director of Ivanhoe Australia Ltd., a wholly owned subsidiary of Ivanhoe Mines.

From June 2010 to August 2011, Mr. Hayden served as President of GoviEx Uranium Inc., a company that holds extensive exploration tenements in Niger for uranium and base metals.

Mr. Hayden obtained an Associated of Arts degree from College of the Sequoias in California, U.S.A. in June 1973, and obtained a bachelor of science degree from Sierra Nevada College in the U.S.A. in June 1974, majored in geology.

Mr. Maarten Albert Kelder, independent non-executive Director.

Mr. Maarten Albert Kelder, aged 48, has been the independent non-executive Directors of the Company since November 2011. Mr. Kelder has over 20 years of professional experience across five continents in a wide range of industries, including energy, consumer goods, telecommunications, media, technology, life sciences, financial services, and natural resources.

Mr. Kelder is currently the Managing Partner of Monitor Group in Asia Pacific, which is the global strategy consulting and merchant banking firm headquartered in Cambridge, MA with approximately 25 offices and 1500 employees. Mr. Kelder is responsible for overseeing the activities of Monitor Group in the Asia Pacific region; and he is a member of the firm's Global Management Team. He was a member of the Board of Directors of Monitor Company Group L.P. from 2007 to 2010, when he stepped down because of the firm's term limit policy. Mr. Kelder continues to be actively involved in many of the firm's key governance bodies and is one of the most senior leaders of the firm.

Mr. Kelder has over 20 years of experience in advising on and supporting the implementation of competitive strategy and corporate transformation issues. His clients are typically CEO and board level executives of global 'Fortune 500' companies, and their international equivalents, as well as major privately-held and state-owned enterprises across Asia. Mr. Kelder's key areas of expertise include corporate portfolio and business unit strategies; marketing and growth strategies; organizational capability building; merger, acquisition and partnering strategies; and investment assessments, across a wide range of industries.

In addition, Mr. Kelder is active as an advisor to a number of regional governments in Asia on a variety of top level strategy, economic development, and industry competitiveness issues.

Mr. Kelder has been a member of 6 Monitor offices in Europe, North America, and Asia. Since the mid 1990s, most of Mr. Kelder's experience has been in the Asia Pacific region, with particular emphasis on China, Korea, Japan, and South East Asia.

Prior to joining Monitor Group in 1990, Mr. Kelder was a petroleum engineer with Royal Dutch Shell Plc, commonly known as Shell between 1986 and 1988; and he was a member of the corporate finance team with Morgan Stanley based in New York in 1989.

Mr. Kelder obtained both a Bachelor and a Master of Science degree in Mining and Petroleum Engineering from the University of Technology in Delft, the Netherlands. Mr. Kelder also obtained a Master of Business Administration degree at the Tuck School of Business at Dartmouth College in U.S.A., where he was awarded a scholarship from the Rotary International Foundation.

Mr. Miu Edward Kwok Chi (繆國智), independent non-executive Director.

Mr. Edward Kwok Chi Miu, aged 60, has been the independent non-executive Director of the Company since November 2011. Mr. Miu has more than 30 years experience managing diverse finance, operational and business development activities in North America, Asia Pacific and Europe, including extensive experience in strategizing, achieving, and managing business growth via M&As, organic expansions and green-field start-ups in multiple countries and various industries.

Mr. Miu was the chief financial officer of Eldorado Gold Corp., a listed company on the New York Stock Exchange (stock code: EGO), Toronto Stock Exchange (stock code: ELD) and Australian Stock Exchange (stock code: EAU) from December 2009 to May 2011. Eldorado Gold Corp. is a Canadian international gold producer with six operating mines, one mine under construction, development projects and an extensive 2011 exploration program. Mr. Miu is the former chief financial officer of Sino Gold Mining Limited from January 2009 until December 2009 when it was acquired by Eldorado Gold Corp.. Prior to working for Sino Gold Mining Limited, Mr. Miu was the chief financial officer for the Asia Pacific region based in Shanghai for Modine Manufacturing Company from 2005 to 2008, a multinational US-based company listed on New York Stock Exchange (stock code: MOD), and director of finance for Alcoa Inc. Asia Pacific Regional Head Office in Beijing from 2002 to 2005. Mr. Miu held various senior positions with TRW Inc. in the US, Europe, and Asia Pacific for over 20 years prior to joining Alcoa Inc.

Mr. Miu received a Bachelor of Science degree (magna cum laude) in Accounting from Seton Hall University in New Jersey, U.S. in May 1976 and an MBA in Finance and International Business from New York University in New York in May 1979.

Save as disclosed above, each of our Directors has confirmed that he has not held any other directorships in listed companies during the three years immediately prior to the date of this Prospectus and that there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

Mr. Li Tao (李濤), aged 37, was appointed as the chief financial officer of the Company in 2010. Mr. Li is primarily responsible for the overall financial management and administration of the Company. Mr. Li has over 5 years of experience as financial officer in various PRC and listed companies. Mr. Li worked as the group's financial analysts, management accounting manager and director of the finance office at Chuan Wei from 2006 to 2008, where he was responsible for financial analysis, tax planning, and the construction of internal control system over finance. Mr. Li also assisted Chuan Wei in various financing projects. Mr. Li worked as the chief financial officer of China Vanadium from 2008 to 2009. Mr. Li graduated from Chongqing University (重慶大學) with a master's degree in technological economics and management in June 2006.

Mr. Li Xingqian (李興千), aged 46, was appointed as the deputy director of the concentrator at the Shizishan Mine in 2010. Mr. Li is a specialist in processing equipments. Mr. Li leads a team of 30 engineers and is primarily responsible for the selection, purchase, installation and operation of the equipments at the concentrator, optimizating the design solution and management of electrical system of the concentrator. Mr. Li has over 27 years of experience in administrating and managing processing plants.

Mr. Li held various positions at Jinchuan from 1984 to 2010 and gained extensive experience in processing of nickel, copper, cobalt, gold and silver. Between 1984 to 1992, Mr. Li was an engineer at Jinchuan's processing plant and was responsible for operation and maintenance of the processing system with 9,000 tonnes daily production capacity. Between 1992 to 1999, Mr. Li was a technician at the grinding and floating station of Jinchuan's processing plant and was responsible for the management and maintenance of the plant's electrical appliances, including preparing the annual maintenance plans, energy conservation plans and research and development reports. During this time, Mr. Li prepared and implemented electrical improvement plans of various equipments, such as the mining system, grinding system, sand pump system, floatation system and chemical preparation system at Jinchuan's grinding and floating stations. In addition, Mr. Li designed and installed the grinding mill oil temperature and oil pressure live monitoring system, and re-designed the synchronous motor excitation system of 21 units ball mills at Jinchuan's grinding and floating station.

Between 1999 to 2001, Mr. Li was a power manager of the mechanical energy section at Jinchuan's processing plant and was responsible for the plant's energy apparatus and equipments. During this time, Mr. Li was involved in the completion of the expansion of its crushing station, completed the installation and debugging of Jinchuan's first imported H6000 Cone Crusher Machine and has successfully resolved emergency on-site technical issues and drastically reduced frequency of unscheduled stop.

Between 2001 and 2002, Mr. Li worked as the director of the technical group of the equipment maintenance and repair workshop and director of the operation workshop at Jinchuan's processing plant and was responsible for the management, technical improvement, maintenance plan, and personnel training at the equipment maintenance and repair workshop. During this time, Mr. Li significantly improved equipments repair efficiency and has reduced frequency of unscheduled stop. Mr. Li also assisted in the re-design of the flash flotation machine at the processing plant.

Between 2002 and 2007, Mr. Li was the electrical equipment director of No.3 workshop at Jinchuan's processing plant and was responsible for the improvement of the workshop's equipment management system and examination guidelines. During this time, Mr. Li completed the tender, installation, debugging, trial production and examination of the processing plant with 6,000 tonnes daily production capacity. Mr. Li also completed the "Nickel Ore Beneficiation Process Detection Technology and Automatic Control System Project" (the "Nickel Ore Project") in 2005.

Between 2007 and 2008, Mr. Li was the chief of safety and environmental protection department at Jinchuan's processing plant and was responsible for the entire processing plant's safety and environmental protection. During this time, there was no major safety incident and Mr. Li improved Jinchuan's safety and environmental protection systems and policies to ensure that they comply with national standards, which includes the completion of the "Reliable Large-Scale Deep Mine Ventilation and Clean Production Technologies" project (the "Deep Mine Project") in 2008.

Between 2009 and 2010, Mr. Li was the secretary and chief of electrical equipment at Jinchuan's processing plant and was responsible for the personnel training, personnel organization and electrical equipment management. Mr. Li trained over 170 employees during this time and optimized the electrical equipment management system.

Mr. Li graduated from a three-year course from Gangsu Province Radio and TV University's department of industrial electric automation (甘肅省廣播電視大學工業電氣自動化專業) with a bachelor's degree in industrial electric automation in December 1989. Mr. Li was awarded with the 2nd Prize Technology Improvement Award by Gangsu provincial government (甘肅省科學技術進步二等獎) in 2005 as a result of the completion of the Nickel Ore Project. Mr. Li was also awarded with the 2nd Scientific Technology Prize by the PRC Nonferrous Metals Industry Association (中國有色金屬工業科學二等獎) as a result of the completion of the Deep Mine Project.

Mr. Liu Wangsheng (劉旺生), aged 47, was appointed as the deputy director of the concentrator at the Shizishan Mine and is a member of the construction supervision committee. Mr. Liu is a specialist in mining equipment. He was appointed as the technology director and senior engineer of Kunrun in February 2011 and has been primarily responsible for the supervision of the production facilities and expansion plans at Shizishan Mine, production management and all technical matters in relation to the Group's production. He has also prepared the management system for the concentrator and the technical operation guidelines of the concentrator. Mr. Liu has over 25 years of experience in managing mining projects.

Mr. Liu has held various positions at Jinchuan from 1986 to 2011 and gained experience in artificial ore and high-nickel matte. Between 1986 and 1988, Mr. Liu worked as the section chief of Jinchuan's smelter and was responsible for the grinding, floatation and magnetic separation process and production process, including management of personnel and resources. Between 1988 and 1991, Mr. Liu worked as the department chief of the technical department at Jinchuan's smelter and was responsible for the smelter's technical support, technical improvement and quality assurance management.

Between 1992 and 1997, Mr. Liu worked as a production technical director of Jinchuan's smelter and was responsible for the design and implementation of technical improvement plans. During this time, Mr. Liu led a team of over 200 employees and conducted a major transformation in the ore processing technology at Jinchuan's smelter, and increased the plant's production capacity and improved the grading of Jinchuan's products, which was considered as one of the best grading in the PRC at that time. Between 1998 and 2002, Mr. Liu worked as the executive technical director of Jinchuan's smelter and was responsible for technical section management, equipment management and general management of the smelter. With Mr. Liu's contribution, Jinchuan's smelter has increased its annual production capacity from 70,000 tonnes in 1986 to 3 million tonnes in 2000.

Between 2002 and 2004, Mr. Liu worked as the project director of Jinchuan's "High Mattes Grinding and Floating System Transformation Project" (the "Transformation Project") and was responsible for leading a team of 7 senior engineers and technicians to transform Jinchuan's high mattes grinding and floating system. The Transformation Project was supported and supervised by the PRC government and enabled Jinchuan's high matte workshop to increase annual production capacity by 22,000,000 tonnes. While Mr. Liu was the project director of the Transformation Project, he also worked as the deputy chief engineer of Jinchuan's smelter between 2003 and 2009 and was responsible for the smelter's technical conditions, documents approval, organization of research and development. During this time, Mr. Liu was also appointed as the professor level senior engineer by Jinchuan and was in charge of the "Study of the Smelting and Tapping and the Technology Optimization of Oxygen-enriched Top-Blown Nickel Project" (the "Optimization Project"). The Optimization Project was considered as the most important project of Jinchuan.

Between 2009 and 2011, Mr. Liu worked as the senior engineer and senior consultant of Jinchuan's processing plant and was responsible for the improvement and research and development of ore processing technology, and managing the processing plant's administrative work. During this time, Mr. Liu has successfully completed the project on "Simplifying the Process Flow and Adopting Full Flotation Columns for Effective Separation of Nickel-matte and Copper-nickel."

During Mr. Liu's employment with Jinchuan, he published numerous articles, industry manuals and training materials in the PRC. For example, he completed the compilation of a series of teaching material in relation to the unique types of work in the non-ferrous metallurgy industry in 2000 and directed the compilation of training materials on professional skills (for junior, middle-level and senior engineers) and training materials on professional skills (for junior, middle-level and senior grinding and flotation workers). Mr. Liu also published his article "Metallurgy of Nickel and Cobalt" in Metallurgical Industry Press (冶金工業出版社) in 2000, and "Feasibility Study and Industrial

Practice of the Extraction of Fine Alloys" in 2007 Supplement to World Nonferrous Metal in 2007. Mr. Liu has also received various awards during his time at Jinchuan, including the 3rd prize in "Strengthen Quality Management to Achieve Excellent Performance and Create Brand Reputation" in 2007 and the 2nd prize of Technology Improvement Award in 2010. With Mr. Liu's efforts, Jinchuan has registered a patent "Desulphurization Method of the Magnetic CuFeNi Alloy of High Nickel Matte" (patent no. 200610156313) in 2007.

Mr. Liu graduated from the mineral engineering department of the Central South University of Technology (中南科技大學) with a bachelor's degree in mineral separation in July 1986. Mr. Liu completed postgraduate courses in mineral separation at Kunming University of Science and Technology (昆明科技大學) in May 2008. Mr. Liu passed the qualification evaluation of the Professional Title Reformation Office of Gangsu Province (甘肅省職稱改革工作辦公室) as a senior engineer in mineral separation (選礦高級工程師) in November 1998. Mr. Liu was qualified as a professor-level senior engineer (專業教授級高級工程師) by passing the qualification evaluation of the Non-ferrous Metal Prospecting Section of the Qualification Evaluation Committee of Senior Professional Duties in Non-ferrous Metal Industry (有色金屬行業高級專業技術職務) in November 2005.

Mr. He Min (何敏), aged 34, was appointed as the head of administration of the Company in 2010. Mr. He is primarily responsible for the daily administrative matters of the Company and the board of Directors. Mr. He has assisted the Group to obtain various administrative approvals, such as planning, safety, environmental, logging, land use rights and construction, for the Shizishan Mine. Mr. He has also assisted the Group to complete and register the transfer of our mining rights of the Shizishan Mine and obtained the land use rights required. Mr. He has over 12 years of experience in administrative work in PRC companies.

Between 1999 to 2002, Mr. He was the vice manager and editor of Chongqing Publishing Company (重慶出版發行公司). During this time, Mr. He was primarily responsible for administration and management and supplementary editing. Mr. He assisted Chongqing Publishing Company to complete the restructuring of state-owned cultural enterprises. Between 2002 and 2010, Mr. He held various positions at Chongqing Xinhua Bookstore Group Company (重慶新華書店集團公司), including editor, chief and vice chair of the manager's office. During this time, Mr. He was primarily responsible for administration, management and market analysis. Mr. He led Chongqing Xinhua Bookstore Group Company to accomplish the Pilot Tender National Textbook Distribution Program, Analysis of Cultural Industries Program and participated in the restructuring and initial public offering of Chongqing Xinhua Media Company Limited (重慶新華傳媒有限公司).

Mr. He received a bachelor's degree in Southwest Normal University's art department (西南師範大學美術學院) majoring in decoration art and design in July 1999.

Mr. Yang Xiaosong (楊小松), aged 46, was appointed as the head of geology engineering department of the Company in 2010. Mr. Yang was primarily responsible for mineral exploration and management of mine geology. Mr. Yang successfully assisted the Group to obtain the mining permit of the Shizishan Mine and the application process of obtaining the exploration permit of our Dazhupeng Mine. Mr. Yang oversees the geological exploration and investigation phase of geological exploration at our Dazhupeng Mine. Mr. Yang has over 11 years of experience in geological exploration work.

Between 1986 and 1996, Mr. Yang was the assistant engineer and later promoted as the chief engineer of Sichuan Chengdu Hydrology Geological Engineering Team (四川省成都水文地質工程地質大隊). During this time, Mr. Yang was primarily responsible for geological exploration work. Mr. Yang was involved in various national and market geological exploration projects.

Mr. Yang completed the "Geological Survey on Jiuzhai and Huanglong Tourist Zone" (九寨、黃龍旅遊地質調查), Minjiang River Hydraulic Ring Comprehensive Geological Survey (岷江流域水工環綜合地質調查) and various geological exploration of civil buildings and mining sites.

Between 1996 and 2009, Mr. Yang was the engineer and later promoted as the senior level engineer at Sichuan Traffic Department Highway Planning Exploration and Design Research Institute (四川省交通廳公路規劃勘查設計研究院). During this time, Mr. Yang was primarily responsible for geological exploration and design of various highways in Sichuan and Yunnan. Mr. Yang participated in numerous highway exploration and design projects, including State Road 319 (Fuling to Changshou) Line (國道319線涪陵至長壽高速公路), Guangyuan to Bazhong Highway (廣元至巴中高速公路), Nanchongrao City Highway (南充繞城高速公路), Mianyang to Suining Highway (綿陽至遂寧高速公路), Chengdu to Southern Region Highway (成都至南部高速公路) and Nanchong to Bazhong Highway (南充至巴中高速公路).

Mr. Yang received a bachelor's degree from Chengdu Geology Institute (成都地質學院) department of hydrology majoring in geology engineering in July 1986. Mr. Yang was qualified as an engineer in hydrology geological engineering by the PRC Department of Geology and Mineral Resources (中華人民共和國地質礦產部) in April 1994. Mr. Yang was also qualified as a senior engineering in road and bridge engineering by Sichuan Province Title Reform Leader Committee (四川省職稱改革工作領導小組) in March 2004.

Mr. Shen Yang (沈洋), aged 36, was appointed as the chief legal officer and director of safety and quality assurance department of the Company in 2010. Mr. Shen is primarily responsible for the overall legal and regulatory compliance matters and safety production of our Group. Mr. Shen has extensive legal knowledge in relation to the mining industry. Mr. Shen has over 12 years of experience in legal-related and safety production of PRC companies, and specifically 5 years of experience in mining companies.

Between 1999 and 2006, Mr. Shen was the deputy manager of various entities: Sichuan Shuguang System Engineering Company Limited (四川曙光系統工程有限公司), formerly Chengdu Shuguang Fiber Optics Network Company Limited (成都曙光光纖網路有限責任公司), Chengdu Shuguang Modern Logistics Investment Company Limited (成都曙光現代物流投資有限公司), Sichuan Shuguang Artificial Intelligence Technology Company Limited (四川曙光智慧科技有限公司) and Sichuan South-west Guoke Engineering Technology Research Centre (四川西南國科工程技術研究中心), formerly Sichuan Logistics Engineering Technology Research Centre (四川省物流工程技術研究中心) (collectively, the "Shuguang Companies"). During this time, Mr. Shen was primarily responsible for legal and compliance matters and matters relating to environmental protection and quality control of Shuguang Companies, including the establishment of safety production, quality control and environmental protection systems. Mr. Shen was also responsible for managing tender process and managing engineering projects. Mr. Shen assisted the Shuguang Companies to complete various projects in Sichuan, Chongqing, Guangxi, including highway electricity engineering project, tunnel electricity engineering project, city traffic monitoring project, artificial intelligence building comprehensive management system project, close-circuit television monitoring project, telephone conference system project. Mr. Shen assisted the Shuguang Companies to obtain the ISO9001:2000 Quality Control Management System Certification, ISO 14001:1996 Environment Management System Certification and GB/T28001-2001 Occupational Health and Safety Management System Certification.

Between 2006 and 2009, Mr. Shen was the manager assistant and head of safety and environmental protection department of Sichuan Xinshun Mining Company Limited (四川鑫順礦業股份有限公司), a wholly owned subsidiary of the Sichuan Province Metallurgy Geology

Exploration Bureau (四川省冶金地質勘查局). Mr. Chen was primarily responsible for legal compliance, administration and safety and environmental protection matters. During this time, Mr. Shen successfully assisted Sichuan Xinshun Mining Company Limited to obtain its mining rights. Mr. Shen also assisted Sichuan Xinshun Mining Company Limited in its planning, development and construction of various mines, including Sichuan Ninnan Paoma Lead-Zinc Mine (四川甯南跑馬鉛鋅礦) and Qinghai Menyuan Songshu Nangou Gold Ming (青海門源松樹南溝金礦). Mr. Shen also established the safety and environmental protection systems of mining, processing and tailings at these mines.

Mr. Shen received a master's degree in Southwest Financial University (西南財經大學) majoring in law in January 2011.

COMPANY SECRETARY

Ho Siu Pik (何小碧), *FCIS, FCS (PE)*, aged 47, is the company secretary of our Company. Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. Ms. Ho is currently the joint company secretary of China Molybdenum Company Limited (stock code: 3993), SITC International Holdings Company Limited (stock code: 1308), the company secretary of Sun Art Retail Group Limited (stock code: 6808) and was the joint company secretary of Sands China Ltd. (stock code: 1928) from 14 October, 2009 to 13 April, 2011.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Listing Rules regarding the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waivers From Strict Compliance With The Listing Rules and the Companies Ordinance — Waiver From Rule 8.12 of The Listing Rules" in this Prospectus.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The term of such appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company on the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds of the Listing in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this Prospectus; and

(d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules on November 24, 2011. The audit committee consists of three independent non-executive Directors and one non-executive Director, namely: Mr. Christopher Michael Casey, Mr. Keith Wayne Abell, Mr. Miu Edward Kwok Chi and Mr. Shi Xiangdong, with Mr. Christopher Michael Casey being the chairman of the committee.

The primary duties of the audit committee are to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules on November 24, 2011. The remuneration committee consists of an executive Director and four independent non-executive Directors, namely: Mr. Maarten Albert Kelder, Mr. Zhu Xiaolin, Mr. Richard Wingate Edward Charlton, Mr. Christopher Michael Casey and Mr. Miu Edward Kwok Chi, with Mr. Maarten Albert Kelder being the chairman of the committee.

The primary duties of the remuneration committee are to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with paragraph A.4.4 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules on November 24, 2011. The nomination committee consists of an executive Director and three independent non-executive Directors, namely: Mr. Maarten Albert Kelder, Mr. Miu Edward Kwok Chi, Mr. Keith Wayne Abell and Mr. Ran Xiaochuan, with Mr. Maarten Albert Kelder being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors.

Strategy Committee

We have established a strategy committee on November 24, 2011, which consists of six executive Directors, one non-executive Director, four independent non-executive Directors and one senior management in the position of chief financial officer, namely: Mr. Richard Wingate Edward Charlton, Mr. Ran Xiaochuan, Mr. Zhu Xiaolin, Mr. Keith Wayne Abell, Mr. Maarten Albert Kelder, Mr. William Beckwith Hayden, Mr. Shi Xiangdong, Mr. Wu Wei, Mr. Zhao Shaohua, Mr. Wang Fahai and Mr. Li Tao, with Mr. Richard Wingate Edward Charlton being the chairman of the committee.

The primary functions of the strategy committee are to develop and make operational and strategic recommendations to our Board for consideration when planning our Company's future operations.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate salaries, allowances and benefits in kind granted to one of our Directors by us and our subsidiaries was approximately RMB1,494,000 for the year ended December 31, 2010. We have not paid any Directors' remuneration from April 23 to December 31, 2009. Save as above, we have not paid any other Directors during the Track Record Period. Details of our Directors' remuneration are also set out in Note 7 to the Accountants' Report in Appendix I to this Prospectus.

The Group's five highest paid individuals for the year ended December 31, 2010 included one Director. The salaries, allowances, benefits in kind and pension scheme contributions paid to the remaining four highest paid individuals, was approximately RMB4,264,000. We have not paid any emoluments from April 23 to December 31, 2009.

It is estimated that remuneration and benefits in kind, excluding any discretionary bonus payable to our Directors, that is equivalent to approximately RMB7,129,000 in the aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2011 under arrangements in force at the date of this Prospectus.

Save as disclosed in the section headed "Relationship with Controlling Shareholders" in this Prospectus, none of our Controlling Shareholders, Directors and their respective associates are interested in any business which competes or is likely to compete with our business.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme and assuming that the Exchangeable Bonds will be fully converted with no Mandatory Redemption), the following persons will have interests or short positions in our Shares or our underlying shares which would be required to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name of Shareholder	Long/Short Position	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding(%)
The Ran Family Trust[(1)] . . .	Long Position	Interest in a controlled corporation	706,848,061	35.34
Magic Delight[(1)]	Long Position	Interest in a controlled corporation	706,848,061	35.34
Ran Chenghao[(1)]	Long Position	Settlor of the Ran Family Trust	706,848,061	35.34
		Interest in a controlled corporation	98,550,000	4.93
Hover Wealth	Long Position	Interest in a controlled corporation	706,848,061	35.34
Silver Lion	Long Position	Registered owner	706,848,061	35.34

Notes:

(1) The entire issued share capital of Hover Wealth is held by Magic Delight which is in turn ultimately held by the Trustee as the trustee of The Ran Family Trust. Ran Chenghao is the settlor and the protector of The Ran Family Trust.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering (without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or our underlying shares which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Global Offering, our Controlling Shareholders are entitled to exercise, or control the exercise of, 30% or more voting rights in general meetings of our Company.

COMPETITION WITH DIRECTORS

As confirmed by the Directors of our Company, none of our Directors has any interest in a business, other than the Group's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

Without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme, the Company's issued share capital immediately following completion of the Global Offering will be as follows:

	(HK$)
Authorized share capital:	
38,000,000,000 Shares	**380,000**

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:

(Shares)		(HK$)
1,500,000,000	**Share in issue as at the date of this Prospectus**	**15,000**
575,000,000	**Shares to be issued under the Global Offering (including 75,000,000 Shares under the Over-allotment Option)**	**5,750**
2,075,000,000	**Shares in total**	**20,750**

ASSUMPTIONS

The tables above assume the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (a) any Shares issued upon exercise of options which may be granted under our Share Option Scheme; (b) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (c) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Prospectus.

THE SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in the section headed "Share Option Scheme" in Appendix VIII to this Prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering", our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any subscription rights under the Share Option Scheme or any script dividend scheme or similar arrangements, or any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our shareholders) with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering; and

(b) the aggregate nominal value of the share capital of the Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable law or our Articles of Association to be held; or

(c) it is varied or revoked by an ordinary resolution of our shareholders in general meeting, whichever is the earliest.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering", our Directors have been granted a general unconditional mandate to exercises all of our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange and Shares which are recognized by the Securities and Futures Commission and the Stock Exchange for this purpose) with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Global Offering.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the Securities and Futures Commission and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Repurchases of our own securities" under Statutory and General Information in Appendix VIII.

The general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required by any applicable law or our Articles of Association to be held; or

(c) it is varied or revoked by an ordinary resolution of our Company's shareholders in general meeting.

OUR CORNERSTONE INVESTOR

We and the Sole Global Coordinator have entered into a cornerstone investment agreement with SAIF Partners IV L.P. (the "**Cornerstone Investor**"), pursuant to which the Cornerstone Investor has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be subscribed for an aggregate amount of US$30 million. Assuming an Offer Price of HK$2.38 (being the mid-point of the estimated Offer Price range stated in this Prospectus), the total number of Offer Shares that the Cornerstone Investor would subscribe for would be 98,168,000, representing approximately 4.9% of the Shares in issue and outstanding immediately following the completion of the Global Offering or approximately 19.6% of the Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised).

SAIF Partners IV L.P. is an exempted limited partnership registered in the Cayman Islands on September 11, 2009. It is an investment fund managed by SAIF Partners and its affiliates. SAIF Partners is a leading private equity firm that provides growth capital to companies in Asia.

The Cornerstone Investor is an Independent Third Party not connected with us and will not be a substantial shareholder of our Company upon Listing and during the six-month lock-up period as described below. The cornerstone investment agreement with the Cornerstone Investor forms part of the International Placing. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investor agreement. The Offer Shares to be subscribed for by the Cornerstone Investor will rank pari passu in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure and Conditions of the Global Offering — The Hong Kong Public Offer."

CONDITIONS PRECEDENT FOR CORNERSTONE INVESTMENT

The obligation of the Cornerstone Investor to subscribe for the Offer Shares is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into, having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto in those agreements; and

(b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has covenanted with and undertaken to the Company and the Sole Global Coordinator that unless it has obtained prior written consent of each of the Company and the Sole Global Coordinator to do otherwise, it will not at any time during the period of six months following the Listing Date, dispose of any Offer Shares subscribed for pursuant to the cornerstone investment agreement or any interest in any company or entity holding any of the Shares. The Cornerstone Investor may transfer the Offer Shares so subscribed for in certain limited circumstances, such as transfer to any direct or indirect subsidiary of the Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on the Cornerstone Investor.

OUR CONTROLLING SHAREHOLDER

Immediately following completion of the Global Offering (but not taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of options under the Share Option Scheme), our Controlling Shareholders, Mr. Ran Chenghao, Mr. Ran Xiaochuan, Mr. Shi Xiangdong, Mr. Zhu Xiaolin, Hover Wealth, Total Flourish, AL Stone and Silver Lion will remain the controlling shareholders of the Company with substantial control over its total issued share capital.

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates (other than our Group) after Listing for the following reasons:

(i) as of the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business operation other than our business;

(ii) as of the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;

(iii) as of the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers and we had not entered into any connected transactions with any connected person of our Company. We are also in possession of all relevant permits and licenses necessary to carry on and operate our business and we have sufficient operational capacity in term of capital and employees to operate independently; and

(iv) we are financially independent of our Controlling Shareholders and their associates. All loans, advances and balances due to and from our Controlling Shareholders and their respective associates have been fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group's borrowing have been fully released. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders (including their respective associates) after our Company is listed on the Stock Exchange.

Our Directors have confirmed that to the best of their knowledge, information and belief, our Controlling Shareholders and our Directors have no interests in businesses, other than our Group's businesses, which may directly or indirectly compete against the businesses of our Group.

Mr. Ran Chenghao, Mr. Ran Xiaochuan, Hover Wealth, Silver Lion and Total Flourish have agreed to extend the lock-up period for **thirty-six months** from the Listing Date to the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters); and will not during the same period dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the securities of the Company held by them now or in the future unless the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) consent otherwise. Such extended lock-up period is longer than the lock-up period required under Rule 10.07 of the Listing Rules which indicates that the Controlling Shareholders are confident of the prospects and the future of our Group.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of the Company, pursuant to which each of our Controlling Shareholders has jointly and severally irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (other than any member of our Company) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business of any member of our Company from time to time (the "Restricted Business"). Such non-compete undertaking does not apply to:

(i) Any interests in the shares of any member of our Company; or

(ii) Interests in the shares of a company other than the Company whose shares are listed on a recognized stock exchange provided that:

(a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

(b) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate; or

(c) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of the Company remain listed and traded on the Stock Exchange; (ii) as far as each Controlling Shareholder is concerned, it or he or its or his associate holds an equity interest in the Company; and (iii) the relevant Controlling Shareholders and/or their respective associates are entitled to jointly or severally exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of the Company.

The Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- the independent non-executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by our Controlling Shareholders under the Deed of Non-competition;

- our Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

- the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of the Company; and

- our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of the Company.

DIRECTORS

Each of our Directors confirms that he or she does not have any competing business with our Company. Moreover, pursuant to their service agreements, executive Directors shall not at any time during his or her term of service with our Company without the prior written consent of the Board be or become a director of any company (other than the Company or any other member of our Company) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our Company will be able to be operationally and financially independent from our Controlling Shareholders and their associates:

Management Independence

Our Board comprises of six executive Directors, one non-executive Directors and six independent non-executive Directors. We consider that our Board will function independently from our Controlling Shareholders because:

- each Director is aware of his/her fiduciary duties as a Director of the Company which requires, among other things, that he/she acts for the benefit and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted in the quorum; and

- our board comprises thirteen Directors and six of them are independent non-executive Directors, which represents more than one-third of the members of the Board. Such composition is in line with or better than the current corporate governance best practices in Hong Kong according to the Listing Rules.

Financial Independence

On June 27, 2011, our Company capitalized all the outstanding shareholder's loan from Silver Lion by issuing one new Share to Silver Lion, which eliminated our Company's net current liabilities and net deficit positions. We do not expect to receive, nor will we rely on, any future financial support from Silver Lion. We commenced trial production at the end of July 2011 and commercial production in October 2011. The commencement of commercial production allowed our Group to begin generating revenue and rely on cash flows from the operations of the mine to fund its working capital and capital expenditure needs. In addition, we have obtained a banking facility amounting to RMB130 million from Agricultural Bank of China in April 2011, which has been completely drawn down as of September 30, 2011.

Our Company has an independent financial system and makes financial decisions according to its own business needs. Taking into account the banking facility from Agricultural Bank of China, the proceeds from the Pre-IPO investment and the proceeds from the Global Offering, and that we are able to obtain financing from third parties such as the Agricultural Bank of China without reliance on our Controlling Shareholders, we believe that we are able to achieve financial independence and sufficient working capital without relying on our Controlling Shareholders. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Global Offering.

Operational Independence

Our Company has an independent work force to carry out its mining business and has not shared its operation team with our Controlling Shareholders. Although there had been certain transactions between us and our related parties during the Track Record Period, details of which are set out in Note 25 to the Accountants' Report set out in Appendix I to this Prospectus, none of the historical related party transactions with our connected persons are expected to continue after Listing.

CORPORATE GOVERNANCE MEASURES

Our Directors have confirmed that they fully comprehend their obligations to act in the best interests of the Company and our Shareholders as a whole. To avoid potential conflicts of interest, we have adopted a system of corporate governance with the following principal components:

- as part of our preparation for the Global Offering, we have amended our Memorandum and Articles to comply with the Listing Rules. In particular, our Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting. In addition, our Directors shall abstain from voting and shall not be counted in the quorum in respect of any proposals involving our Directors or any of their affiliates;

- we are committed that our Board should include a balanced composition of executive Directors and non-executive Directors (including six experienced independent non-executive Directors). We believe our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. All six independent non-executive Directors possess strong experiences and stellar reputations in their respective fields of expertise in finance, accounting, investments, consulting and mining and all have long track-record of serving managerial roles and supervising corporate governance in public companies listed in the world's major stock exchanges, leading investment banks, consulting firms or accounting firms. We believe that our independent non-executive Directors, who comprise nearly half of the Board seats and a majority of the members of our audit, remuneration and nomination committees, will significantly enhance the standard of corporate governance of the Company and improve transparency and soundness of the Board's decision-making process, which in turn will better serve the interests of our public investors and our Company as a whole. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management" in this prospectus;

- we have appointed Guotai Junan Capital Limited as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and internal controls;

- any transaction that is proposed between us and our connected persons will be conducted and disclosed in accordance with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent Shareholders' approval requirements of those rules; and

- in addition, if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisers (including an independent financial adviser) at the costs of the Company to advise them on matters relating to the non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholders.

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report included as Appendix I to this Prospectus (the "Consolidated Financial Information"). Our consolidated financial statements have been prepared in accordance with IFRSs which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this Prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary financial information of (i) our consolidated statements of comprehensive income and statements of cash flows for the period from April 23, 2009 (date of the business combination of our Group under common control) to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2010 and 2011 and (ii) our consolidated statements of financial position as of December 31, 2009 and 2010 and June 30, 2011, as set forth below, are derived from the Accountants' Report included in Appendix I to this Prospectus, and should be read in conjunction with the Accountants' Report, including the notes thereto, and the discussions included herein.

Summary Consolidated Statements of Comprehensive Income

	Period from April 23, 2009 to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
		(RMB'000)		
Other income and gains	—	5,576	773	4,439
Administrative expenses	(1,939)	(11,987)	(4,328)	(16,667)
Recognition of equity-settled share-based payment	—	—	—	(233,000)[1]
Other operating expenses	—	(235)	—	(1,248)
Loss before tax	(1,939)	(6,646)	(3,555)	(246,476)
Income tax credit	435	1,586	766	847
Loss for the year/period and total comprehensive loss for the year/period	(1,504)	(5,060)	(2,789)	(245,629)
Attributable to:				
Owners of the Company	(1,178)	(4,840)	(2,685)	(245,356)
Non-controlling interest	(326)	(220)	(104)	(273)
	(1,504)	(5,060)	(2,789)	(245,629)

Note:

(1) Representing share-based compensation expense of approximately RMB233.0 million arising from shares allotted and issued to our chief executive officer, Mr. Zhu Xiaolin, in recognition for his valuable and indispensable contribution to the Group, which was a one-off non-cash expense.

Summary Consolidated Statements of Financial Position

	As of December 31, 2009	As of December 31, 2010	As of June 30, 2011
	(RMB'000)		
Non-current assets	7,815	128,723	353,152
Current assets	25,550	75,252	275,235
Current liabilities	30,969	206,279	55,071
Net current assets/(liabilities)	(5,419)	(131,027)	220,164
Total assets less current liabilities	2,396	(2,304)	573,316
Non-current liabilities	—	351	73,796
Net assets/(liabilities)	2,396	(2,655)	499,520
Total equity/(deficit)	2,396	(2,655)	499,520

Summary Consolidated Statements of Cash Flows

	Period from April 23, 2009 to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	(RMB'000)			
Net cash flows used in operating activities	(1,720)	(62,482)	(8,574)	(33,160)
Net cash flows used in investing activities	(7,382)	(106,399)	(46,511)	(179,301)
Net cash flows from financing activities	34,421	163,986	165,169	392,799
Net increase/(decrease) in cash and cash equivalents	25,319	(4,895)	110,084	180,338
Cash and cash equivalents at beginning of the year/period	—	25,319	25,319	20,320
Effect of foreign exchange rate changes	—	(104)	(28)	(762)
Cash and cash equivalents at end of year/period	25,319	20,320	135,375	199,896

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves, according to the Hatch Report. On the Listing Date, we will also be the first non-ferrous metal pure mining company listed on the Stock Exchange. We currently own and operate a large-scale, high-grade lead-zinc-silver polymetallic mine in Yunnan Province, the Shizishan Mine, the mining permit for which has a term of 15 years ending in April 2026 and covers an area of 3.20 sq. km. We are currently at the commercial production stage of the Shizishan Mine with a current mining capacity of 700 tpd. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. We also own the exploration right to the Dazhupeng Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. In line with our vision to be a leading non-ferrous metal pure mining company in China and in order to leverage on our transferable experience and skills of processing lead-zinc-silver ore, we have also secured exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine in Yunnan Province. To tap into the abundant non-ferrous metal resources in Yunnan Province, we have also entered into an agreement to acquire the Liziping Mine and have an option to acquire the Dakuangshan Mine. Both the Liziping Mine and the Dakuangshan Mine are lead-zinc-silver polymetallic mines located in Yunnan Province.

The Shizishan Mine contains abundant and high-grade lead, zinc and silver resources and reserves. According to the Competent Person's Report, as of October 25, 2011, the Shizishan Mine had an aggregate of 8,829,000 tonnes of JORC measured and indicated resources and 8,024,000 tonnes of JORC reserves, containing 745,900 tonnes of lead metal, 477,300 tonnes of zinc metal and 2,000 tonnes (64.3 million ounces) of silver metal in JORC reserves. The estimated average resource and reserve grades for lead, zinc and silver of the Shizishan Mine are 9.4% and 9.3%, 6.0% and 6.0%, and 256 g/t and 250 g/t, respectively. These are significantly higher than 3.3%, 5.4% and 100g/t, which are the industry average grades for underground lead mines, underground zinc mines and the silver content threshold for silver ore in China, respectively, according to the Hatch Report. Our abundant and high-grade lead, zinc and silver polymetallic resources and reserves positions us well to capitalize on any increase in the price and market demand for lead, zinc and silver.

We are currently at commercial production stage of the Shizishan Mine with a current mining capacity of 700 tpd. We are undertaking a ramp-up of its mining capacity which is expected to enable us to attain a planned mining capacity of 1,000 tpd in the second quarter of 2012 and 2,000 tpd in the fourth quarter of 2012. We attained a full planned processing capacity of 2,000 tpd at the end of July 2011. According to the Competent Person's Report, the estimated total cash cost and total production cost for the Shizishan Mine will be approximately RMB1,313 (approximately US$207) and RMB1,511 (approximately US$238), respectively, per tonne of concentrate in 2013, the first year in which we will operate at our full planned mining and processing capacities. Silver is a byproduct of our processing process due to the polymetallic nature of the lead-zinc ore of the Shizishan Mine. As a result, revenue from silver can be deducted from the estimated total cash cost and production cost for the Shizishan Mine as a byproduct credit, which is consistent with common industry practice to deduct byproduct credit from cash cost and production cost of main stream products. Because of the high degree of silver contained in our concentrate products, both of the estimated total cash cost and total production cost for the Shizishan Mine are negative after deducting revenue from silver which is higher than the estimated total cash cost and total production cost at the Shizishan Mine. After deducting the value of silver contained in our concentrates based on the average spot price of silver for October 2011 on the Shanghai White Platinum & Silver Exchange, which is RMB6.89 per gram, our estimated total cash cost and total production cost will be approximately RMB-3,022 (approximately US$-475) and RMB-2,825 (approximately US$-444), respectively, per tonne of concentrate in 2013.

In addition to the Shizishan Mine, we have obtained an exploration permit for the Dazhupeng Mine which covers an area of 15.19 sq. km, and has a term of three years from April 2011 to April 2014. According to the Dazhupeng Preliminary Survey, the Dazhupeng Mine is a lead-zinc-silver polymetallic mine in Yunnan Province located approximately 20 km away from the Shizishan Mine and has significant potential in lead, zinc, gold and silver resources. In line with our vision to be a leading non-ferrous metal pure mining company in China and in order to leverage on our transferable experience and skills of processing lead-zinc-silver ore, we have also secured exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine located in Yunnan Province and owned by Xiangcaopo Mining, an Independent Third Party. According to our exclusive supply arrangement with Xiangcaopo Mining, Xiangcaopo Mining will supply all its polymetallic tungsten-tin raw ore to us for a period of at least 15 years, with the price for the tungsten-tin raw ore of RMB260/t for the first five years. This prefixed pricing is expected to enable us to capitalize on any potential increase in the market price of tungsten and tin. According to the Lushan Geological Report, the results of the drill holes, and geological logging and underground sampling of the Lushan Mine have been highly encouraging to date, and clearly highlight the exploration potential within the exploration limits. With successful completion of the exploration, it is highly likely a significant mineral resource will be defined within the exploration limits of the Lushan Mine. The drilling and sampling will also likely result in further identification of mineralization along strike of the known mineralization. We plan to construct a new gravity-selection processing line at the Shizishan Mine ore processing plant to process tungsten-tin raw ore sourced from the Lushan Mine.

To expand our resources and reserves in Yunnan Province, we entered into a share transfer agreement on June 9, 2011 with Song Denghong (an Independent Third Party), the owner of the Liziping Company which owns the exploration right (covering an area of 18.29 sq.km and with a validity term from December 2010 to December 2012) to the Liziping Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. Pursuant to such share transfer agreement, we agreed to purchase 90% equity interests in the Liziping Company from Song Denghong. Under the share transfer agreement, Song Denghong undertakes to us that the lead and zinc resources of the Liziping Mine are not less than 1,000 kt in terms of metal contained. According to the Competent Person's Report, the Competent Person considers the likelihood of the definition of resources in the area of the Liziping Mine that will be drilled to be high and the mineralization tenor and geometry observed likely to be continuous. The Competent Person also considers the potential identification of the mineralized structures at depth to be encouraging for future exploration and the likelihood for discovery of significant mineralization at depth to be likely. We currently expect to complete such acquisition in May 2012. On May 21, 2011, we also entered into an option agreement with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011. The Dakuangshan Mine is a lead-zinc-silver polymetallic mine and has a mining permit covering an area of 1.56 sq. km. The Dakuangshan Mine has a current mining capacity of approximately 500 tpd and processing capacity of approximately 100 tpd. Under the option agreement, Xi Wanli undertakes to us that the Dakuangshan Mine has lead and zinc resources of no less than 400 kt in terms of metals contained, with the grades for lead, zinc and silver contained being no less than 3%, 7% and 50 g/t, respectively. See "Business — Competitive Strength — We are well-positioned to expand our resources and reserves through selective acquisitions" and "Business — Our agreement and option to acquire additional mine assets."

Since our inception in April 2009, we have primarily focused our business activities on exploration, mine planning, and construction and infrastructure development to prepare for the commercial production of lead-silver and zinc-silver concentrates and did not generate revenue from our operations during the Track Record Period. As a result, our loss for the period from April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011 were RMB1.5 million, RMB5.1 million, and RMB245.6 million, respectively. We commenced commercial production in October 2011. We expect to derive substantially all of our revenue from sales of non-ferrous metal (including silver, lead, zinc, tungsten and tin) concentrates to customers located in China.

Basis of Presentation

Pursuant to the Reorganization as more fully explained in the section headed "History and Organization" in this Prospectus, our Company became the holding company of the companies now comprising the Group on June 25, 2010. The Reorganization involved companies under common control and the Group is accounted for as a continuing group. Accordingly, our financial information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the date when the subsidiaries first came under the common control. The consolidated statements of financial position of the Group as of December 31, 2009 and 2010 and June 30, 2011 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of Reorganization.

Equity interests in subsidiaries held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

Factors Affecting Our Results of Operations and Financial Condition

Our financial condition, results of operations and the period-to-period comparability of our financial results are principally affected by the following factors:

Prices of products

The price of our concentrates is determined by factors such as the prevailing market prices of metals contained in our concentrates, *i.e.* lead, zinc, silver, tungsten and tin, the grade of lead, zinc, silver, tungsten and tin, and the treatment fee charged by customers. Actual sales prices may be further adjusted based on other factors, such as the customer's purchase volume and delivery cycle.

We sell our concentrates either directly to smelters or to concentrate traders that resell our concentrates to smelters. Smelters further process and refine the concentrates they purchase into lead, zinc, silver, tungsten and/or tin, which then can be sold based on the market prices of those metals. Following common industry practice, we sell our concentrates to smelters or traders at a price that is equal to the market prices of the metals contained in our concentrates after deducting the treatment fees charged by customers. Such treatment fees, which are negotiated between us and the smelters or traders, essentially represent the cost and profit of the smelters and traders for processing and smelting or trading the concentrate.

We price our concentrates based on the prevailing prices of metals on the Shanghai Metals Market in the case of lead and zinc, the Shanghai White Platinum & Silver Exchange in the case of silver and other international and domestic benchmarks for the remaining metals in our concentrates at or about the time of sale. These benchmark prices may be influenced by numerous factors beyond our control such as supply and demand in China and internationally, other macro-economic factors such as expectations regarding inflation rates, interest rates, currency exchange rates, as well as general global economic conditions and political trends. We have limited ability to anticipate and manage metal price fluctuations and do not currently employ any financial instruments to hedge against such fluctuations. Fluctuations in metal prices, accordingly, may lead to fluctuations in our financial results. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Industry — The market price for lead, zinc, silver, and other non-ferrous metal concentrates may fluctuate" in this Prospectus.

Historically, the market prices for the metals contained in our concentrates have fluctuated significantly. In the past five years, however, the market prices for these metals have generally followed an upward trend. Prices for most metals have been higher in 2011 than in prior years due to strong demand for raw materials in emerging economies. China, in particular, is a key driver behind the increased consumption of mineral resources. In the short- and medium-term, we expect prices to remain high relative to historic levels as supply-side pressures remain high. Yunnan Province, where many of our end customers are located, has experienced a significant supply shortfall of non-ferrous metal concentrates in recent years. See "Business — Competition" for further details on the supply-demand imbalance of non-ferrous metal concentrates in Yunnan Province. This has led to substantial price increases in non-ferrous metal concentrates in the past. We expect this to continue in the near future. Higher raw materials demand in the long run should place upward pressure on the prices of metal concentrates.

Production volume

Due to the significant supply shortfall in non-ferrous and precious metal concentrates in China, especially in Yunnan Province, we believe that the sales volume of our concentrate products will be primarily limited by the resources and reserves at our mines (especially the Shizishan Mine) and our production volume. As we only commenced commercial production in October 2011, we expect increases in our production volume to be the main driver of our sales volume and revenue growth in the future.

The Shizishan Mine contains abundant and high-grade lead, zinc and silver resources and reserves. According to the Competent Person's Report, as of October 25, 2011, the Shizishan Mine had an aggregate of 8,829,000 tonnes of JORC measured and indicated resources and 8,024,000 tonnes of JORC reserves, containing 745,900 tonnes of lead metal, 477,300 tonnes of zinc metal and 2,000 tonnes (64.3 million ounces) of silver metal in JORC reserves. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. We also plan to produce and sell tungsten and tin concentrates using raw ore from the Lushan Mine.

Our production volume will be affected by the scale and speed by which we exploit our mines and by our processing recovery rates. We currently have a mining capacity of 700 tpd and are ramping-up construction of the Shizishan Mine and expect to attain a mining capacity of 1,000 tpd in the second quarter of 2012 and of 2,000 tpd in the fourth quarter of 2012. We completed a lead-zinc-silver processing facility at the Shizishan Mine with a full planned processing capacity of 2,000 tpd at the end of July 2011. Besides, a new gravity-selection processing line that will be used to process the polymetallic tungsten-tin ore sourced from the Lushan Mine is expected to commence commercial production in the third quarter of 2012. Our processing recovery rate will be determined by various factors, including the efficiency of the processing technology and the grade and composition of the ore being processed. We use the flotation and the gravity-selection processes to recover minerals from the Shizishan Mine and the Lushan Mine ores, respectively. The polymetallic resources and reserves at the Shizishan Mine are high-grade. The estimated average resource and reserve grades for lead, zinc and silver of the Shizishan Mine are 9.4% and 9.3%, 6.0% and 6.0%, and 256 g/t and 250 g/t, respectively. These are significantly higher than 3.3%, 5.4% and 100g/t, which are the industry average grades for underground lead mines, underground zinc mines and the silver content threshold for silver ore in China, respectively, according to the Hatch Report. In August, September and October of 2011, we mined a total of approximately 24,800 tonnes of raw ore, and produced 1,035 tonnes and 1,769 tonnes of lead-silver concentrates and zinc-silver concentrates, respectively.

Development, construction and mining operations

Our future expansion and growth will be affected by our ability to meet production, timing and cost estimates for the mine development projects under construction. Technical considerations and our ability to obtain governmental approvals and financings are also important factors that will impact the outcome of any current and future projects. For the period from April 23, 2009 to December 31, 2009, we had total capital expenditures of RMB7.4 million, including primarily RMB5.7 million for the purchase of the mining right to the Shizishan Mine from Tengchao Mining Factory. In 2010, our capital expenditures increased significantly to RMB106.4 million as we purchased mining and processing equipments and incurred other capital costs in connection with the construction of our mining and ore processing facilities at the Shizishan Mine. For the six months ended June 30, 2011, our capital expenditures was RMB179.3 million, primarily relating to the construction of our mining and ore processing facilities at the Shizishan Mine, the exploration and evaluation costs incurred in applying for the new mining permit of the Shizishan Mine and payment in advance for the purchase of the exploration right to the Liziping Mine through the proposed Liziping Company acquisition. We expect to further incur significant capital expenditures for the ramp-up of our mining and processing capacities. See "Business — Ramp-Up Plans for Our Mining and Processing Capacities." Any delay or cost overruns associated with the construction and development of our mines could materially and adversely affect our projected net profits and financial position.

Production cost

Our production cost includes operating cost and depreciation and amortization costs. Our operating cost mainly includes mining contracting fees, processing costs, general and administrative costs, and other cash cost items. Major components of our production cost directly relate to production volume. Variations in production volume and the costs of mining and processing are key factors that affect our production cost.

We did not incur any cost of sales during the Track Record Period since we only commenced commercial production in October 2011. We expect that we may initially incur higher operating cost at the Shizishan Mine, mainly due to a combination of the relatively low production volume and high production overheads during our initial stage of commercial production. We expect our operating cost to decrease after we complete the full ramp-up plan of our mining processing capacities in the fourth quarter of 2012. According to the Competent Person's Report, the estimated total cash cost and total production cost for the Shizishan Mine will be approximately RMB1,313 (approximately US$207) and RMB1,511 (approximately US$238), respectively, per tonne of concentrate in 2013, the first year in which we will operate at our full planned mining and processing capacities. Silver is a byproduct of our processing process due to the polymetallic nature of the lead-zinc ore of the Shizishan Mine. As a result, revenue from silver can be deducted from the estimated total cash cost and production cost for the Shizishan Mine as a byproduct credit, which is consistent with common industry practice to deduct byproduct credit from cash cost and production cost of main stream products. Because of the high degree of silver contained in our concentrate products, both of the estimated total cash cost and total production cost for the Shizishan Mine are negative after deducting revenue from silver which is higher than the estimated total cash cost and total production cost at the Shizishan Mine. After deducting the value of silver contained in our concentrates based on the average spot price of silver for October 2011 on the Shanghai White Platinum & Silver Exchange, which is RMB6.89 per gram, our estimated total cash cost and total production cost will be approximately RMB-3,022 (approximately US$-475) and RMB-2,825 (approximately US$-444), respectively, per tonne of concentrate in 2013.

We believe that we will enjoy a favorable cost position due to (i) the high-grade and polymetallic nature of our lead-zinc-silver ore from the Shizishan Mine that have abundant silver content and are suitable for unified production process, (ii) our planned large scale operations, (iii) the advanced and reliable technologies and equipment we employ in our mining and processing activities, and (iv) our outsourcing of labor-intensive, low margin works to third parties.

Demand for our products

China has experienced a significant supply shortage for non-ferrous and precious metal concentrates, including lead, zinc and silver concentrates, in the past few years. According to the Hatch Report, China has been a net importer of lead and zinc concentrates in recent years and had a supply shortfall in lead and zinc concentrates of 985 kt and 1,464 kt, respectively, in 2010. China consumed over 2.8 million tones of lead concentrate in 2010, making it the world's largest lead concentrate consumer. China was also the world's largest zinc consuming country with 43% of the world's share in 2010 and remained a net importer of zinc in 2010. According to the Hatch Report, China has been a net importer of silver concentrate since 2007 and its silver concentrate imports reached a historical high of 191,406 tonnes in 2010, which makes China the largest importer of silver concentrate in the world. China's total demand for silver jumped by almost threefold from 2004 to 2010, driven mostly by investment, export, and industrial needs. China is also a top consumer of tin concentrate and was the world's largest refined tin consumer in 2010. Lastly, China was the largest tungsten concentrate consumer with 85% of the world's share in 2010. The continuing economic growth of China, especially in the consumer electronics, transport and construction industries is boosting, and will continue to boost, demand for non-ferrous metals. Therefore, we anticipate domestic demand for our concentrate products to continue to increase and to exceed our planned production capacity. See the section headed "Industry Overview" in this Prospectus for further details of factors that could affect the demand for our products and thus, our revenue and profits.

PRC government control and policies

The PRC local, provincial and central authorities exercise a substantial degree of control over the mining industry in China. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor, occupational health and safety, waste treatment and environmental protection and operational management. We make every effort to comply with such regulations. However, regulatory standards and community expectations are constantly evolving, and as a result, we may be exposed to increased litigation, compliance costs and unforeseen environmental remediation expenses, all of which could negatively impact our financial results. The PRC government also has full authority to grant, renew and terminate exploration, mining and production permits. While we expect to be able to renew our mining and production permits, if for any reason we are unable to do so in time or at all, our business and results of operations would be materially and adversely affected.

Critical Accounting Policies

Our financial statements have been prepared in accordance with IFRSs. Our significant accounting policies are set forth in Note 3.2 of the Accountants' Report, included as Appendix I to this Prospectus. IFRSs require that we adopt accounting policies and make estimates that our Directors believe are the most appropriate under the circumstances for the purpose of giving a true and fair view of our results and financial position. Critical accounting policies are those that require management to exercise judgment and make estimates which yield materially different results if management were to apply different assumptions or make different estimates. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates. We have identified below the accounting policies that we believe are the most critical to our financial information and that involve the most significant estimates and judgments.

Revenue recognition

Revenue recognition involves estimates and judgments concerning timing. Significant changes in our management's estimates and judgments may result in revenue adjustments. Revenue comprises the fair value of the consideration received or receivable for the sales of goods, net of returns and discounts, if any. As a general principle, revenue is recognized at the time when the economic benefits will most probably flow to us and when the amount of revenue can be measured reliably based on the following criteria:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, i.e., when goods are delivered and title has passed, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

See section headed "Business — Sales and Customers — Customers" for further details regarding our payment arrangement and revenue recognition practice with the customers.

Depreciation and amortization

The amount of depreciation and amortization expenses to be recorded on an asset is affected by a number of estimates made by our management, such as estimated useful lives, proved and probable reserves and residual values. If different judgments are used, material differences may result in the amount and timing of the depreciation or amortization charges related to the asset. We have identified below the accounting policies that we believe are critical to our financial information in connection with depreciation and amortization.

Property, plant and equipment

Depending on the nature of the item of property, plant and equipment, depreciation is calculated either (i) on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life or (ii) using the units of production method to write off the cost of the assets in proportion to the proved and probable mineral reserves. Our management estimates the useful lives, proved and probable reserves, residual values and related depreciation charges for property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of each item of property, plant and equipment of a similar nature and function. They could change significantly as a result of technical innovations and actions of our competitors. The assumptions used in the determination of useful lives of property, plant and equipment are reviewed periodically. Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include (i) the cost of acquiring mining licenses; (ii) exploration and evaluation costs transferred from exploration rights and assets upon the determination that an exploration property is capable of commercial production; and (iii) the cost of acquiring interests in the mining reserves of existing mining properties.

The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the unit of production method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortization and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortization and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralization in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalized are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortized using the unit of production method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Useful lives of property, plant and equipment

We estimate useful lives and related depreciation charges for our items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of our competitors. Our management will increase the depreciation charge where useful lives are less than previously estimated, or we will write off or write down technically obsolete assets that have been abandoned.

Impairment of mining and exploration assets, including property, plant and equipment

The carrying value of mining and exploration assets, including property, plant and equipment, is reviewed for impairment, when events or changes in circumstances indicate that the carrying value may not be recoverable, in accordance with the accounting policy disclosed in Note 3.2 of the "Accountants' Report" attached as Appendix I to this Prospectus. The recoverable amount of these assets or, where appropriate, the cash generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value-in-use. Estimating the value-in-use requires our management to estimate future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and, accordingly, are exempted from payment of Cayman Islands Income Tax. Our PRC operating subsidiaries are subject to PRC enterprise income tax. As matters relating to PRC enterprise income tax are not usually confirmed by the relevant local tax authorities at the time when the financial statements are prepared, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of PRC enterprise income tax to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expenses and tax provisions in the period in which the differences realize.

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is recognized, using the liability method, on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences except (i) where the deferred tax liability arises from goodwill or from the initial recognition (other than in a business combination) of an asset or liability in a transaction that affects neither the taxable profit nor the accounting profit; and (ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except (i) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Mine reserves

The process of estimating quantities of reserves is inherently uncertain and complex and requires significant judgments and decisions based on available geological, engineering and economic data. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and production cost change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis at related depreciation and amortization rates.

Provision for rehabilitation

We are required by the relevant PRC laws and regulations to rehabilitate and restore mining sites to their prior condition after completing our mining operations. Land rehabilitation typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, the restoration of land features in mined areas and dumping sites, and contouring, covering and revegetation of waste rock piles and other disturbed areas. Our assessment of potential liabilities and estimate of the necessary reserves for rehabilitation are based on our (i) assessment of the applicable environmental policies and/or standards promulgated by the PRC governmental authorities; and (ii) calculations of the amounts and timing of future cash expenditure needed to fulfill our assessed obligations under (i). Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. We record a corresponding asset in the mining infrastructure line item in the period in which the liability is incurred. The asset is depreciated using the units of production method over its expected life and the liability is accreted to the projected expenditure date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and asset are recognized at the appropriate discount rate. While we believe that our environmental rehabilitation provisions are adequate based on current estimates, the amounts estimated for future liabilities may differ materially from the costs that will actually be incurred to rehabilitate our mine sites in the future. In particular, changes in environmental laws and regulations may increase the costs of environmental rehabilitation.

Description of Components of Results of Operations

Revenue

Revenue represents income generated from the sale of our concentrates to customers, and is net of value-added tax and various types of government surcharges. Our revenue is affected by our total sales volume, which is subject to our production capacity, and the average sales price of our concentrates. We had not recognized any revenue before we commenced commercial production in October 2011.

Cost of sales

Our cost of sales mainly includes mining contracting fees, processing costs, staff costs, amortization of land use rights and mining rights, auxiliary materials used in the production process, power and utilities, repair and maintenance and other variable and fixed overhead costs. Mining contracting fees comprise fees paid to third-party contractors for mining activities. We had not incurred any cost of sales before we commenced commercial production in October 2011.

Other income and gains

During the Track Record Period, we had other income and gains, representing foreign exchange gains, bank interest income and sales of spare parts.

Administrative expenses

Administrative expenses mainly represent salaries and benefits of our administrative and management staff, expensed listing fees, professional consulting fees, office administrative fees costs, depreciation costs other expenses.

Recognition of equity-settled share-based payment

Recognition of equity-settled share-based payment represents a one-time equity-settled share-based payment arising from 6,399 shares alloted and issued to our chief executive officer, Mr. Zhu Xiaolin, in June 2011 in recognition of his valuable and indispensable contribution to the Group.

Other operating expenses

Other operating expenses represent costs related to sales of spare parts, donation to victims of recent earthquake in Yingjiang County and one-time government fine.

Income tax credit

Income tax credit represents deferred tax movements during the Track Record Period. Deferred tax is recognized in profit or loss, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, we are not subject to any income tax in those jurisdictions. No provision for Hong Kong profits tax has been made as we had no taxable profits derived from or earned in Hong Kong during the Track Record Period.

Pursuant to the income tax rules and regulations in China, the subsidiaries located in China are liable for PRC corporate income tax at a rate of 25% on the assessable profits generated during the Track Record Period. No provision has been made for PRC corporate income tax as our PRC subsidiaries did not have assessable profits subject to the PRC corporate income tax during the Track Record Period.

We recorded an income tax credit of RMB435,000, RMB1.6 million and RMB847,000 for the period from April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011, respectively.

Loss attributable to non-controlling interest

Loss attributable to non-controlling interest represents loss for the period/year that is attributable to the non-controlling shareholder of our subsidiary.

Results of Operations

Six months ended June 30, 2011 compared with six months ended June 30, 2010

Revenue

For the six months ended June 30, 2010 and 2011, we did not generate revenue from our operations as we focused on mine planning, construction and infrastructure development and did not undertake any commercial production during these periods.

Cost of sales

For the six months ended June 30, 2010 and 2011, we did not incur any cost of sales as we did not undertake any commercial production during these periods.

Other income and gains

Our other income and gains increased from RMB0.8 million for the six months ended June 30, 2010 to RMB4.4 million for the six months ended June 30, 2011, primarily due to a RMB3.7 million increase in foreign exchange gains.

Administrative expenses

Our administrative expenses increased significantly from RMB4.3 million for the six months ended June 30, 2010 to RMB16.7 million for the six months ended June 30, 2011, primarily due to a RMB11.0 million increase in professional fees in relation to the proposed listing of our Shares on the Stock Exchange.

Recognition of equity-settled share-based payment

We recognized an equity-settled share-based payment of RMB233.0 million for the six months ended June 30, 2011, relating to a one-time equity-settled share-based payments relating to our issuance of 6,399 awarded shares (the "Awarded Shares") to our chief executive officer. The Awarded Shares represents 6.01% of our issued share capital immediately before the Global Offering (without taken into account the exercise of the Over-allotment Option or the Share Option Scheme). The fair value of the Awarded Shares is measured by reference to the fair value at the date at which they were granted. Based on the valuation of an independent valuer, the fair value of the Awarded Shares during the six months ended June 30, 2011 was approximately RMB233.0 million, which was determined using the discounted cash flow method model. The corresponding credit entry was recorded in equity. The significant inputs into the model were the weighted average cost of capital as discount rate and required return on equity. As the Awarded Shares were one-off and not subject to a vesting period, all expenses in connection with the Award Shares were recognized at the fair value of RMB233.0 million and no amortization was incurred regarding the Awarded Shares. Therefore, there will be no future impact on the fair value of the Awarded Shares. Whereas, the 4,000 shares allotted to Grow Brilliant, a company wholly owned by our chief executive officer. Mr. Zhu Xiaolin, by our Company on February 8, 2010 was for the purpose of the reorganization of our Company at the shareholders' level and in Mr. Zhu Xiaolin's capacity as a holder of our Company's shares when our Company was still at the green-field stage. Mr. Zhu Xiaolin had not provided services in capacity of an employee of our Company prior to the issue of the 4,000 shares. In accordance with the International Financial Reporting Standard 2, our Company shall only recognize services received as expense in a share-based payment transaction, when the services are received. Therefore, the allotment of 4,000 shares by our Company to Grow Brilliant on February 8, 2010 was not accounted for as a share-based payment transaction.

Other operating expenses

Our other operating expenses were nil for the six months ended June 30, 2010 and RMB1.2 million for the six months ended June 30, 2011, which consisted of our one-time donation of RMB0.6 million to the victims of the recent earthquake in Yingjiang County and a one-time government fine of RMB0.6 million in connection with occupying and using a parcel of land at the Shizishan Mine before obtaining the related land use right certificate. We have since obtained the relevant land use right certificate.

Income tax credit

We recorded income tax credits of RMB0.8 million and RMB0.8 million, respectively, for the six months ended June 30, 2010 and 2011, relating to deferred tax assets credited to profit or loss in the same periods.

Loss for the period

As a result of the foregoing factors, we incurred a loss of RMB2.8 million and RMB245.6 million for the six months ended June 30, 2010 and the six months ended June 30, 2011, respectively.

Year ended December 31, 2010 compared with the period from April 23, 2009 to December 31, 2009

As a result of merger accounting, the financial statements of Kunrun, our main PRC operating subsidiary, are included in our Consolidated Financial Information starting from April 23, 2009 which is the date of business combination of the Group under common control. As a result, the comparisons of our operating results for the period from April 23, 2009 to December 31, 2009 and the year ended December 31, 2010 may not be meaningful.

Revenue

During the period from April 23, 2009 to December 31, 2009 and the year ended December 31, 2010, we did not generate revenue from our operations as we focused on mine planning, construction and infrastructure development and did not undertake any commercial production during these periods.

Cost of sales

During the period from April 23, 2009 to December 31, 2009 and the year ended December 31, 2010, we did not incur any cost of sales as we did not undertake any commercial production during these periods.

Other income and gains

Our other income and gains were nil for the period from April 23, 2009 to December 31, 2009 and RMB5.6 million for the year ended December 31, 2010, which mainly consisted of foreign exchange gains of RMB5.2 million.

Administrative expenses

Our administrative expenses increased from RMB1.9 million for the period from April 23, 2009 to December 31, 2009 to RMB12.0 million for the year ended December 31, 2010, primarily due to (i) a significant increase in salaries and benefits of our administrative and management staff primarily as a result of a significant increase in the headcount of such staff as we ramped up our operations, (ii) an increase in office administrative fees as a result of our business expansion, and (iii) an increase in professional fees in relation to our proposed listing of our Shares on the Stock Exchange.

Other operating expenses

Our other operating expenses were nil for the period from April 23, 2009 to December 31, 2009 and RMB0.2 million for the year ended December 31, 2010, which consisted of cost of sales for spare parts.

Income tax credit

We recorded income tax credit of RMB0.4 million for the period from April 23, 2009 to December 31, 2009 and RMB1.6 million for the year ended December 31, 2010 due to an increase in deferred tax assets credited to profit or loss in 2010.

Loss for the year/period

As a result of the foregoing factors, we incurred a loss of RMB1.5 million and RMB5.1 million for the period from April 23, 2009 to December 31, 2009 and for the year ended December 31, 2010, respectively.

Liquidity and Capital Resources

Our primary uses of liquidity are to invest in the development of our mines, to service our indebtedness, to fund our working capital and to finance our proposed acquisitions. As of the Latest Practicable Date, we had financed our cash requirements primarily through a combination of advances from Silver Lion (substantially all of which were from proceeds of the Exchangeable Bonds investment by certain pre-IPO investors) and interest-bearing bank borrowings.

Cash Flow

The following table sets forth a summary of our cash flow information for the period indicated:

	Period from April 23, 2009 to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	(RMB'000)			
Net cash flows used in operating activities	(1,720)	(62,482)	(8,574)	(33,160)
Net cash flows used in investing activities	(7,382)	(106,399)	(46,511)	(179,301)
Net cash flows from financing activities	34,421	163,986	165,169	392,799
Net increase/(decrease) in cash and cash equivalents	25,319	(4,895)	110,084	180,338
Cash and cash equivalents at beginning of the year/period	—	25,319	25,319	20,320
Effect of foreign exchange rate changes	—	(104)	(28)	(762)
Cash and cash equivalents at end of year/period	25,319	20,320	135,375	199,896

Operating activities

Net cash used in operating activities consists primarily of our loss before tax adjusted by non-cash adjustments, such as unrealized foreign exchange gains and recognition of equity-settled share-based payments, and changes in assets and liabilities, such as prepayments, deposits and other receivables.

Net cash used in operating activities for the six months ended June 30, 2011 was RMB33.2 million, primarily attributable to (i) loss before tax of RMB245.6 million, (ii) an increase in prepayment, deposits and other receivables of RMB19.3 million mainly in connection with interest-free loans totaling RMB15.0 million to Li Jincheng, the sole owner of Xiangcaopo Mining (which owns rights to the Lushan Mine) for use in the exploration activities at the Lushan Mine, and (iii) an add-back of certain non-cash expenses such as unrealized foreign exchange gains of RMB4.4 million. Cash used in operating activities was primarily offset by recognition of equity-settled share-based expenses of RMB233.0 million in connection with our issuance of 6,399 Awarded Shares to our chief executive officer.

Net cash used in operating activities for the year ended December 31, 2010 was RMB62.5 million, primarily attributable to (i) an increase in prepayment, deposits and other receivables of RMB54.0 million mainly in connection with a prepayment of RMB18.0 million for ore supplies from the Lushan Mine pursuant to an exclusive ore supply agreement we entered into with Xiangcaopo Mining, which owns rights to the Lushan Mine, and interest-free loans totaling RMB33.6 million to Li Jincheng, the sole owner of Xiangcaopo Mining, for use in the exploration activities at the Lushan

Mine, (ii) loss before tax of RMB6.6 million, and (iii) an add-back of certain non-cash expenses such as unrealized foreign exchange gains of RMB5.2 million. Cash used in operating activities was partially offset by an increase in other payables and accruals of RMB3.9 million mainly arising from accrued staff bonus in 2010.

Net cash used in operating activities for the period from April 23, 2009 to December 31, 2009 was RMB1.7 million, primarily attributable to loss before tax of RMB1.9 million.

Investing activities

Net cash used in investing activities largely reflects capital expenditures, which primarily consist of purchases of property, plant and equipment and intangible assets and payment in advance for purchase of land use rights and exploration right.

Net cash used in investing activities for the six months ended June 30, 2011 was RMB179.3 million, primarily due to (i) purchase of property, plant, and equipment of RMB73.8 million in connection with the construction of mining and lead-zinc-silver processing facilities at the Shizishan Mine, (ii) payment in advance of RMB70.0 million for the purchase of the exploration right to the Liziping Mine through the proposed Liziping Company acquisition, (iii) purchase of intangible assets of RMB29.1 million in connection with the exploration and evaluation costs of RMB28.0 million and RMB1.1 million, respectively, incurred in applying for the new mining permit of the Shizishan Mine and the exploration permit of the Dazhupeng Mine, and (iv) payment in advance of RMB6.4 million for the purchase of the land use right to a parcel of land used for the construction of our mining, processing, tailing storage and related facility at the Shizishan Mine.

Net cash used in investing activities for the year ended December 31, 2010 was RMB106.4 million, attributable to (i) purchase of property, plant and equipment of RMB62.7 million in connection with the construction of mining and processing facilities at the Shizishan Mine, (ii) purchase of intangible assets of RMB34.4 million in connection with the exploration and evaluation costs incurred in applying for the new mining permit of the Shizishan Mine, (iii) payment in advance of RMB7.2 million for the purchase of the land use right to a parcel of land used for the construction of our mining, processing, tailing storage and related facility at the Shizishan Mine and (iv) payment in advance of RMB2.1 million for the purchase of the exploration right to the Dazhupeng Mine.

Net cash used in investing activities for the period from April 23, 2009 to December 31, 2009 was RMB7.4 million, primarily attributable to (i) RMB5.7 million used to purchase the mining right to the Shizishan Mine from Tengchao Mining Factory, and (ii) RMB1.7 million used to purchase items of property, plant and equipment for the development of the Shizishan Mine.

Financing activities

Net cash provided by financing activities for the six months ended June 30, 2011 was RMB392.8 million, attributable to RMB337.0 million due to Silver Lion (substantially all of which were proceeds from the Exchangeable Bonds investment by certain pre-IPO investors in 2010 and 2011) and RMB62.0 million in the form of bank borrowings from the Agricultural Bank of China. This was partially offset by an acquisition of a non-controlling interest in Kunrun from Mr. Ran Xiaochuan of RMB6.2 million.

Net cash provided by financing activities for the year ended December 31, 2010 was RMB164.0 million, primarily attributable to an increase of RMB169.2 million in amounts due to Silver Lion (substantially all of which were proceeds from the Exchangeable Bonds investment by certain pre-

IPO investors) in 2010. This was partially offset by a settlement of RMB5.2 million due to Mr. Ran Xiaochuan and RMB0.4 million paid to Mr. Ran Xiaochuan as part of the Reorganization process.

Net cash provided by financing activities for the period from April 23, 2009 to December 31, 2009 was RMB34.4 million, primarily attributable to (i) an increase in amounts due to Silver Lion of RMB25.3 million for the funding of our working capital; (ii) capital contribution from Mr. Ran Xiaochuan and the non-controlling shareholder of Kunrun of RMB2.7 million and RMB1.2 million, respectively; and (iii) an increase in the amount due to Mr. Ran Xiaochuan of RMB5.2 million.

Working Capital Sufficiency

Taking into account the financial resources available to us, including the cash generated from our operations following the commencement of production of the Shizishan Mine and the estimated net proceeds of approximately HK$1,005 million (equivalent to approximately RMB820.1 million, assuming the Over-allotment Option is not exercised) from the Global Offering, based on the low end of the indicative Offer Price range, and the estimated capital expenditure requirements and acquisition considerations of the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have available sufficient working capital for 125% of our present requirements for at least 12 months from the date of this Prospectus.

The following table sets forth our existing and estimated source of funding and estimated major working capital requirements for the Shizishan Mine for the 12 months from the date of Prospectus:

	(RMB million)
Source of funding:	
Estimated net proceeds from the Global Offering	820.1[(1)]
Cash and cash equivalents as at October 31, 2011	73.8
Estimated operating cash inflow from the Shizishan Mine from December 1, 2011 to December 31, 2012	1,012.3[(2)]
Less:	
Estimated acquisition considerations and capital expenditure to be incurred from December 1, 2011 to December 31, 2012	1,094.2
	812.0
Cash requirement for the Shizishan Mine from December 1, 2011 to December 31, 2012:	
Production costs	57.0
VAT and other business taxes and royalties	151.0
Income taxes	107.0
Staff costs	27.0
Administrative expenses and others	79.0
Total	421.0

Notes:

(1) Approximately HK$1,005 million equivalent, based on the low end of the indicative Offer Price range and assuming the Over-allotment Option is not exercised.

(2) Estimated operating cash inflow from the Shizishan Mine for the period from December 1, 2011 to December 31, 2012 is prepared by our Directors and is unaudited and for indicative purpose only. Actual results may vary from the estimates.

For details of the capital expenditure requirements and acquisition considerations of the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine, please see section headed "Financial Information — Capital expenditures."

Discussion of Certain Items from the Statements of Financial Position

Intangible assets

The below table sets forth the net book value of our intangible assets as at each of the dates indicated:

	Mining rights	Exploration rights and assets	Total
		(RMB'000)	
Cost and net book amount:			
As of April 23, 2009	—	—	—
As of December 31, 2009	—	—	—
As of December 31, 2010	9,282	35,597	44,879
As of June 30, 2011	73,242	3,244	76,486

Our mining rights represent the rights for the mining of silver, lead and zinc resources at the Shizishan Mine. Our mining permit for the Shizishan Mine covers an area of 3.2 sq. km. and will expire in 2026, whereupon it can be renewed subject to certain statutory requirements and conditions. There was no amortization on our mining rights for the year ended December 31, 2010 and the six months ended June 30, 2011 as we did not commence mining operations.

As of December 31, 2010, our exploration rights and assets represented additional exploration expenses incurred in respect of the further exploration work undertaken by independent technical advisors in connection with the renewal of the mining permit for the Shizishan Mine in March 2011.

In accordance with our accounting policy, such expenses were capitalized as "exploration rights and assets" and were transferred to the cost of mining rights when we successfully renewed the Shizishan Mine's mining permit for 15 years from April 6, 2011. The mining rights (including exploration expenses for conducting further exploration of the Shizishan Mine) are amortized in accordance with the production plans and the proved and probable reserve of the Shizishan Mine using the unit-of-production method.

As of June 30, 2011, our exploration right represented the right for the exploration of the Dazhupeng Mine. We obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables represent prepayment for purchase of inventories, deposits, deferred listing fees and staff advances. The following table sets forth the details of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		As of June 30,
	2009	2010	2011
		(RMB'000)	
Prepayment in respect of:			
— the purchase of inventories	—	18,000	18,000
— professional fees	—	993	—
Deposits	—	170	439
Deferred listing fees	47	624	4,212
Staff advances	184	811	2,239
Other receivable	—	33,589	48,578
Total	231	54,187	73,468

As of June 30, 2011, prepayment for the purchase of inventories represented a RMB18.0 million prepayment made to Xiangcaopo Mining, which owns the exploration right to the Lushan Mine, in 2010 for the purchase of tungsten and tin ores from the Lushan Mine. The delivery of such ores is expected to take place in 2012. In addition, we provided interest-free loans of RMB33.6 million to Li Jincheng in 2010 and increased such loans by RMB39.0 million to RMB72.6 million as of October 31, 2011, in connection with the exploration activities at the Lushan Mine. Deferred listing fees represent legal and other professional fees relating to the Global Offering, and will be deducted from equity when we complete the listing of our Shares on the Stock Exchange. The above assets are neither past due nor impaired. The financial assets included above relate to receivables for which there was no recent history of default.

Other payables and accruals

Our other payables and accruals primarily consist of payables related to the acquisition of property, plant and equipment, mining rights and exploration rights and assets, as well as accrued staff expenses. The following table sets forth the details of our other payables and accruals as of the dates indicated:

	As of December 31,		As of
	2009	2010	June 30, 2011
		(RMB'000)	
Payables related to:			
Mining rights	—	489	489
Exploration rights and assets	—	4,296	4,716
Property, plant and equipment	—	7,990	40,194
Professional fees	—	—	8,708
Tax other than income tax	12	(825)	317
Payroll and welfare	99	185	33
Others	337	69	160
Accruals	—	4,884	—
Total	448	17,088	54,617

Our payables related to property, plant and equipment increased significantly from nil as of December 31, 2009 to RMB8.0 million as of December 31, 2010 due to increased purchase of fixed assets in connection with the construction of our mining and ore processing facilities at the Shizishan Mine in 2010. We also had payables related to our exploration rights and assets of RMB4.3 million as of December 31, 2010 incurred in connection with our exploration and valuation activities conducted for the purpose of applying for the new mining permit for the Shizishan Mine. Our accruals of RMB4.9 million as of December 31, 2010 consisted of accrued bonuses and salaries for our staff.

Our payables related to property, plant and equipment increased significantly from RMB8.0 million as of December 31, 2010 to RMB40.2 million as of June 30, 2011, due to increased purchase of fixed assets in connection with the ramp-up of the construction of our mining and ore processing facilities at the Shizishan Mine for the six months ended June 30, 2011. We also had payables related to exploration rights and assets of RMB4.7 million as of June 30, 2011 incurred in connection with our exploration and valuation activities conducted for the purpose of applying for the new mining permit for the Shizishan Mine. Besides, payables related to professional fees of RMB8.7 million represented legal and other professional fees in connection with the Global Offering.

Current assets and current liabilities

The table sets forth the breakdown of our current assets and current liabilities as of each of the dates indicated:

	As of December 31,		As of June 30,	As of October 31,
	2009	2010	2011	2011
		(RMB'000)		(Unaudited)
Current assets				
Cash and cash equivalents:	25,319	20,320	199,896	73,781
Account receivables	—	—	—	1,217
Prepayments, deposits and other receivables:	231	54,187	73,468	156,543
Inventories:	—	745	1,871	11,446
	25,550	75,252	275,235	242,987
Current liabilities				
Amount payables	—	—	—	1,965
Other payables and accruals:	448	17,088	54,617	53,415
Tax payable	—	—	454	816
Due to a director:	5,190	—	—	—
Due to the immediate holding company:	25,331	189,191	—	—
	30,969	206,279	55,071	56,196
Net current assets/(liabilities)	(5,419)	(131,027)	220,164	186,791

During the Track Record Period, we focused our business activities on mine planning and construction and infrastructure development. Because we only commenced commercial production in October 2011, we did not generate any revenue or cash inflow from our operations during the Track Record Period. We did not have any accounts receivable, accounts payable or inventory during the Track Record Period either. In addition, we had financed our cash requirements primarily through a combination of advances from Silver Lion (substantially all of which were proceeds from the Exchangeable Bonds investment by certain pre-IPO investors) and interest-bearing bank borrowings during the Track Record Period. As a result, we recorded net current liabilities of RMB5.4 million and RMB131.0 million as of December 31, 2009 and 2010, respectively. On June 27, 2011, we capitalized the entire outstanding amount due to Silver Lion by issuing one new Share to Silver Lion. Primarily as a result of such transaction, we had net current assets of RMB220.2 million as of June 30, 2011.

Related party transactions and balances

We engaged in certain transactions with our Director, Mr. Ran Xiaochuan and his immediate holding company, Silver Lion, during the Track Record Period. The following table sets forth the breakdown of our balances with related parties as of the dates indicated:

	As of December 31,		As of
	2009	2010	June 30, 2011
		(RMB'000)	
Due to a director:			
Mr. Ran Xiaochuan	5,190	—	—
Due to the immediate holding company:			
Silver Lion	25,331	189,191	—

The RMB5.2 million due to our Director, Mr. Ran Xiaochuan, as of December 31, 2009 included advances from Mr. Ran Xiaochuan that was used by us to acquire the mining right to the Shizishan Mine and as working capital. The RMB5.2 million due to Mr. Ran Xiaochuan as of December 31, 2009 was settled in 2010, and we currently do not owe any amount to Mr. Ran Xiaochuan. The RMB25.3 million and RMB189.2 million due to our immediate holding company, Silver Lion, as of December 31, 2009 and 2010, respectively, constituted a portion of the proceeds from our Exchangeable Bonds financing advanced from Silver Lion. On June 27, 2011, Silver Lion subscribed one new Share in the Company by way of a share premium in the amount of US$80,500,000, which was used to settle all the then outstanding amount due to Silver Lion from the Company as of May 31, 2011. Upon completion of such settlement, the Company does not owe any amount to Silver Lion. Balances with related parties are non-trade, interest-free, unsecured and have no fixed term of repayment. Our Directors consider that the advances from Mr. Ran Xiaochuan and the interest-free loan provided by Silver Lion were conducted based on terms more favorable than terms available from an independent third party.

Our related party transactions during the Track Record Period and balances as of December 31, 2009 and 2010 and June 30, 2011 are also set out in Notes 19 and 28 of the Accountants' Report included as Appendix I to this Prospectus.

Commitments and Contingent Liabilities

Capital commitments

The table below sets forth details for our capital commitments as of the dates indicated:

	As of December 31,		As of June 30,
	2009	2010	2011
		(RMB'000)	
Contracted, but not provided for:			
— Exploration and evaluation expenditures	—	16,635	175,204
— Property, plant and equipment	—	35,615	46,632
	—	52,250	221,836
Authorized, but not contracted for:			
— Property, plant and equipment	—	358,333	113,262
Total	—	410,583	335,098

Our capital commitments amounted to RMB410.6 million as of December 31, 2010, primarily arising from construction contracts in connection with the Shizishan Mine's processing facility, as well as new equipment and machinery contracts that we entered into in 2010 in connection with our ramp-up plan for the mining and processing capacities for the Shizishan Mine.

Our capital commitments decreased to RMB335.0 million as of June 30, 2011 which was in line with the construction progress of the Shizishan Mine's mining, processing and tailing storage facilities for the six months ended June 30, 2011. Capital commitment in relation to exploration and evaluation expenditure increased significantly from RMB16.6 million as of December 31, 2010 to RMB175.2 million as of June 30, 2011, primarily attributable to the commitment of RMB170 million in connection with the proposed acquisition of the Liziping Mine. The decrease in capital commitment in connection with property, plant and equipment which was authorized but not contracted for from December 31, 2010 to June 30, 2011 was partially off-set by the aforesaid factor.

Contingent liability

On February 8, 2010, Challenger entered into the Round 1 Bond Deed with us, Silver Lion, Gilberta, Next Horizon, Dehong Yinbang, Dehong Yinrun, Kunrun, Mr. Ran Xiaochuan and Mr. Shi Xiangdong. Pursuant to the Round 1 Bond Deed, Challenger subscribed for the Round 1 Bond issued by Silver Lion in an aggregate principal amount of US$25.0 million due in 2012. The maturity date of the Round 1 Bond Deed was extended to April 26, 2013 by a deed of amendment dated April 21, 2011. The Round 1 Bond is exchangeable into our Shares owned and held by Silver Lion immediately prior to the commencement of dealings of our Shares on the Stock Exchange on the Listing Date.

Pursuant to the Round 1 Bond Deed, we shall indemnify each of Challenger's stakeholder and their directors, officers and agents (collectively, the "Indemnified Persons of the Round 1 Bond") against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding (collectively, "Losses of the Round 1 Bond") that any Indemnified Persons of the Round 1 Bond may at any time become subject to or liable for in connection with claims by third parties by reason of being a stakeholder or director of our Company, as the case may be, other than Losses of the Round 1 Bond arising from the gross negligence, willful misconduct, fraud or dishonesty of such Indemnified Persons of the Round 1 Bond.

Capital expenditures

We incurred capital expenditures for the construction and development of the Shizishan Mine and its processing facility during the Track Record Period. The table below sets forth details of our capital expenditures for the periods indicated:

	Period from April 23 to December 31, 2009	Year ended December 31, 2010
	(RMB'000)	
Property, plant and equipment	1,620	62,729
Intangible assets	5,728	36,467
Land use right	—	7,203
Total	7,348	106,399

We commenced commercial production and revenue generating activities at the Shizishan Mine in October 2011. As at the Latest Practicable Date, we financed the development of the Shizishan Mine primarily through a combination of advances from Silver Lion (substantially all of which were proceeds from the Exchangeable Bonds investment by certain pre-IPO investors) and interest-bearing bank borrowings.

The following table sets forth our estimated capital requirements in relation to the acquisition considerations, capital expenditure and working capital for the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine for the periods indicated:

	Estimated maximum acquisition consideration to be paid	Estimated capital expenditure to be incurred(4)	Estimated working capital requirement
	December 1, 2011-December 31, 2012		
	(RMB million)		
Shizishan Mine	N/A	135.3	421.0
Dazhupeng Mine	N/A	26.9	N/A(2)
Lushan Mine	N/A	41.0	36.5(3)
Liziping Mine	636.0(1)	66.5	N/A(2)
Dakuangshan Mine	105.0(1)	83.5	N/A(2)
Total	**741.0**	**353.2**	**457.5**

Notes:

(1) The estimated acquisition consideration for the Liziping Mine and the Dakuangshan Mine is based on the maximum consideration stipulated in the share transfer agreement between Song Denghong and us and the option agreement between Xi Wanli and us, respectively, and is subject to adjustment. Such amounts exclude a deposit of RMB100 million, which can be deducted from the total consideration if the acquisition is completed, and a good-faith deposit of RMB40 million we made as of October 31, 2011 for the Liziping Mine and the Dakuangshan Mine, respectively, and a further deposit of RMB20 million to be paid by the end of 2011 for the Liziping Mine.

(2) The Dazhupeng Mine, Liziping Mine and Dakuangshan Mine are currently at preliminary exploration stage, therefore, the information in relation to their working capital requirement is currently not available.

(3) The Lushan Mine's working capital requirement estimation only covers the purchase cost of the raw ore calculated based on the unit purchase cost excluding value-added tax of RMB260/t and the annual supply amount of 120 kt of raw ore in 2012 as stipulated in the exclusive raw ore supply agreement between Xiangcaopo Mining and us, excluding a prepayment of RMB18.0 million. Other working capital requirement of the Lushan Mine is not available because the Lushan Mine is still at the preliminary exploration stage. Given the market price of tungsten concentrate of approximately RMB140,400/t in October 2011 and the prefixed low-cost raw ore supply, we believe the operating cash flow generated from the processing of raw ore supplied from the Lushan Mine is sufficient to cover the related working capital requirement.

(4) Total outstanding capital expenditure to be spent from December 2011 to December 2012 for the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine is RMB135.3 million, RMB26.9 million, RMB41.0 million, RMB66.5 million and RMB83.5 million, respectively. We plan to fund these capital expenditure requirements by utilizing the net proceeds from the Global Offering which are estimated to be HK$1,005 million (equivalent to RMB820.1 million), assuming the Over-allotment Option is not exercised), based on the low end of the indicative Offer Price range.

We further plan to utilize our internal operating cash inflow and bank loans that we may receive from time to time to fund the gap between the total remaining capital expenditure to be incurred and the net proceeds from the Global Offering. For the capital expenditure incurred as of October 31, 2011 and the total remaining capital expenditure to be incurred for the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine, please refer to pages 7, 8, 11 and 13 of this Prospectus, respectively. Approximately RMB322 million and RMB195 million (totaling RMB517 million) of additional capital expenditure for the Liziping Mine and Dazhupeng Mine have not been taken into account in the above table, as they will be deployed only in 2013 and 2014 based on the respective development schedule of these two mines. It is currently planned that the Liziping Mine and the Dazhupeng Mine will only commence production by the end of 2013 and the second quarter of 2014, respectively. We intend to also fund the capital expenditures for the Liziping Mine and Dazhupeng Mine in 2013 and 2014 through operating cash inflow generated from our operating activities at the Shizishan Mine and bank loans that we may obtain from time to time in the future.

These capital requirements in relation to acquisition consideration, capital expenditure and working capital for the Shizishan Mine, the Dazhupeng Mine, the Lushan Mine, the Liziping Mine, and the Dakuangshan Mine for the periods indicated above will be satisfied by operating cash inflow, estimated net proceeds of approximately HK$1,005 million (assuming the Over-allotment Option is not exercised) from the Global Offering, based on the low end of the indicative Offer Price range, and bank loans we may receive from time to time.

Indebtedness

As of December 31, 2010, we did not have any short-term or long-term bank loans. As of the same date, we had an amount due to our immediate holding company, Silver Lion, of RMB189.2 million, which was non-trade, interest-free and unsecured and had no fixed term of repayment. This amount was settled on June 27, 2011, and we do not currently owe any debt to Silver Lion. For additional details on this settlement, please see "— Related party transactions and balances."

As of October 31, 2011, we had interest-bearing loans of RMB130.0 million from Agricultural Bank of China. In April 2011, we mortgaged our mining right to the Shizishan Mine to Agricultural Bank of China to secure banking facilities amounting to RMB130 million, which has been completely drawn down as of September 30, 2011. Such mining right mortgage will be released upon repayment of all borrowings under the banking facilities.

Off-balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Qualitative and Quantitative Disclosure About Market Risk

We are exposed to various types of market risks in the ordinary course of our business. The main risks arising from our financial instruments are credit risk, foreign currency risk and liquidity risk. We manage our exposure to these and other market risks through regular operating and financial activities. Our Directors regularly review these risks and our financial risk management policy seeks to ensure that adequate resources are available to manage the market risks summarized below and to create value for our Shareholders.

Credit risk

We have no significant concentration of credit risk as we only commenced commercial production in October 2011. The carrying amounts of cash and cash equivalents and other receivables represent our maximum exposure to credit risk in relation to financial assets. All of our cash and cash equivalents are held in major financial institutions located in the PRC, which we believe are of high credit quality.

During the Track Record Period, we did not make credit sales to customers as we did not undertake any commercial production during this period.

Foreign exchange risk

Our business is located in the PRC and most of the transactions are conducted in Renminbi. Most of our assets and liabilities are denominated in Renminbi, except for an amount due to our immediate holding company, Silver Lion, before May 31, 2011 and certain bank deposits denominated in U.S. dollars.

We have not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. Our management monitors our foreign currency exposure and will consider hedging against significant foreign currency exposure when the need arises.

The following table demonstrates the sensitivity to a 5.0% change in Renminbi against the U.S. dollar. 5.0% is the rate used when reporting currency risk internally to key management personnel and represents our management's assessment of the reasonably possible change in the foreign exchange rate. The sensitivity analysis of our exposure to foreign currency risk at the end of each reporting period are based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% of change in the Renminbi against the U.S. dollar, with all other variables held constant, of our profit before tax (due to changes in the fair value of cash and cash equivalents and an amount due to our immediate holding company, Silver Lion, before May 31, 2011, which were denominated in U.S. dollars).

	Period from April 23 to December 31, 2009	Year ended December 31, 2010	Six months ended June 30,	
			2010	2011
		(RMB'000)		
Increase/(decrease) in profit before banking facilities amounting to tax:				
If RMB weakens against US$	(3)	(8,836)	(9,145)	8,212
If RMB strengthens against US$	3	8,836	9,415	(8,212)

Liquidity risk

In managing our liquidity risk, we monitor the level of working capital and maintain it at an adequate level and we maintain a balance between continuity of funding and flexibility through the funding from our holding company.

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of our financial instruments is approximated to their fair values due to the short term to maturity at each of the statement of financial position dates.

Capital management

The primary objective of our capital management is to ensure that we maintain healthy capital ratios in order to support our business and maximize Shareholders' value.

We manage our capital structure and make adjustments to it in light of changes in the economic condition. During the early stages of our mine development, our Shareholders contributed capital based on our needs. For our dividend policy, please refer to the section headed "— Dividend Policy" in this Prospectus for more information.

No changes were made in the objectives, policies or processes for managing financial risk during the Track Record Period.

LOSS FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

The loss forecast has been prepared by our Directors based on the bases and assumptions set out in Appendix III to this Prospectus.

Consolidated loss forecast attributable to owners of the Company(1) . . .	RMB246.6 million (HK$302.2 million)(3)
Unaudited pro forma forecast loss per Share for the year ending December 31, 2011(2)	RMB0.123 (HK$0.150)

Notes:

(1) The bases and assumptions on which the consolidated loss forecast attributable to owners of the Company for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this Prospectus.

(2) The calculation of unaudited pro forma forecast loss per Share is based on the consolidated loss forecast attributable to owners of the Company for the year ending December 31, 2011 of RMB246.6 million and on the assumption that the Company has been listed since January 1, 2011 and a total number of 2,000,000,000 Shares were in issue during the year ending December 31, 2011.

(3) The consolidated loss forecast attributable to owners of the Company includes a one-off equity-settled share-based expense of RMB233.0 million and the expenses in relation to the Global Offering.

We have analyzed the sensitivity of the loss forecast of the Group for the year ending December 31, 2011 with reference to the potential movements in the key bases in the loss forecast, such as the selling price of lead-silver concentrates and zinc-silver concentrates, the sales volume of lead-silver concentrates and zinc-silver concentrates and the unit cost of sales of lead-sliver concentrates and zinc-sliver concentrates for the year ending December 31, 2011.

The sensitivity of the loss forecast for the movements in average selling price of lead-silver concentrates and zinc-silver concentrates, sales volume of lead-sliver concentrates and zinc-sliver concentrates and average unit cost of sales of lead-sliver concentrates and zinc-sliver concentrates is analyzed as follows:

	For the year ending December 31, 2011
	RMB'000 Increase/(decrease) in profit attributable to the owners of the Company
(A) Movement in average selling price of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	2,496
Increase 10%	4,991
Increase 15%	7,487
Increase 20%	9,983
Increase 25%	12,479
Increase 30%	14,974
Decrease 5%	(2,496)
Decrease 10%	(4,991)
Decrease 15%	(7,487)
Decrease 20%	(9,983)
Decrease 25%	(12,479)
Decrease 30%	(14,974)
(B) Movement in sales volume of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	2,029
Increase 10%	4,059
Decrease 5%	(2,029)
Decrease 10%	(4,059)
(C) Movement in average unit cost of sales of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	(471)
Increase 10%	(941)
Decrease 5%	471
Decrease 10%	941

DIVIDEND POLICY

Following completion of the Global Offering, our Shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividends will be at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our Share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividends are to be paid.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under the PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. In general, we will not declare dividends in a year when we do not have any distributable earnings.

We currently intend to retain most, if not all, of our available funds and any future earnings until the end of 2012 to operate and expand our business, primarily through production ramp-up and selective acquisitions. Subject to the considerations and constraints above, we currently intend to distribute as dividends to all of our Shareholders no less than 20% of our consolidated net profit after tax in respect of the year ending December 31, 2013 and each year thereafter. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

DISTRIBUTABLE RESERVES

As of June 30, 2011, we had reserves in the amount of RMB499.5 million available for distribution to our equity holders.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns, an independent property valuer, has valued our property interests as of September 30, 2011. The full text of the letter, summary of valuation and valuation certificates with respect to such property interests are set out in Appendix IV to this Prospectus.

The table below sets forth the reconciliation between the net book value of our property interests as of December 31, 2010 and the valuation of such property interest as of September 30, 2011:

	RMB'000
Net book value of property interests as of June 30, 2011	16,483[(1)]
Movements for the period from June 30, 2011 to September 30, 2011	
Add: Additions during the period from June 30, 2011 to September 30, 2011	150,174
Less: Depreciation during the period from June 30, 2011 to September 30, 2011	227
Net book value of property interests as of September 30, 2011	166,430
Valuation surplus as of September 30, 2011	2,351
Valuation as of September 30, 2011 as per Appendix IV to this Prospectus	168,781[(2)]

Note:

(1) The net book value of property interests as of June 30, 2011 represents the value of RMB16,483,000 for buildings (net book value for land use rights: Nil).

(2) The valuation as of September 30, 2011 includes the aggregate capital value of RMB163,790,000 as at September 30, 2011 plus the value of RMB4,991,000 for reference purpose as stated in page IV-8 to this Prospectus.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this Prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

FINANCIAL INFORMATION OF THE LIZIPING COMPANY AND UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

We entered into a share transfer agreement on June 9, 2011 with Song Denghong (an Independent Third Party), the owner of the Liziping Company which owns the exploration right to the Liziping Mine. Pursuant to such share transfer agreement, we conditionally agreed to purchase 90% equity interests in the Liziping Company from Song Denghong. As at the Latest Practicable Date, we have not completed the acquisition of the Liziping Company. We currently expect to complete such acquisition in May 2012. Financial information of the Liziping Company for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 has been prepared. See section III of Appendix I "Accountants' Report" to this Prospectus for details of such financial information of the Liziping Company. A summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group in connection with the proposed acquisition of 90% equity interest of the Liziping Company has been prepared, assuming that the acquisition had been completed on June 30, 2011. See Appendix II "Unaudited Pro Forma Financial Information of the Enlarged Group" to this Prospectus for details of such summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group.

We also entered into an option agreement on May 21, 2011 with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011. Since we have not exercised such option and there is currently no decision or obligation that such option will be exercised, as at the Latest Practicable Date, we are not required to include the three years financial information of the Dakuangshan Mine under Listing Rules 4.04(2) and 4.28. If we were to elect to exercise the option to purchase 90% equity interests in the Dakuangshan Company after listing, we will comply with the application requirements of the Listing Rules, including Rule 14.75 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted net tangible assets of our Company, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2011. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Company had the Global Offering been completed as of June 30, 2011 or any future dates.

	Audited consolidated net tangible assets attributable to owners of our Company as of June 30, 2011[1]	Estimated net proceeds from issue of Offer Shares[2]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[3]	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)	(HK$)
Based on Offer Price of HK$2.22 per Share	421,998	820,080	1,242,078	0.621	0.761
Based on Offer Price of HK$2.54 per Share	421,998	944,928	1,366,926	0.683	0.838

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as of June 30, 2011 is extracted from the Accountants' Report as set out in Appendix I to this Prospectus, which is equal to the audited consolidated net assets attributable to owners of our Company of RMB498.5 million as of June 30, 2011 less intangible assets of RMB76.5 million as of the same date.

(2) The estimated net proceeds from the Global Offering are based on hypothetical Offer Prices of HK$2.22 and HK$2.54 respectively, per Offer Share assuming no exercise of the Over-allotment Option, after deduction of underwriting fees and estimated expenses payable by us.

(3) The unaudited pro forma adjusted net tangible assets per Share is based on a total of 2,000,000,000 Shares expected to be in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option).

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

As of the date of this Prospectus, the Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of the Company since June 30, 2011, the date of the latest audited financial statements of the Company.

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2011, and there has been no event since June 30, 2011 that would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

FUTURE PLANS AND PROSPECTS

Please refer to the sections headed "Business — Business Strategies" and "Business — Ramp-up Plans for Our Mining and Processing Capacities" in this Prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,082 million from the Global Offering (assuming the Over-allotment Option is not exercised), after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$2.38 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 60%, or HK$649 million, is expected to be used primarily to acquire and develop additional non-ferrous and/or precious metal resources identified and to be identified by us, which may include two mines with respect to which we have entered into a share transfer agreement and an option agreement as described below. Our growth model includes the acquisition of non-ferrous metal and/or precious metal mines in Yunnan Province and other regions in China. We have begun to identify potential acquisition targets since inception. In particular, we have entered into a share transfer agreement with Song Denghong, the owner of the Liziping Company which owns the exploration right to the Liziping Mine, pursuant to which we agreed to purchase 90% equity interests in the Liziping Company from Song Denghong. We currently expect to complete such acquisition in May 2012. The consideration payable for the 90% equity interests of the Liziping Company will be determined based on the amount of lead and zinc resources of the Liziping Mine, and will in any event be no less than RMB216 million and no more than RMB756 million. If (i) the lead and zinc resources of the Liziping Mine are less than 1,000 kt (in terms of metal contained) according to the final reviewed exploration report prepared by an Independent Third Party exploration entity designated by us or (ii) we are not satisfied with the results of our legal due diligence or audit on the Liziping Company and/or the Liziping Mine, we have the right to unilaterally terminate the share purchase agreement and Song Denghong shall refund all the deposit and payment made, and all the exploration expenses incurred, by us. We currently expect to spend a total of approximately RMB900.0 million for the acquisition, exploration and development of the Liziping Mine and as of October 31, 2011, the remaining acquisition and capital expenditure to be incurred is approximately RMB790.3 million. Such estimated amount is subject to a number of factors, including the estimated resource and reserve amounts to be determined and the actual conclusion of the Liziping Mine's feasibility study, and is further subject to satisfaction of all the conditions to complete the acquisition. We have also entered into an option agreement with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011. The consideration for the 90% equity interests in the Dakuangshan Company will be determined based on the lead and zinc metals contained in the estimated resources of the Dakuangshan Mine that are category 332 and above at a price not less than RMB500/t and not more than RMB700/t (which was determined based on arms-length negotiations among the parties and was not referenced to any specific prevailing market price or benchmark) and will not exceed RMB145.0 million. If we decide to exercise our option, the terms of purchase would be subject to further negotiations with Xi Wanli and such purchase will comply with the applicable requirements of the Listing Rules. If we were to elect to exercise the option, we expect to spend a total of approximately RMB241.0 million for the acquisition, exploration and development of the Dakuangshan Mine. Such estimated amount is subject to a number of factors, including the estimated resource and reserve amounts to be determined and the actual conclusion of the Dakuangshan Mine's feasibility study report. Please see the section headed "Business — Competitive Strength — We are well-positioned to expand our resources and reserves through selective acquisitions" and "Business — Our agreement and option to acquire additional mine assets" in this Prospectus for additional information on the share transfer agreement and the option agreement.

- approximately 18%, or HK$195 million, is expected to be used to finance the ramp-up of the mining capacity of the Shizishan Mine and the expansion of the tailing storage facility capacity at the Shizishan Mine. We believe that the amount is sufficient to finance our ramp-up activities at the Shizishan Mine, based on our current operations and ramp-up plan at the Shizishan Mine; and

- approximately 22%, or HK$238 million, is expected to be used to finance our activities relating to the Dazhupeng Mine and the Lushan Mine owned by Xiangcaopo Mining, an Independent Third Party, including: (i) the exploration activities at the Dazhupeng Mine and the construction of the mining and processing facilities at the Dazhupeng Mine after we complete its exploration activities and obtain the mining permit for the Dazhupeng Mine; and (ii) the construction of the gravity-selection processing line to be used to process polymetallic tungsten-tin raw ore from the Lushan Mine. See "Business — Lushan Mine and Exclusive Ore Supply Agreement."

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorized financial institutions in Hong Kong or China.

If the Offer Price is set above the mid-point of the proposed Offer Price range, we intend to increase the amount of net proceeds allocated for the acquisition and development of additional non-ferrous and/or precious metal resources. If the Offer Price is set below the mid-point of the proposed Offer Price range, we intend to decrease the amount of net proceeds allocated for the acquisition and development of additional non-ferrous metal and/or precious resources.

In the event that the Over-allotment Option is exercised in full, we estimate we will receive additional net proceeds of approximately HK$170 million, assuming an Offer Price of HK$2.38 per Share, being the mid-point of the offer price range stated in this Prospectus. We intend to use the additional net proceeds to acquire and develop additional non-ferrous and/or precious metal resources by leveraging our strategic location in Yunnan Province and our dedicated and experienced asset acquisition team led by our chief executive officer, Mr. Zhu Xiaolin. However, whether or not and how we will proceed with any acquisition depends on the potential of the target, if any, the nature and condition of the target, and the market condition in general. Any such acquisition will comply with the applicable requirements of the Listing Rules.

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and bank borrowings.

HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited
BOCOM International Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Haitong International Holdings Limited
Head & Shoulders Securities Limited

INTERNATIONAL UNDERWRITERS

Citigroup Global Markets Limited
Renaissance Capital (Hong Kong) Limited
BOCOM International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on December 1, 2011. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this Prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this Prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall after consultation with the Joint Bookrunners be entitled to give notice in writing to our Company on or prior to 8:00 a.m. on the Listing Date to terminate the Hong Kong Underwriting Agreement if:

(A) there has come to the notice of the Sole Global Coordinator or any Hong Kong Underwriters:

(a) that any statement contained in this Prospectus and/or the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecasts, estimates, expressions of opinion, intention or expectation expressed in this Prospectus and/or the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) are not in all material aspects, fair and honest and based on reasonable assumptions when taken as a whole; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, not having been disclosed, constitute an omission from this Prospectus, announcements, issued or used by or on behalf of our Company in connection with the Hong Kong Public Offer; or

(c) any breach of, or any event rendering untrue or incorrect in any respect, any of the representations, warranties and undertakings given by the Company, Mr. Ran Chenghao, Mr. Ran Xiaochuan, Silver Lion, Hover Wealth and Total Flourish (the "Ran Group") under the Hong Kong Underwriting Agreement; or

(d) any breach of any of the obligations imposed upon the Company or the Ran Group to the Hong Kong Underwriting Agreement; or

(e) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the Hong Kong Underwriting Agreement; or

(f) any material adverse change or development involving a prospective adverse change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of the Group taken as a whole; or

(g) any material litigation or claim being entered or instigated against any member of the Group; or

(h) any of the Reporting Accountants, the property valuer, the Company's Cayman Islands legal advisor, the Company's PRC legal advisors, the Competent Person and the industry consultant has withdrawn its respective consent to issue the Prospectus with the inclusion of its reports, opinions or valuations and reference of its names in the form and context as appearing in the Prospectus; or

(i) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(j) the Company withdraws this Prospectus (and any other documents used in connection with the contemplated subscription and sale of the Shares) or the Global Offering;

(B) there shall develop, occur, exist or come into effect any change or development that involves a prospective change or development, or any events or developments likely to cause or represents a change or development or a prospective change or development concerns relating to:

(a) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, Canada, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to any member of the Group; or

(b) any change or development involving a prospective change, or any event or series of events resulting or likely to result in any change, or development or prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement systems or matters and/or disasters (including a change in the Hong Kong Dollar peg system) or a devaluation of the Hong Kong dollar or an appreciation of the RMB against the currencies of the U.S., the European Union, the United Kingdom, Japan or other relevant jurisdictions, in or affecting Hong Kong, the PRC, the United States or the European Union or any other jurisdiction relevant to any member of the Group; or

(c) any change or development in the conditions of local, national or international equity securities or other financial markets; or

(d) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) affecting any jurisdictions relevant to any member of the Group or the Global Offering; or

(e) any local, national, regional or international outbreak or escalation of hostilities (even if war is not declared) or other state of emergency or calamity in any jurisdictions relevant to any member of the Group or the Global Offering; or

(f) any suspension or limitation in the trading of shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange or a general moratorium on commercial banking activities in Hong Kong, New York, London, Cayman Islands, the PRC, Japan or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance; or

(g) any material adverse change or development or prospective material adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any jurisdictions relevant to the Group which materially adversely affect an investment in the Shares; or

(h) any change or development involving a prospective change on the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of the Group; or

(i) an executive Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or the commencement by any governmental, regulatory or political body or organization of any investigation or other action against an executive Director or an announcement by any governmental, regulatory or political body or organization that it intends to take any such investigation or other action; or

(j) a contravention by any member of the Group of the Listing Rules or applicable laws; or

(k) except with the approval of the Sole Global Coordinator, the issue or requirement to issue by the Company of any supplement or amendment to the Prospectus (or any other documents used in connections with the contemplated subscription and sale of the Shares) pursuant to the Hong Kong Companies Ordinance or the Listing Rules where the matter to be disclosed is in the Sole Opinion of the Sole Global Coordinator, materially adverse to the marketing or implementation of the Global Offering; or

(l) any material adverse change or development likely to result in material adverse change of any risks set out in the "Risk Factors" section; or

(m) any demand by creditors for repayment of indebtedness, an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(n) any material litigation or claim of any third-party being threatened or instigated against any member of the Group; or

(o) the chairman or chief executive officer of the Company vacating his or her office; or

(p) any extent, act or omission that gives rise or may give rise to any liability pursuant to any of the indemnities given by the Company or the Ran Group under the Hong Kong Underwriting Agreement, or the International Underwriting Agreement; or

(q) any breach of the Company's or the Ran Group's obligations under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(r) any matter arising or having been discovered which would, have it arose immediately help the date of the Prospectus, not having been disclosed in the Prospectus, would be considered a material omission in the opinion of the Sole Global Coordinator.

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(1) is or may or will be or is reasonably likely to be materially adverse to, or materially and prejudicially affecting, the general affairs, business, financial, trading or other condition or prospects of the Group as a whole; or

(2) has or will have or may have or is reasonably likely to have a material adverse effect on the success of the Global Offering or make it impractical, inexpedient or inadvisable for

any part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offer or the Global Offering to be performed or implemented as envisaged or which prevents the processing of applications and/or payment pursuant to the Global Offering or pursuant to the underwriting thereof; or

(3) makes it or will make it inadvisable or inexpedient or impracticable for the Hong Kong Public Offer and the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Prospectus, the Application Forms, the Formal Notice or the final offering circular under the International Offering to proceed or to market the Global Offering; or

Undertakings

Undertakings Pursuant to the Listing Rules

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to us and to the Stock Exchange that they will not, and shall procure that any other registered holder (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period of six months commencing on the Listing Date (the "First Six-month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this Prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "Locked-up Shares"); or

(b) during the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Locked-up Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of us.

Further, each of the Controlling Shareholder, has also undertaken to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, they will:

(a) if they pledge or charge any of our securities beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of

Hong Kong) for a bona fide commercial loan, immediately inform us, the Sole Global Coordinator and Sole Sponsor of such pledge or charge together with the number of securities so pledged or charged; and

(b) if they receive indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us, the Sole Global Coordinator and the Sole Sponsor of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including pursuant to exercise of the Over-allotment Option) or any share option schemes of any members of the Group, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from Listing Date and unless permitted by the Stock Exchange, our Company will not without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) (subject to the requirements set out in the Listing Rules):

(i) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired (the “Held Interests”); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above whether any of the foregoing transactions described in limb (i), (ii) or (iii) above is to be settled by delivery of such Held Interests, in cash or otherwise.

Undertakings by the Ran Group

Each of Mr. Ran Chenghao, Mr. Ran Xiaochuan, Silver Lion, Hover Wealth and Total Flourish has jointly and severally undertaken to each of the Company, the Sole Global Coordinator, the Hong Kong Underwriter and the Sole Sponsor that, without the prior written permission of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and subject to compliance with all requirements under the Listing Rules except as pursuant to the Global Offering (including pursuant to exercise of the Over-allotment Option) or any share option schemes of any members of the Group or the Stock Borrowing Agreement, or any transfer of the

Shares from Silver Lion pursuant to the Round 1 Bond and/or the Round 2 Bond, in the manner referred to in the section headed "Exchangeable Bonds" of this Prospectus at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling thirty-six months from the Listing Date and unless permitted by the Stock Exchange, each of Mr. Ran Chenghao, Mr. Ran Xiaochuan, Silver Lion, Hover Wealth and Total Flourish will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters):

(i) offer, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired), owned directly by any of Mr. Ran Chenghao, Mr. Ran Xiaochuan, Silver Lion, Hover Wealth and Total Flourish (including holding as custodian or trustee) or with respect to which such relevant Shareholder has beneficial ownership (the "Ran Lock-up Shares"). The foregoing restriction is expressly agreed to preclude any one of Mr. Ran Chenghao, Mr. Ran Xiaochuan, Silver Lion, Hover Wealth and Total Flourish from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead or result in a sale or disposition of such Ran Lock-up Shares even if such Shares would be disposed of by someone other than the relevant Shareholder. Such prohibition would include without limitation, any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such Ran Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from such Shares; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Ran Lock-up Shares; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above; or

(iv) offer to or agree to or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above; whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Ran Lock-up Shares, in cash or otherwise.

Further, each of Mr. Ran Chenghao, Mr. Ran Xiaochuan, Silver Lion, Hover Wealth and Total Flourish has also jointly and severally undertaken to us and to the Sole Global Coordinator and Sole Sponsor that, during the thirty-six months period, they will:

(a) if they pledge or charge any of our securities beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us, the Sole Global Coordinator and Sole Sponsor of such pledge or charge together with the number of securities so pledged or charged; and

(b) if they receive indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us, the Sole Global Coordinator and the Sole Sponsor of such indications.

In addition, Mr. Ran Chenghao and Mr. Ran Xiaochuan have also jointly and severally undertaken to the Company, the Sole Global Coordinator, the Hong Kong Underwriters and the Sole Sponsor, that neither of them shall, during the period of thirty six months from the Listing Date, be involved in any other business or operations within China or elsewhere, whether personally or through proxy, involving any type of company or organizations under any form of corporate structures, apart from those in connection with the operations of our Company. Mr. Ran Chenghao and Mr. Ran Xiaochuan will devote their time and attention exclusively to managing the affairs of our Company for a minimum of thirty six months after the Listing Date.

Undertakings by Mr. Shi Xiangdong and AL Stone

Each of Mr. Shi Xiangdong and AL Stone has jointly and severally undertaken to each of the Company, the Sole Global Coordinator, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written permission of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and subject to compliance with all requirements under the Listing Rules except as pursuant to the Global Offering (including pursuant to exercise of the Over-allotment Option) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date and unless permitted by the Stock Exchange, each of Mr. Shi Xiangdong and AL Stone will not:

(i) offer, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired), owned directly by any of Mr. Shi Xiangdong and AL Stone (including holding as custodian or trustee) or with respect to which such relevant Shareholder has beneficial ownership (the "Shi Lock-up Shares"). The foregoing restriction is expressly agreed to preclude any one of Mr. Shi Xiangdong and AL Stone from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead or result in a sale or disposition of such Shi Lock-up Shares even if such Shares would be disposed of by someone other than the relevant Shareholder. Such prohibition would include without limitation, any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such Shi Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from such Shares; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shi Lock-up Shares; or

(iii) enter into any transaction with the same economic effect as any transaction specified in clause (i) or (ii) above; or

(iv) offer to or agree to or contract to, or publicly announce any intention to enter into, any transaction described in clause (i), (ii) or (iii) above, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shi Lock-up Shares, in cash or otherwise (whether or not the issue of such Shares or such other securities will be completed within the first six month period); or

(v) during the period of six months commencing on the date on which the first six month period expires, not to enter into any of the transactions specified in clause (i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, Mr. Shi Xiangdong, AL Stone Holdings Limited, Mr. Alex Zhu, Grow Brilliant Limited, Mr. Ran Xiaochuan, Mr. Ran Chenghao, Hover Wealth Limited, Silver Lion Investment Holdings Limited and/or Total Flourish Limited would cease to be the "controlling shareholders" (as the term is defined in the Listing Rules) of the Company. The proportion of their shareholdings that Mr. Shi Xiangdong and/or AL Stone Holdings Limited could commit to any such aforesaid transaction is subject to the condition that Mr. Alex Zhu and/or Grow Brilliant Limited be able to commit the same proportion of their shareholdings to similar transactions during the second six month period, and that Mr. Shi Xiangdong, AL Stone Holdings Limited, Mr. Alex Zhu, Grow Brilliant Limited, Mr. Ran Xiaochuan, Mr. Ran Chenghao, Hover Wealth Limited, Silver Lion Investment Holdings Limited and/or Total Flourish Limited would not cease to be the "controlling shareholders" (as the term is defined in the Listing Rules) of the Company as a result of these aforesaid transactions;

(vi) until the expiry of the second six month period in as described in (v), in the event that it enters into any of the transactions specified in clause (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, to take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Further, each of Mr. Shi Xiangdong and AL Stone has also jointly and severally undertaken to us and to the Sole Global Coordinator and Sole Sponsor that, during the first six month period and the second six month period, they will:

(a) if they pledge or charge any of our securities beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us, the Sole Global Coordinator and Sole Sponsor of such pledge or charge together with the number of securities so pledged or charged; and

(b) if they receive indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us, the Sole Global Coordinator and the Sole Sponsor of such indications.

Undertakings by Mr. Alex Zhu and Grow Brilliant

Each of Mr. Alex Zhu and Grow Brilliant has undertaken to the Company, the Sole Global Coordinator, the Hong Kong Underwriters and the Sole Sponsor that without the prior written permission of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and subject to compliance with all requirements under the Listing Rules except as pursuant to the Global Offering (including pursuant to exercise of the Over-allotment Option) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date and unless permitted by the Stock Exchange, each of Mr. Alex Zhu and Grow Brilliant will not, and shall procure that any other registered holder (if any) will not:

(i) offer, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired), owned directly by any of Mr. Alex Zhu and Grow Brilliant (including holding as custodian or trustee) or with respect to which such relevant Shareholder has beneficial ownership (the "Zhu Lock-up Shares"). The foregoing restriction is expressly agreed to preclude any one of Mr. Alex Zhu and Grow Brilliant from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead or result in a sale or disposition of such Zhu Lock-up Shares even if such Shares would be disposed of by someone other than the relevant Shareholder. Such prohibition would include, without limitation, any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such Zhu Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from such Shares; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Zhu Lock-up Shares; or

(iii) enter into any transaction with the same economic effect as any transaction specified in clause (i) or (ii) above; or

(iv) offer to or agree to or contract to, or publicly announce any intention to enter into, any transaction described in clause (i), (ii) or (iii) above, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Zhu Lock-up Shares, in cash or otherwise (whether or not the issue of such Shares or such other securities will be completed within the first six month period); or

(v) during the period of six months commencing on the date on which the first six month period expires, not to enter into any of the transactions specified in clause (i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, Mr. Shi Xiangdong, AL Stone Holdings Limited, Mr. Alex Zhu, Grow Brilliant Limited, Mr. Ran Xiaochuan, Mr. Ran Chenghao, Hover Wealth Limited, Silver Lion Investment

Holdings Limited and/or Total Flourish Limited would cease to be the "controlling shareholders" (as the term is defined in the Listing Rules) of the Company. The proportion of their shareholdings that Mr. Alex Zhu and/or Grow Brilliant Limited could commit to any such aforesaid transaction is subject to the condition that Mr. Shi Xiangdong and/or AL Stone Holdings Limited be able to commit the same proportion of their shareholdings to similar transactions during the second six month period, and that Mr. Shi Xiangdong, AL Stone Holdings Limited, Mr. Alex Zhu, Grow Brilliant Limited, Mr. Ran Xiaochuan, Mr. Ran Chenghao, Hover Wealth Limited, Silver Lion Investment Holdings Limited and/or Total Flourish Limited would not cease to be the "controlling shareholders" (as the term is defined in the Listing Rules) of the Company as a result of these aforesaid transactions;

(vi) until the expiry of the second six month period in as described in (v), in the event that it enters into any of the transactions specified in clause (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, to take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Further, each of Mr. Alex Zhu and Grow Brilliant has also jointly and severally undertaken to us and to the Sole Global Coordinator and Sole Sponsor that, during the first six month period and the second six month period, they will:

(a) if they pledge or charge any of our securities beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us the Sole Global Coordinator and Sole Sponsor of such pledge or charge together with the number of securities so pledged or charged; and

(b) if they receive indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us the Sole Global Coordinator and the Sole Sponsor of such indications.

Undertakings relating to Exchangeable Bonds

Each of Challenger Mining 8 Limited, CMS 2 Limited Partnership, F.S.B.S Limited Partnership and RD 8 Limited Partnership has jointly and severally undertaken to each of the Company, the Sole Global Coordinator, the Underwriters and the Sole Sponsor that, without the prior written permission of the Sole Global Coordinator (for itself and on behalf of the Underwriters) and subject to compliance with all requirements under the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve months from the Listing Date and unless permitted by the Stock Exchange, not to:

(i) offer, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired), owned directly by any of Challenger Mining 8 Limited, CMS 2 Limited Partnership, F.S.B.S Limited Partnership and RD 8 Limited Partnership (including holding as custodian or trustee) or with respect to which such relevant Shareholder has beneficial ownership (the "EB Lock-up Shares"). The foregoing restriction is expressly agreed to preclude any one of Challenger Mining 8 Limited, CMS 2 Limited Partnership, F.S.B.S Limited Partnership and RD 8 Limited Partnership from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead or result in a sale or disposition of such EB Lock-up Shares even if such Shares would be disposed of by someone other than the relevant Shareholder. Such prohibition would include, without limitation, any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such EB Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from such Shares; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such EB Lock-up Shares; or

(iii) enter into any transaction with the same economic effect as any transaction specified in clause (i) or (ii) above; or

(iv) offer to or agree to or contract to, or publicly announce any intention to enter into, any transaction described in clause (i), (ii) or (iii) above, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such EB Lock-up Shares, in cash or otherwise.

Undertakings by KR Lenders

Each of Kevin Russell, Evan Marks, Keith Wayne Abell and JC Del Real has jointly and severally undertaken to each of the Company, the Sole Global Coordinator, the Underwriters and the Sole Sponsor that, without the prior written permission of the Sole Global Coordinator (for itself and on behalf of the Underwriters) and subject to compliance with all requirements under the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve months from the Listing Date and unless permitted by the Stock Exchange, not to:

(i) offer, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired), owned directly by any of Kevin Russell, Evan Marks, Keith Wayne Abell and JC Del Real (including holding as custodian or trustee) or with respect to which such relevant Shareholder has beneficial ownership (the "KR Lenders Lock-up Shares"). The foregoing restriction is expressly agreed to preclude any one of Kevin Russell, Evan Marks, Keith Wayne Abell and JC Del Real from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead or result in a sale or disposition of such KR Lenders Lock-up Shares even if such Shares would be disposed of by someone other than the relevant Shareholder. Such prohibition would include, without limitation, any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such KR Lenders Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from such Shares; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such KR Lenders Lock-up Shares; or

(iii) enter into any transaction with the same economic effect as any transaction specified in clause (i) or (ii) above; or

(iv) offer to or agree to or contract to, or publicly announce any intention to enter into, any transaction described in clause (i), (ii) or (iii) above, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such KR Lenders Lock-up Shares, in cash or otherwise.

International Placing

In connection with the International Placing, it is expected that we and the Ran Group will enter into the International Underwriting Agreement with the Sole Global Coordinator, the Joint Bookrunners and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

The Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters on or before Friday, January 6, 2012, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, to require the Company to sell up to an aggregate of 75,000,000 additional Shares, representing 15% of the number of Offer Shares initially being offered under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any.

Commission and expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive a gross underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares, out of which they will pay any sub-underwriting commissions. In addition, we may at our sole discretion, pay the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) an incentive fee of 1% of the aggregate Offer Price for the Hong Kong Offer Share if we are satisfied with the outcome of the Global Offering.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$2.38, being the mid-point of our offer price range of HK$2.22 to HK$2.54 per Share, the fees and commissions in connection with the Hong Kong Public Offer and the International Placing, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing, and other expenses relating to the Global Offering, are estimated to amount to approximately HK$108 million in aggregate. Such commissions, fees and expenses are payable by us (as to approximately HK$108 million).

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Underwriters' Interests in our Company and Sole Sponsors' Independence

Citi satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Although Mr. Shi Xiangdong, a non-executive Director of our Company, has worked in Citigroup Global Markets Inc. as a director for the period from April 2003 to March 2010, the Sole Sponsor is satisfied that Mr. Shi Xiangdong's prior role in Citigroup Global Markets Inc. as a director in Citigroup Global Markets Inc.'s trading and market risk assessment division in North America (which he completely relinquished along with all powers and duties when he left Citigroup Global Markets Inc. in March 2010) has minimal overlap with the Investment Banking Division which the Sole Sponsor team is set up.

Citi adheres strictly to its high standards of duty of care owing to its clients, and benefits from its corporate governance and independence rules that ensure the independent judgment and decision of the Investment Banking team on its assignment. Sophisticated segregation and Chinese wall arrangements that are compliant with the SFC's Code of Conduct for Licensed Persons are also set in place to ensure the independence of the Sole Sponsor team in charge of the Listing. In particular, the Sole Sponsor is not susceptible to any potential influence of Mr. Shi Xiangdong. Mr. Shi has never been involved in advising our listing application during his tenure with Citigroup Global Markets Inc. In addition, Mr. Shi became involved with our Group through his personal connection with Mr. Ran Chenghao and his previous employment with Citigroup Global Markets Inc. was irrelevant to his involvement with our Group. Instead, Mr. Shi was appointed as a non-executive Director due to his extensive experiences in risk management, corporate finance and capital markets. Mr. Shi is not acting as a representative of the KR Lenders who are ex-colleagues of Mr. Shi at Citi. Based on the above, the Sole Sponsor's independence under Rule 3A.07 of the Listing Rules has not been compromised by Mr. Shi Xiangdong's involvement with the Company.

Save for its obligations under the relevant Underwriting Agreements or as disclosed above, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offer of 50,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "The Hong Kong Public Offer"; and

(ii) the International Placing of an aggregate of 450,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the Securities Act.

Investors may apply for Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for Offer Shares under the International Placing, but may not do both.

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Shares initially offered

We are initially offering 50,000,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Placing and (ii) the Hong Kong Public Offer, the Hong Kong Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering."

Allocation

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offer (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 25,000,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in pool B will consist of 25,000,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 25,000,000 Offer Shares, being the number of Offer Shares initially allocated to each pool, are to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 150,000,000 Offer Shares (in the case of (i)), 200,000,000 Offer Shares (in the case of (ii)) and 250,000,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum price of HK$2.54 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below, is less than the maximum price of HK$2.54 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The International Placing will consist of an initial offering of 450,000,000 Shares, and representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that the Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator at any time from the Listing Date to Friday, January 6, 2012, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer, to require the Company to sell up to 75,000,000 Over-allotment Shares, representing approximately 15% of the number of Shares initially being offered under the Global Offering, at the same price per Share under the International Placing, to, among other things, cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional International Placing Shares will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Citi, its affiliates or any person acting for them, as stabilizing manager, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on Citi, its affiliates or any persons acting for them, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of Citi, its affiliates or any person acting for them.

Stabilization activities will only be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- Citi, its affiliates or any person acting for them, may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time or period for which Citi, its affiliates or any person acting for them, will maintain such a long position;
- liquidation of any such long position by Citi, its affiliates or any person acting for them, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on Friday, January 6, 2012, being the 30th day after the last date for lodging applications

under the Hong Kong Public Offer. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, Citi, its affiliates or any person acting for them may cover such over-allocation by (among other methods) using Shares purchased by Citi, its affiliates or any person acting for them in the secondary market, exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 75,000,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, December 7, 2011 and in any event on or before Monday, December 12, 2011, by agreement between the Sole Global Coordinator, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offer will be identical to the Offer Price per Offer Share under the International Placing based on the Hong Kong dollar price per Offer Share under the International Placing, as determined by the Sole Global Coordinator, on behalf of the Underwriters, and our Company. The Offer Price per Offer Share under the Hong Kong Public Offer will be fixed at the Hong Kong dollar amount which, when increased by the 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Placing. The SFC transaction levy and the Stock Exchange trading fee otherwise payable by investors in the International Placing on Offer Shares purchased by them will be paid by us.

The Offer Price will not be more than HK$2.54 per Offer Share and is expected to be not less than HK$2.22 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this Prospectus.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause there to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) notices of the reduction. Upon issue of such a notice, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters, and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. Applicants under the Hong Kong Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares and/or the offer price range is so reduced. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/ or the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the offer price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offer and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised), are estimated to be approximately HK$1,082 million, assuming an Offer Price of HK$2.38 per Offer Share, being the approximate mid-point of the proposed offer price range of HK$2.22 to HK$2.54.

The final Offer Price, the level of indications of interest in the Global Offering and the basis of allotment of Offer Shares available under the Hong Kong Public Offer are expected to be announced on Tuesday, December 13, 2011 in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator, on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting" in this Prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on:

(i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, our Shares in issue (including the Shares that may be allocated pursuant to the exercise of the Over-allotment Option) and our Shares being offered pursuant to the Global Offering (subject only to allotment);

(ii) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

(iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Tuesday, January 10, 2012.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Monday, December 12, 2011, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by our Company in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — 10. Publication of results, dispatch/collection of Share certificates and refunds of application monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Wednesday, December 14, 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for Termination" has not been exercised.

DEALING

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, December 14, 2011, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, December 14, 2011.

1. Who can apply for the Hong Kong Offer Shares

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk, referred to herein as the "**White Form eIPO**" service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, we and the Sole Global Coordinator (or its agents or nominees) as agent for us may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We and the Sole Global Coordinator in its capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company, our Directors or chief executive or their respective associates or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Offer Shares under the Hong Kong Public Offer or indicate an interest for Shares under the International Placing, but may not do both.

2. Channels of applying for the Hong Kong Offer Shares

There are four channels to make an application for the Hong Kong Offer Shares :

You may apply for the Hong Kong Offer Shares by using a **white** Application Form. Use a **white** Application Form if you want the Shares issued in your own name;

Instead of using a white Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk. Use **White Form eIPO** if you want the Shares issued in your own name;

You may apply for the Hong Kong Offer Shares by using a **yellow** Application Form. Use a **yellow** Application Form if you want the Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or

Instead of using a **yellow** Application Form, you may give electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **white** or **yellow** Application Form or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

3. Where to collect the Prospectus and Application Forms

You can collect a **white** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Friday, December 2, 2011 until 12:00 noon on Wednesday, December 7, 2011, from:

Any of the following addresses of the Hong Kong Underwriters:

Citigroup Global Markets Asia Limited

50th Floor, Citibank Tower,
Citibank Plaza, 3 Garden Road,
Central,
Hong Kong

BOCOM International Securities Limited

9th Floor, Man Yee Building,
68 Des Voeux Road Central,
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central, Central, Hong Kong

Haitong International Securities Group Limited

25/F, New World Tower,
16-18 Queen's Road Central, Central, Hong Kong

Head & Shoulders Securities Limited

Room 1702, 17/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

Hong Kong Island:	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Yun Ping Road Branch	G/F to 2/F, Fortune Centre, 4-48 Yun Ping Road, Causeway Bay, Hong Kong
Kowloon:	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
	Yaumatei Branch	G/F - 1/F, Ming Fong Bldg., 564 Nathan Road, Yaumatei
New Territories:	Tuen Mun Town Plaza Branch	Shop No. G047 - G052, Tuen Mun Town Plaza Phase I, Tuen Mun
	New Town Plaza Branch	Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin

or any of the following branches of **Bank of Communications Co., Ltd. Hong Kong Branch**:

Hong Kong Island:	Central District Sub-Branch	G/F., Far East Consortium Bldg, 125A Des Voeux Road C., Central
	Chaiwan Sub-Branch	G/F., 121-121A Wan Tsui Road
	North Point Sub-Branch	442-444 King's Road
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
Kowloon:	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Tsimshatsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road
	Lam Tin Sub-Branch	G/F., 63-65 Kai Tin Tower, Kai Tin Road, Lam Tin
New Territories:	Sha Tsui Road Sub-Branch	122-124 Sha Tsui Road, Tsuen Wan
	Tseung Kwan O Sub-Branch	Shop 253-255, Metro City Shopping Arcade, Phase I, Tseung Kwan O
	Shatin Sub-Branch	Shop No.193, Level 3, Lucky Plaza

Prospectuses and Application Forms will be available for collection at the above places during the following times:

Friday, December 2, 2011 — 9:00 a.m. - 5:00 p.m.
Saturday, December 3, 2011 — 9:00 a.m. - 1:00 p.m.
Monday, December 5, 2011 — 9:00 a.m. - 5:00 p.m.
Tuesday, December 6, 2011 — 9:00 a.m. - 5:00 p.m.
Wednesday, December 7, 2011 — 9:00 a.m. - 12:00 noon

You can collect a yellow Application Form and a Prospectus during normal business hours from 9:00 a.m. on Friday, December 2, 2011 until 12:00 noon on Wednesday, December 7, 2011, from the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this Prospectus available.

4. How to apply using a white or yellow Application Form

Obtain an Application Form as described in the section headed "— 3. Where to Collect the Prospectus and Application Forms," above.

Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully, If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in paragraph (a) of the section headed "— 7. When may applications be made," below.

In order for an application made on yellow Application Form to be valid;

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) If the application is made by an individual CCASS Investor Participant:

the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and

the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card Number of all joint CCASS Investor Participants; and

the participant I.D. must be inserted in the appropriate box in the Application Form,

(iv) If the application is made by a corporate CCASS Investor Participant:

the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

5. How to apply through White Form eIPO service

If you are an individual and meet the criteria set out above in "1. Who can apply for the Hong Kong Offer Shares", you may apply through **White Form eIPO** by submitting an application to the White Form eIPO Service Provider through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk. If you apply through **White Form eIPO** the Shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website, www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the White Form eIPO Service Provider and may not be submitted to our company.

In addition to the terms and conditions set out in this Prospectus, the White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website, www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the White Form eIPO Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website, www.eipo.com.hk.

You should give electronic application instructions through **White Form eIPO** at the times set out in paragraph (b) of the section headed "— 7. When may applications be made" below.

You should make payment for your application made by White Form eIPO service in accordance with the methods and instructions set out in the designated website, www.eipo.com.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, December 7, 2011, or such later time as described under the section headed "Effects of bad weather conditions on the opening of the application lists" in the section headed "— 7. When may applications be made," below, the White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website, www.eipo.com.hk.

Warning: The application for Hong Kong Offer Shares through the White Form eIPO service is only a facility provided by the White Form eIPO Service Provider to public investors. Our Company, our Directors, the Sole Global Coordinator, Joint Bookrunners, Sole Sponsor, Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "China Polymetallic Mining Limited" **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions.

In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **white** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **white** Application Form. See "— 8. How many applications may be made" below.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) *General*

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instruction** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our company and our Hong Kong Share Registrar.

(b) ***Minimum Subscription Amount and Permitted Numbers***

You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms.

(c) ***Warning***

The subscription for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Sole Global Coordinator, Joint Bookrunners, Sole Sponsor, Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions,** they should either:

(i) submit a **white** or **yellow** Application Form; or

(ii) go to HKSCC's Customer Service Center to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, December 7, 2011 or such later time as described under the section headed "Effects of bad weather conditions on the opening of the application lists" in the section headed "— 7. When may applications be made," below.

7. When may applications be made

(a) ***Applications on White or Yellow Application Forms***

Your completed **white** or **yellow** Application Form, together with a cheque or banker's cashier order attached and be made payable to "Horsford Nominees Limited — China Polymetallic Public Offer" and be crossed "Account Payee Only", should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed under the section headed "— 3. Where to collect the Prospectus and Application Forms" above at the following times:

Friday, December 2, 2011 — 9:00 a.m. - 5:00 p.m.
Saturday, December 3, 2011 — 9:00 a.m. - 1:00 p.m.
Monday, December 5, 2011 — 9:00 a.m. - 5:00 p.m.
Tuesday, December 6, 2011 — 9:00 a.m. - 5:00 p.m.
Wednesday, December 7, 2011 — 9:00 a.m. - 12:00 noon

Completed white or yellow Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, December 7, 2011 or if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "Effects of bad weather conditions on the opening of the application lists" below.

(b) ***White Form eIPO***

You may submit your application to the White Form eIPO Service Provider through the designated website, www.eipo.com.hk from 9:00 a.m. on Friday, December 2, 2011 until 11:30 a.m. on Wednesday, December 7, 2011 or such later time as described under the sub-paragraph headed "Effects of Bad Weather Conditions on the Opening of the Applications Lists" below (24 hours daily, except on the last application day).

The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, December 7, 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the subparagraph headed "Effects of Bad Weather Conditions on the Opening of the Application Lists" below.

You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website, www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(c) ***Electronic Application Instructions to HKSCC via CCASS***

CCASS Clearing/Custodian Participants should input electronic application instructions at the following times on the following dates:

Friday, December 2, 2011 — 9:00 a.m. - 8:30 p.m[(1)]
Saturday, December 3, 2011 — 8:00 a.m. - 1:00 p.m[(1)]
Monday, December 5, 2011 — 8:00 a.m. - 8:30 p.m.[(1)]
Tuesday, December 6, 2011 — 8:00 a.m. - 8:30 p.m.[(1)]
Wednesday, December 7, 2011 — 8:00 a.m.[(1)] - 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investors Participants can input electronic application instructions from 9:00 a.m. on Friday, December 2, 2011 until 12:00 noon on Wednesday, December 7, 2011(24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on Wednesday, December 7, 2011 the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effects of Bad Weather Conditions on the Opening of the Application Lists" below.

(d) ***Application Lists***

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, December 7, 2011 except as provided in the paragraph headed "Effects of Bad Weather Conditions on the Opening of the Application Lists," below.

Applicants should note that cheques or banker's cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(e) ***Effects of Bad Weather Conditions on the Opening of the Application Lists***

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 7, 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon. For this purpose, "Business Day" means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

8. How many applications may be made

Multiple applications or suspect multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares if and only if you are a nominee, in which case you may make an application as a nominee by (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant) and; (ii) lodging more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number, or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other channels, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

For further information, please see "Further Terms and Conditions of the Hong Kong Public Offer — 5. Multiple applications."

9. How much are the Hong Kong Offer Shares

The maximum Offer Price is HK$2.54 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Shares you will pay HK$2,565.61. The Application Forms have tables showing the exact amount payable for numbers of Shares up to 25,000,000 Shares.

If the Offer Price as finally determined is less than HK$2.54 per Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedure for refund are set out below in the section headed "— 10. Publication of results, dispatch/collection of Share certificates and refunds of application monies."

If your application is successful, brokerage is paid to participants of the Stock Exchange (or the Stock Exchange, as the case may be), the Stock Exchange trading fee is paid to the Stock Exchange, and the SFC transaction levy is paid to the SFC.

10. Publication of results, dispatch/collection of Share certificates and refunds of applications monies

We expect to announce the level of applications in the Hong Kong Public Offer, the level of indication of interest in the International Placing and the basis of allotment of the Hong Kong Public Offer on Tuesday, December 13, 2011 in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese).

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

Results of allocations for the Hong Kong Public Offer can be found in our announcement to be posted on the website of the Stock Exchange at www.hkexnews.hk and our website at http://www.chinapolymetallic.com on Tuesday, December 13, 2011;

Results of allocations for the Hong Kong Public Offer will be available from our designated results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Tuesday, December 13, 2011 to 12:00 midnight on Monday, December 19, 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result;

Results of allocations will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, December 13, 2011 to Friday, December 16, 2011;

Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, December 13, 2011 to Thursday, December 15, 2011 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "— 3. Where to collect the Prospectus and Application Forms."

Refund cheques for surplus application monies (if any) under **white** or **yellow** Application Forms and Shares certificates for successful applicants under **white** Application Forms and **White Form eIPO** will be posted and/or available for collection (as the case may be) on Tuesday, December 13, 2011.

Share certificates will only become valid certificates of title at 8:00 a.m., on Wednesday, December 14, 2011 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offer — Public Offer Underwriting Agreement — Grounds for termination" has not been exercised.

Commencement of dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, December 14, 2011. The Shares will be traded in board lots of 1,000 Shares each.

Shares will be eligible for CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

For further information on arrangements for the dispatch/collection of Share certificates and refunds of application monies, please refer to the section headed "Further Terms and Conditions of the Hong Kong Public Offer — 7. If your application for Hong Kong Offer Shares is Successful (in whole or in part)" and "Further Terms and Conditions of the Hong Kong Public Offer — 8. Refund of application monies."

1. General

(a) If you apply for Hong Kong Offer Shares in the Hong Kong Public Offer, you will be agreeing with us and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as set out below.

(b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) If you give **electronic application instructions** to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk, you will have authorized the White Form eIPO Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(d) In this section, references to "you," "applicants," "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees or the White Form eIPO Service Provider is applying for Hong Kong Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC or by submitting an application to the White Form eIPO Service Provider through the designated website for the **White Form eIPO** service.

(e) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC and or the White Form eIPO Service Provider prior to making any application for Hong Kong Offer Shares.

2. Offer to purchase the Hong Kong Offer Shares

(a) You offer to purchase from us at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable thereto), will be sent to you at your own risk to the address stated on your Application Form on or before Tuesday, December 13, 2011. Details of the procedure for refunds relating to each of the Hong Kong Public Offer methods are contained below in the paragraphs headed "— 7. If your application for the Hong Kong Offer Shares is successful (in whole or in part)," "— 8. Refund of application monies" "— 10. Additional information for applicants applying by giving electronic application instructions to HKSCC" in this section.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Hong Kong Public Offer should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

(e) The section of the Application Form captioned "Personal Data" applies to any personal data held by us and our Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than the HKSCC Nominees.

3. Acceptance of your offer

(a) The Hong Kong Offer Shares will be allocated after the application lists close. We expect to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offer and the basis of allocations of the Hong Kong Offer Shares in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Tuesday, December 13, 2011.

(b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offer, including the Hong Kong identity card numbers, passports numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on Tuesday, December 13, 2011 in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — 10. Publication of Results, Dispatch/Collection of Share Certificates and Refunds of Applications Monies."

(c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering."

(e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. Effect of making any application

(a) By completing and submitting any application you:

- **instruct** the Company and the Sole Global Coordinator (or its agents or nominees) as agent of the Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s), or HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this Prospectus and the relevant Application Form;

- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles of Association;
- **represent and warrant** that you understand the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S of the U.S. Securities Act) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act;
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, the Sole Global Coordinator, the Underwriters, other parties involved in the Global Offering nor any of their respective directors, officers, employees, partners, agents or advisers will have any liability for any such other information or representations;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this Prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which has been or will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the White Form eIPO Service Provider via **White Form eIPO** service;
- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) **warrant** that this is the only application which has been or will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the White Form eIPO Service Provider via **White Form eIPO** service, and that you are duly authorized to sign the Application Form or to give **electronic application instruction** as that other person's agent;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed, allotted or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any of the International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
- **warrant** the truth and accuracy of the information contained in the application;
- **agree** to disclose to the Company, and/or its Hong Kong Share Registrar, receiving bankers, advisers and agents and the Sole Global Coordinator, the Underwriters and their respective advisers and agents, any information about you which they require or the person(s) for whose benefit you have made the application;

- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- If you apply by using an Application form, **authorize** the Company to place your name(s) or HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you respectively, and the Company and/or its agents to send any Share certificates (where applicable) and/or refund cheques (if any) to you (or in the case of joint applicants), the first-named applicant on the Application Form, by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated on your Application Form that you wish to collect your Share certificate(s) and/or refund cheque(s) (if any) in person, you can collect your Share certificate(s) (where applicable and/or refund cheques(s) (if any) in person from Computershare Hong Kong Investor Services Limited between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspapers as the date of dispatch of Share certificate(s)/ e-Refund payment instructions/refund check(s)). The date of dispatch of Share certificate(s) and refund cheques(s) is expected to be Tuesday, December 13, 2011;
- **understand** that these declarations and representations will be relied upon by the Company and the Sole Global Coordinator in deciding whether or not to make any allotment of any Hong Kong Offer Shares in response to your application and that you may be prosecuted if you make a false declaration;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Underwriters, and the other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
- **agree** with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of the Company) (and if applicable, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law and the Articles of Association; and
- **agree** with the Company and each shareholder of the Company that Shares in the Company are freely transferable by the holders thereof.

(b) If you apply for the Hong Kong Offer Shares using a **yellow** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, (each of you jointly and severally) **agree** that:

- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Hong Kong Offer Shares allotted to you in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the name of the first-named applicant) and in such a case, to post the Share certificates for such allotted Hong Kong Offer Shares at your own risk to the address on your application form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of Hong Kong Offer Shares allotted to you and issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things or the breach of the terms and conditions of the **white** Application Form or this Prospectus:

- **instruct** and **authorize** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- **instruct** and **authorize** HKSCC to arrange payment of the maximum Offer Price, brokerage, the Stock Exchange trading fee and the SFC transaction levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$2.54 per Hong Kong Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;

- (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorize** HKSCC to cause HKSCC Nominees to do on your behalf all the things which is stated to be done on your behalf on the **white** Application Form and the following;

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has input **electronic application instructions** on your behalf;

- **undertake** and **agree** to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions**, or any lesser number;

- (if the **electronic application instructions** are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

- (If you are an agent for another person) **declare** that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;

- **understand** that the above declaration will be relied upon by the Company and the Sole Global Coordinator in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

- **authorize** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated in respect of your **electronic application instructions** and to send Share certificates and/or refund money in accordance with arrangements separately agreed between the Company and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- **confirm** that you have only relied on the information and representations in this Prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

- **agree** that the Company, the Underwriters and any other parties involved in the Global Offering are liable only for the information and representations contained in this Prospectus;

- **agree** (without prejudice to any other rights which you may have) that, once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation and you may not revoke it other than as provided in this Prospectus;

- **agree** to disclose your personal data to the Sole Global Coordinator, the Company, the Underwriters, the Hong Kong Share Registrar, receiving bankers, agents and advisers and any other information about you which they may reasonably require;

- **agree** that any application made by HKSCC Nominees on your behalf pursuant to **electronic application instructions** given by you is irrevocable on or before Wednesday, December 14, 2011, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions, and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Wednesday, December 14, 2011, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before Wednesday, December 14, 2011 if a person responsible for this Prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this Prospectus;

- **agree** that, once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offer made available by the Company; and

- **agree** to the arrangements, undertakings and warranties specified In the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

(d) The Company, the Sole Global Coordinator, the Underwriters, other parties involved in the Global Offering and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by you in your application.

(e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. Multiple applications

(a) It will be a term and condition of all applications that by completing and delivering an Application Form or giving **electronic application instructions**, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service, and that you are duly authorized to sign the Application Form as that other person's agent.

(b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or your and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO service**;

- both apply (whether individually or jointly) on one **white** Application Form and one **yellow** Application Form or on one **white** or **yellow** Application Form and give **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service;

- apply on one **white** or **yellow** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service for more than 50% of the Shares initially being offered for public subscription under the Hong Kong Public Offer (that is, 25,000,000 Shares), as more particularly described in the section entitled "Structure and Conditions of the Global Offering — The Hong Kong Public Offer"; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Placing.

(c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and

- the only business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of that company; or;

- control more than half of the voting power of that company; or

- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. Circumstances in which you will not be allotted Hong Kong Offer Shares

You should note the following situations in which Hong Kong Offer Shares will not be allotted to you or your application is liable to be rejected:

(a) **If your application is revoked:**

By completing and submitting an application form or submitting an electronic application instruction to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Wednesday, December 14, 2011. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before Wednesday, December 14, 2011 except by means of one of the procedures referred to in this Prospectus. Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Wednesday, December 14, 2011 if a person responsible for this Prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented. If your application or the application made, by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) **If our Company, the Sole Global Coordinator or the White Form eIPO Service Provider (where applicable) or their respective agents exercise their discretion to reject your application:**

We and the Sole Global Coordinator (as agent for our Company) and the White Form eIPO Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(c) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a yellow Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within, a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) **In the following circumstances:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you apply have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Placing. By filling in any of the Application Forms or **giving electronic instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service, you agree not to apply for Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to

identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;

- you apply for more than 50% of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offer (that is, 25,000,000 Shares);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed and in accordance with the instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website, www.eipo.com.hk;
- either of the Hong Kong Underwriting Agreement or the International Underwriting Agreement does not become unconditional; or
- either of the Hong Kong Underwriting Agreement or the International Underwriting Agreement is terminated in accordance with their respective terms.

7. If your application for Hong Kong Offer Shares is successful (in whole or in part)

No temporary document of title will be issued in respect of the Shares.

No receipt will be issued for sums paid on application.

You will receive one share certificate for all of the Hong Kong Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on yellow Application Forms or by electronic application instructions to HKSCC via CCASS, in which case share certificates will be deposited in CCASS).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, December 14, 2011 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Hong Kong Underwriting Agreement — Grounds for Termination" has not been exercised.

(a) **If you apply using a white Application Form:**

If you apply for 1,000,000 Hong Kong Offer Shares or more on a white Application Form and have indicated your intention in your Application Form to collect your Share certificate(s) and/or refund cheque (where applicable) from Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect it/them in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 13, 2011 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, December 13, 2011 by ordinary post and at your own risk.

(b) **If you apply using a yellow Application Form:**

If you apply for Hong Kong Offer Shares using a yellow Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, December 13, 2011, or in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a yellow Application Form for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer on Tuesday, December 13, 2011 in the manner described in "How To Apply For Hong Kong Offer Shares — 10. Publication of Results, Dispatch/Collection of Share Certificates and Refund of Application Monies." You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 13, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **yellow** Application Form to collect your refund cheque (where applicable) in person, please follow the same procedure, as those for **white** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your application form that you will collect your refund cheque (is any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on Tuesday, December 13, 2011, by ordinary post and at your own risk.

(c) **If you apply through White Form eIPO:**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 13, 2011, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the White Form eIPO Service Provider on Tuesday, December 13, 2011 by ordinary post and at your own risk.

If you have applied through the **White Form eIPO** service by paying the application monies through a single bank account, e-Refund payment instructions (if any) will be despatched to the application payment account.

If you have applied through the **White Form eIPO** service by paying the application monies through multiple bank accounts, refund cheque(s) (if any) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the White Form eIPO Service Provider set out below in "9. Additional Information for Applicants Applying Through **White Form eIPO**."

8. Refund of application monies

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Hong Kong Offer Shares for any of the reasons set out above in the section headed "— 6. Circumstances in which you will not be allotted Hong Kong Offer Shares";

- the Offer Price as finally determined is less than the Offer Price of HK$2.54 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application;

- the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering";

- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Bookrunners, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful and reserved applications) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, December 13, 2011 in accordance with the various arrangements as described above. All refund cheques will be crossed "Account Payee Only" and made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third-party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

9. Additional information for applicants applying through White Form eIPO

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the White Form eIPO Service Provider through the designated website will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the White Form eIPO Service Provider, the White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the White Form eIPO Service Provider on the designated website www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in "— 8. Refund of Application Monies" shall be made pursuant to the arrangements described above in "— 7. If your application for Hong Kong Offer Shares is successful (in whole or in part) — (c) If you apply through **White Form eIPO**."

10. Additional information for applicants applying by giving electronic application instructions to HKSCC

(a) **Allocation of Hong Kong Offer Shares**

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant

(b) **Deposit of Share certificates into CCASS and Refund of Application Monies**

- No temporary document of title will be issued. No receipt will be issued for sums on paid application.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Tuesday, December 13, 2011, or, in event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.
- Our Company expects to publish the application results of the CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer on Tuesday, December 13, 2011 in the manner described in "How To Apply For Hong Kong Offer Shares — 10. Publication of Results, Dispatch/ Collection of Share Certificates and Refund of Application Monies." You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 13, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, December 13, 2011. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer

price per Share initially paid on application in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, December 13, 2011. No interest will be paid thereon.

11. Personal data

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Ordinance") came into effect in Hong Kong on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of our Shares of the policies and practices of our Company and our Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply, the requested data may result in your application for securities being rejected or in delay or inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s), and/or the dispatch of e-Refund payment instructions, and/or the dispatch of refund cheque(s) to which you are entitled.

It is important that holders of securities inform us and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, where applicable, and verification of compliance with the terms and application procedures set out in the application forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;

- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;

- maintaining or updating the Hong Kong Share Registrar of holders of securities of our Company;

- conducting or assisting in the conduct of signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) **Transfer of personal data**

Personal data held by our Company and our Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- our Company or our respective appointed agents such as financial advisors and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of their business;
- the Stock Exchange, the SFC and any other statutory, regulatory or, governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an application form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

(d) **Access to and correction of personal data**

The Ordinance provides the holders of securities with rights to ascertain whether our Company or our Hong Kong Share Registrar holds their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

In accordance with the Ordinance, our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and kinds of data held should be addressed to us, at our registered address disclosed in the "Corporate Information" section in this Prospectus or as notified from time to time in accordance with applicable law, for the attention of the company secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for inclusion in this Prospectus, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

December 2, 2011

The Directors
China Polymetallic Mining Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information of China Polymetallic Mining Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the period from April 23, 2009 (date of the business combination of the Group under common control) to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as of December 31, 2009 and 2010 and June 30, 2011, together with the notes thereto, (the "Financial Information") and the comparative consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended June 30, 2010 (the "Interim Comparative Information"), prepared on the basis of presentation set out in Note 2.1 of Section II below, for inclusion in the prospectus of the Company dated December 2, 2011 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 30, 2009. Pursuant to a group reorganization (the "Reorganization") as set out in Note 2.1 of Section II below, which was completed on June 25, 2010, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As of the date of this report, no statutory financial statements have been prepared for the Company since the date of its incorporation as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As of the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All companies now comprising the Group have adopted December 31, as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the period from April 23, 2009 (date of the business combination of the Group under common control) to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in Note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as of December 31, 2009 and 2010 and June 30, 2011 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	Notes	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income and gains	5	—	5,576	773	4,439
Administrative expenses		(1,939)	(11,987)	(4,328)	(16,667)
Recognition of equity-settled share-based payment	23	—	—	—	(233,000)
Other operating expenses		—	(235)	—	(1,248)
Loss before tax	6	(1,939)	(6,646)	(3,555)	(246,476)
Income tax credit	8	435	1,586	766	847
Loss for the year/period and total comprehensive loss for the year/period		(1,504)	(5,060)	(2,789)	(245,629)
Attributable to:					
Owners of the Company		(1,178)	(4,840)	(2,685)	(245,356)
Non-controlling interests		(326)	(220)	(104)	(273)
		(1,504)	(5,060)	(2,789)	(245,629)
Loss per share attributable to ordinary equity holders of the Company:					
— Basic	9	N/A	N/A	N/A	N/A

Consolidated statements of financial position

		December 31,		June 30,
		2009	2010	2011
	Notes	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	10	52	56,806	183,768
Intangible assets	11	—	44,879	76,486
Payments in advance	12	7,328	24,666	89,180
Deferred tax assets	14	435	2,372	3,718
		7,815	128,723	353,152
Current assets				
Cash and cash equivalents	15	25,319	20,320	199,896
Prepayments, deposits and other receivables	16	231	54,187	73,468
Inventories	17	—	745	1,871
		25,550	75,252	275,235
Current liabilities				
Other payables and accruals	18	448	17,088	54,617
Tax payable		—	—	454
Due to a director	19	5,190	—	—
Due to the immediate holding company	19	25,331	189,191	—
		30,969	206,279	55,071
Net current assets/(liabilities)		(5,419)	(131,027)	220,164
Total assets less current liabilities		2,396	(2,304)	573,316
Non-current liabilities				
Interest-bearing bank loans	20	—	—	62,000
Provision for rehabilitation	21	—	—	11,796
Deferred tax liabilities	14	—	351	—
		—	351	73,796
Net assets/(liabilities)		2,396	(2,655)	499,520
Equity/(deficit)				
Equity/deficit attributable to owners of the Company				
Issued capital	22	—	9	9
Reserves	24	2,136	(10,133)	498,475
		2,136	(10,124)	498,484
Non-controlling interests		260	7,469	1,036
Total equity/(deficit)		2,396	(2,655)	499,520

Consolidated statements of changes in equity

		Attributable to owners of the Company									
	Notes	Share capital	Share premium*	Statutory reserves*	Contributed reserve*	Capital contribution reserve*	Difference arising from changes of non-controlling interest*	Accumulated losses*	Total	Non-controlling interest	Total equity
		RMB'000 Note 22	RMB'000 Note 24(a)	RMB'000 Note 24(b)	RMB'000 Note 24(c)	RMB'000 Note 23	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At April 23, 2009		—	—	—	2,730	—	—	—	2,730	1,170	3,900
Acquisition of non-controlling interest in a subsidiary	25(a)	—	—	—	780	—	(196)	—	584	(584)	—
Total comprehensive loss for the period		—	—	—	—	—	—	(1,178)	(1,178)	(326)	(1,504)
At December 31, 2009 and January 1, 2010		—	—	—	3,510	—	(196)	(1,178)	2,136	260	2,396
Issue of shares	22(b)&(c)	9	—	—	—	—	—		9	—	9
Acquisition of non-controlling interest in a subsidiary	25(b)	—	—	—		—	(141)	—	(141)	(249)	(390)
Capital contribution		—	—	—	390	—	—	—	390	—	390
Changes in non-controlling interest in a subsidiary	25(c)	—	—	—	(3,900)	—	(3,778)	—	(7,678)	7,678	—
Total comprehensive loss for the year		—	—	—	—	—	—	(4,840)	(4,840)	(220)	(5,060)
At December 31, 2010 and January 1, 2011		9	—	—	—	—	(4,115)	(6,018)	(10,124)	7,469	(2,655)
Issue of shares	22(d)	—	520,964	—	—	—	—	—	520,964	—	520,964
Transfer from/(to) reserves		—	—	102	—	—	—	(102)	—	—	—
Acquisition of non-controlling interests in a subsidiary	25(d)	—	—	—	—	—	—	—	—	(6,160)	(6,160)
Recognition of equity-settled share-based payments	23	—	—	—	—	233,000	—	—	233,000	—	233,000
Total comprehensive loss for the period		—	—	—	—	—	—	(245,356)	(245,356)	(273)	(245,629)
At June 30, 2011		9	520,964	102	—	233,000	(4,115)	(251,476)	498,484	1,036	499,520

		Attributable to owners of the Company									
		Share capital	Share premium*	Statutory reserves*	Contributed reserve*	Capital contribution reserve*	Difference arising from changes of non-controlling interest*	Accumulated losses*	Total	Non-controlling interest	Total equity
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 22	Note 24(a)	Note 24(b)	Note 24(c)	Note 23					
(Unaudited)											
At January 1, 2010		—	—	—	3,510	—	(196)	(1,178)	2,136	260	2,396
Issue of shares	22(b)	1	—	—	—	—	—	—	1	—	1
Acquisition of non-controlling interests in a subsidiary		—	—	—	—	—	(141)	—	(141)	(249)	(390)
Capital contribution		—	—	—	390	—	—	—	390	—	390
Changes in non-controlling interests in a subsidiary	25(c)	—	—	—	(3,900)	—	(3,778)	—	(7,678)	7,678	—
Total comprehensive loss for the period		—	—	—	—	—	—	(2,685)	(2,685)	(104)	(2,789)
At June 30, 2010		1	—	—	—	—	(4,115)	(3,863)	(7,977)	7,585	(392)

* These reserve accounts comprise the reserves in the consolidated statements of financial position.

Consolidated statements of cash flows

	Notes	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(1,939)	(6,646)	(3,555)	(246,476)
Adjustments for:					
Depreciation of property, plant and equipment	6, 10	2	203	38	638
Unrealized foreign exchange gains	5	—	(5,203)	(722)	(4,424)
Recognition of equity-settled share-based payments	23	—	—	—	233,000
Bank interest income	5	—	(159)	(51)	(15)
		(1,937)	(11,805)	(4,290)	(17,277)
Increase in inventories		—	(745)	(768)	(1,126)
Increase in prepayments, deposits and other receivables		(231)	(53,956)	(5,185)	(19,281)
Increase in other payables and accruals		448	3,865	1,618	4,905
Cash used in operations		(1,720)	(62,641)	(8,625)	(32,779)
Interest received		—	159	51	15
Income tax paid		—	—	—	(396)
Net cash flows used in operating activities		(1,720)	(62,482)	(8,574)	(33,160)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of items of property, plant and equipment		(1,654)	(62,729)	(19,629)	(73,835)
Purchase of intangible assets		(5,728)	(34,366)	(26,882)	(29,086)
Payment in advance for purchase of land use rights		—	(7,203)	—	(6,380)
Payment in advance for purchase of an exploration right		—	(2,101)	—	(70,000)
Net cash flows used in investing activities		(7,382)	(106,399)	(46,511)	(179,301)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in an amount due to the immediate holding company		25,331	169,167	169,136	336,959
Changes in balances with a director		5,190	(5,190)	(3,968)	—
Proceeds from bank loans	20	—	—	—	62,000
Acquisition of non-controlling interest in a subsidiary	25(b)&(d)	—	(390)	(390)	(6,160)
Capital contribution from:					
— non-controlling interest of a subsidiary		1,170	—	—	—
— the owner of the Company		2,730	390	390	—
Issue of shares		—	9	1	—
Net cash flows from financing activities		34,421	163,986	165,169	392,799
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		25,319	(4,895)	110,084	180,338
Cash and cash equivalents at beginning of year/period		—	25,319	25,319	20,320
Effect of foreign exchange rate changes		—	(104)	(28)	(762)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		25,319	20,320	135,375	199,896
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	15	25,319	20,320	135,375	199,896

Statements of financial position

		December 31,		June 30,
		2009	2010	2011
	Notes	RMB'000	RMB'000	RMB'000
Non-current asset				
Investment in a subsidiary	13	25,274	187,763	514,931
Current assets				
Cash and cash equivalents		—	—	1
Prepayments	16	47	624	4,212
		47	624	4,213
Current liability				
Other payables and accruals	18	—	—	8,708
Due to a subsidiary	13	—	—	3,125
Due to the immediate holding company	19	25,331	189,184	—
		25,331	189,184	11,833
Net current liabilities		(25,284)	(188,560)	(7,620)
Net assets (liabilities)		(10)	(797)	507,311
Equity/(deficit)				
Issued capital	22	—	9	9
Reserves	24	(10)	(806)	507,302
Total equity/(deficit)		(10)	(797)	507,311

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were primarily in their development stage.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Our History" in the section headed "History and Organization" to the Prospectus.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company are Silver Lion Investment Holdings Limited ("Silver Lion") and Hover Wealth Limited, respectively, both of which are incorporated in the British Virgin Islands.

As of the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, particulars of which are set out below:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Gilberta Holdings Limited ("Gilberta") (Note (a))	British Virgin Islands November 3, 2009	US$1.00	100	—	Investment holding
Next Horizon Investments Limited 迅新投資有限公司 ("Next Horizon") (Note (b))	Hong Kong November 3, 2009	HK$1.00	—	100	Investment holding
Dehong Yinbang Mining Technology Development Company Limited 德宏銀邦礦業技術發展有限公司 ("Dehong Yinbang") (Note (c))	Mainland China December 23, 2009	US$40 million	—	100	Sale of ore products
Dehong Yinrun Mining Technology Development Company Limited 德宏銀潤礦業技術發展有限公司 ("Dehong Yinrun") (Note (c))	Mainland China January 7, 2010	RMB10 million	—	100	Sale of ore products
Yingjiang County Kunrun Industry Company Limited 盈江縣昆潤實業有限公司 ("Kunrun") (Note (d))	Mainland China April 23, 2009	RMB56 million	—	99	Mining, ore processing and sale of lead-zinc ore products

Notes:

(a) As of the end of the Relevant Periods, no audited financial statements have been prepared since the date of incorporation of Gilberta as it has not carried out any business other than the Reorganization as described in the paragraph headed "Our History" in the section headed "History and Organization" to the Prospectus.

(b) The statutory financial statements of Next Horizon for the period from November 3, 2009 (date of incorporation) to December 2010 was audited by Ernst & Young, Certified Public Accountants Hong Kong.

(c) The statutory financial statements of these entities for the year ended December 31, 2010 were audited by Dehong Yongxing Lianhe Certified Public Accountants 德宏永興（聯合）會計師事務所, certified public accountants registered in the PRC.

(d) The statutory financial statements of Kunrun for the period from its inception to December 31, 2009 were audited by Dehong Qiushi Certified Public Accountants 德宏求實會計師事務所, certified public accountants registered in the PRC. The statutory financial statements of Kunrun for the year ended December 31, 2010 were audited by Dehong Yongxing Lianhe Certified Public Accountants 德宏永興（聯合）會計師事務所, certified public accountants registered in the PRC.

The English names of certain subsidiaries and auditors registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have any official English name.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed "Our History" in the section headed "History and Organization" to the Prospectus, the Company became the holding company of the companies now comprising the Group on June 25, 2010. The Reorganization involved companies under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the date when the subsidiaries first came under common control. The consolidated statements of financial position of the Group as of December 31, 2009 and 2010 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries held by parties other than the controlling shareholders, and changes therein, prior to the Reorganization, are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting periods commencing from January 1, 2011, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRSs 7 Amendments	Amendments to IFRSs 7 *Financial Instruments: Disclosures —Transfers of Financial Assets*[1]
IFRSs 1 Amendments	Amendments to IFRSs 1 *First-time Adoption of IFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*[1]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[3]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statement - Presentation of Items of Other Comprehensive Income*[4]
IFRS 9	*Financial Instruments*[3]
IFRS 10	*Consolidated Financial Statements*[3]
IFRS 11	*Joint Arrangements*[3]
IFRS 12	*Disclosure of Interests in Other Entities*[3]
IFRS 13	*Fair Value Measurement*[3]
IAS 27	*Separate Financial Statements*[3]
IAS 28	*Investments in Associates and Joint Ventures*[3]

1 Effective for annual periods beginning on or after July 1, 2011
2 Effective for annual periods beginning on or after January 1, 2012
3 Effective for annual periods beginning on or after January 1, 2013
4 Effective for annual periods beginning on or after July 1, 2012

Further information about these changes, which are expected to significantly affect the Group, is as follows:

IFRSs 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirement of IAS 39.

In October 2010, the IASB issued additions to IFRSs 9 to address financial liabilities (the "Additions") and incorporated in IFRSs 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39 while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRSs 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRSs 9 from January 1, 2013.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-12 Consolidation — Special Purpose Entities.

The Group has also adopted the consequential amendments made to IAS 27 as a result of the issuance of the above new standard.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating polices the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where:

(i) the entity and the Group are members of the same Group;

(ii) the entity is an associate or joint venture of the Group or vice versa (or an associate or joint venture of a member of a group of which the Group is a member or vice versa);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) the entity is a joint venture of a third party and the Group is an associate of the same entity or vice versa;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (or the entity is the sponsoring employers if the Group is itself such a plan);

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over an entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to depreciate the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of items of property, plant and equipment are as follows:

Buildings	20 - 30 years
Plant and machinery	5 -15 years
Office equipment	3 years
Motor vehicles	4 - 6 years

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to depreciate the cost of the assets proportionate to the extraction of the proved and probable mineral reserves.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortization and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortization and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralization in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment test is performed if any of the following indicators is present:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognized for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalized are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortized using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investment, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

During the Relevant Periods, the Group's financial assets included cash and cash equivalents and other receivables.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in "Other income" in the consolidated statements of comprehensive income. The loss arising from impairment is recognized in the consolidated statements of comprehensive income in "Other operating expenses".

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the assets (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset of the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amounts and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "Other operating expenses" in the consolidated statements of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

During the Relevant Periods, the Group's financial liabilities included other payables and accruals, an amount due to a director, an amount due to the immediate holding company and interest-bearing bank loans.

Subsequent measurement

The measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank loans are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortization is included in "Finance costs" in the consolidated statements of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included "finance costs" in profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognized within "finance costs" in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), will be recognized as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Financial Information is presented in RMB, as it is the principal currency of the economic environment on which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in Mainland China. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution retirement benefit plans.

3.3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are indicated below:

(a) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the Relevant Periods.

(b) PRC corporate income tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the differences realize. The carrying amount of PRC CIT payable as of June 30, 2011 was RMB454,000.

(c) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete assets that have been abandoned. The carrying amounts of property, plant and equipment as of December 31, 2009 and 2010 and June 30, 2011 were RMB52,000, RMB56,806,000 and RMB183,768,000, respectively.

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Recovery of deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets as of December 31, 2009 and 2010 and June 30, 2011 were RMB435,000, RMB2,372,000 and RMB3,718,000, respectively.

(f) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the amortization rate calculated on a UOP basis. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(g) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will result either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of the mine reserve is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(h) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation (7.68% as of June 30, 2011) to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation as of June 30, 2011 was RMB11,796,000.

(i) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amounts of inventories as of December 31, 2010 and June 30, 2011 were RMB745,000 and RMB1,871,000, respectively.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services. During the Relevant Periods, the Group's operations consist principally of mining development activities, which are regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's management for the purposes of resources allocation and performance assessment. In addition, all the principal assets employed by the Group are located in Yunnan Province, the PRC. Accordingly, no segment analysis is provided.

5 OTHER INCOME AND GAINS

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30,	
			2010	2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sale of spare parts	—	214	—	—
Bank interest income	—	159	51	15
Foreign exchange gains	—	5,203	722	4,424
	—	5,576	773	4,439

6 LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30,	
			2010	2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expense (including directors' remuneration as set out in Note 7):				
Wages and salaries (Note 23)	238	6,431	1,280	1,776
Equity-settled share-based payments	—	—	—	233,000
Pension scheme contributions				
— Defined contribution fund	—	44	20	25
Total employee benefit expense	238	6,475	1,300	234,801
Auditors' remuneration	—	20	20	23
Depreciation of items of property plant and equipment (Note 10)	2	203	38	638
Operating lease rental in respect of motor vehicles	169	324	135	80

7 DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of directors, disclosed pursuant to the disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30,	
			2010	2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	—	1,494	376	1,814
Pension scheme contributions	—	—	—	18
	—	1,494	376	1,832

(a) Independent non-executive directors

Messrs. Richard Wingate Edward Charlton, Keith Wayne Abell, Christopher Michael Casey, Maarten Albert Kelder, William Beckwith Hayden and Miu Edward Kwok Chi were appointed as independent non-executive directors on November 24, 2011.

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive director and non-executive director

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2010				
Executive				
Mr. Shi Xiangdong	—	1,494	—	1,494
Non-Executive				
Mr. Sharon Rahamin Kedar	—	—	—	—
	—	1,494	—	1,494
Period ended June 30, 2011				
Executive				
Mr. Ran Xiaochuan	—	379	5	384
Mr. Zhu Xiaolin	—	379	5	384
Mr. Huang Wei	—	42	—	42
Mr. Wang Fahai	—	42	—	42
Mr. Wu Wei	—	111	5	116
Mr. Zhao Shaohua	—	111	3	114
	—	1,064	18	1,082
Non-Executive				
Mr. Shi Xiangdong	—	750	—	750
	—	1,814	18	1,832
Period ended June 30, 2010 (Unaudited)				
Executive				
Mr. Shi Xiangdong	—	376	—	376
Non-Executive				
Mr. Sharon Rahamin Kedar	—	—	—	—
	—	376	—	376

On June 8, 2011, Mr. Sharon Rahamin Kedar resigned as the Company's non-executive director.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(c) Five highest paid employees

The five highest paid employees during the Relevant Periods fall into the following categories:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
Directors	—	1	1	4
Non-director	—	4	4	1
	—	5	5	5

Details of directors' remuneration are set out in Note 7 (b) above.

Details of the remuneration of the remaining non-director, highest paid employees during the Relevant Periods are as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	—	4,233	1,273	135
Pension scheme contributions	—	31	12	5
	—	4,264	1,285	140

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Nil to HK$1,000,000	—	2	4	1
HK$1,000,001 to HK$1,500,000	—	2	—	—
	—	4	4	1

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8 INCOME TAX CREDIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong during the Relevant Periods.

Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated during the Relevant Periods.

The major components of income tax credit for the Relevant Periods are as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current — Mainland China				
Charge for the year/period	—	—	—	454
Adjustment in respect of current income tax of previous year	—	—	—	396
Deferred (Note 14)	(435)	(1,586)	(766)	(1,697)
	(435)	(1,586)	(766)	(847)

A reconciliation between the income tax credit and the loss before tax at the statutory tax rate is as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before tax	(1,939)	(6,646)	(3,555)	(246,476)
Tax at the respective statutory tax rates:				
— PRC subsidiaries, at 25%	(485)	(2,090)	(998)	(62,116)
— HK subsidiary, at 16.5%	—	282	(72)	349
Non-taxable income	—	(405)	—	(483)
Tax losses not recognized	—	123	72	134
Non-deductible expenses	50	504	232	61,225
Adjustments in respect of current and deferred income tax of previous year	—	—	—	396
Reversal of net deferred tax liabilities recognized in previous year	—	—	—	(352)
Income tax credit	(435)	(1,586)	(766)	(847)

9 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results for the Relevant Periods as disclosed in Note 2.1 above

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Mining infrastructure	Construction in progress ("CIP")	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At April 23, 2009	—	—	—	—	—	—
Additions	—	34	—	—	20	54
At December 31, 2009 and January 1, 2010	—	34	—	—	20	54
Additions	5,007	950	802	—	50,198	56,957
Transferred from CIP	11,933	—	—	—	(11,933)	—
At December 31, 2010 and January 1, 2011	16,940	984	802		38,285	57,011
Additions	—	138	2,481	11,796	113,185	127,600
At June 30, 2011	16,940	1,122	3,283	11,796	151,470	184,611
Accumulated depreciation:						
At April 23, 2009	—	—	—	—	—	—
Provided for the period	—	2	—	—	—	2
At December 31, 2009 and January 1, 2010	—	2	—	—	—	2
Provided for the year	48	80	75	—	—	203
At December 31, 2010 and January 1, 2011	48	82	75	—	—	205
Provided for the period	409	134	95	—	—	638
At June 30, 2011	457	216	170	—	—	843
Net book amount:						
At April 23, 2009	—	—	—	—	—	—
At December 31, 2009	—	32	—	—	20	52
At December 31, 2010	16,892	902	727	—	38,285	56,806
At June 30, 2011	16,483	906	3,113	11,796	151,470	183,768

(a) As of December 31, 2010 and June 30, 2011, the Group was in the process of obtaining the relevant building ownership certificate for the Group's warehouse with a net book amount of approximately RMB5,007,000 and RMB4,889,000, respectively (2009: Not applicable).

(b) Additions to CIP during the six months ended June 30, 2011 include interest capitalized in respect of bank loans amounting to approximately RMB507,000. The interest rate of borrowing costs capitalized was 7.68% per annum.

11 INTANGIBLE ASSETS

	Mining rights	Exploration rights and assets	Total
	RMB'000 (a)	RMB'000 (b)	RMB'000
Cost and net book amount:			
At April 23, 2009, December 31, 2009 and January 1, 2010	—	—	—
Additions	9,282	35,597	44,879
At December 31, 2010 and January 1, 2011	9,282	35,597	44,879
Additions	55	31,552	31,607
Transfer to mining rights	63,905	(63,905)	—
At June 30, 2011	73,242	3,244	76,486

Notes:

(a) The mining rights represent the rights for the mining of lead-zinc ore in Shizishan Mine, which is located in Yingjiang County, Yunnan Province, the PRC. There was no amortization on the mining rights for the year ended December 31, 2010 and for the six months ended June 30, 2011 as the Group has not commenced any mining operations.

(b) As of June 30, 2011, the exploration rights and assets represent the exploration right for the Dazhupeng Mine located in Yingjiang County, Yunnan Province, the PRC.

12 PAYMENTS IN ADVANCE

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
In respect of the purchase of:			
Land use rights	—	7,203	13,583
Exploration rights*	—	2,101	70,000
Mining rights	5,728	—	—
Property, plant and equipment	1,600	15,362	5,597
	7,328	24,666	89,180

* As of June 30, 2011, payment in advance in respect of the purchase of exploration right represented the prepayment made for the acquisition of the Liziping Mine, a lead-zinc polymetallic mine located in Lanping County, Yunnan Province, the PRC. The exploration right of the Liziping Mine is owned by the Liziping Company. The Directors expect to complete such acquisition in May 2012. Please refer to Section III below for the supplementary financial information of the Liziping Company.

13 INVESTMENT IN A SUBSIDIARY

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost:			
— Gilberta*	—	—	—
Advances to a subsidiary	25,274	187,763	514,931
	25,274	187,763	514,931

* The cost of investment in Gilberta is US$1.00

The amounts advanced to the subsidiary included in the investment in a subsidiary above are denominated in US$, which are unsecured and have no fixed terms of repayment. In the opinion of the Directors, these advances are considered as quasi-equity loans to the subsidiary.

The amount due to a subsidiary as of June 30, 2011 included in the Company's current liabilities was unsecured, interest-free and repayable on demand or within one year.

14 DEFERRED TAX

The movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Pre-operating expenses	Losses available for off-setting against future taxable profits	Unrealized profit from intra-group transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At April 23, 2009	—	—	—	—
Deferred tax credited to profit or loss during the period (Note 8)	435	—	—	435
At December 31, 2009 and January 1, 2010	435	—	—	435
Deferred tax credited to profit or loss during the year (Note 8)	1,505	766	—	2,271
Gross deferred tax assets at December 31, 2010 and January 1, 2011	1,940	766	—	2,706
Deferred tax credited/(charged) to profit or loss during the period (Note 8)	863	(445)	594	1,012
Gross deferred tax assets at June 30, 2011	2,803	321	594	3,718

The Group has tax losses arising in Mainland China during the year ended December 31, 2010 and the six months ended June 30, 2011 of RMB3,064,000 and RMB1,284,000, respectively (financial period ended December 31, 2009: Nil) that will expire in five years for offsetting against future taxable profits.

The Group also has tax losses arising in Hong Kong of RMB745,000 and RMB812,000 for the year ended December 31, 2010 and the six months ended June 30, 2011, respectively (financial period ended December 31, 2009: Nil) that are available indefinitely for offsetting against future taxable profits of this Hong Kong subsidiary in which the losses arose, Deferred tax asset has not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Deferred tax liabilities

	Unrealized foreign exchange gains
	RMB'000
At April 23, 2009, December 31, 2009 and January 1, 2010	—
Deferred tax charged to profit or loss during the year (Note 8)	685
Gross deferred tax liabilities at December 31, 2010 and January 1, 2011	685
Deferred tax credited to profit or loss during the period (Note 8)	(685)
Gross deferred tax liabilities at June 30, 2011	—

Deferred tax assets and liabilities related to the PRC subsidiaries have been provided at the enacted corporate income tax rate of 25%.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Net deferred tax assets	435	2,372	3,718
Net deferred tax liabilities	—	(351)	—
	435	2,021	3,718

15 CASH AND CASH EQUIVALENTS

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cash on hand	45	10	30
Cash at banks	25,274	20,310	199,866
Cash and cash equivalents	25,319	20,320	199,896

At the end of the reporting period, the Group's cash and cash equivalents were denominated in the following currencies:

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
RMB	45	8,942	39,374
HK$	—	1	1,080
US$	25,274	11,377	159,442
Cash and cash equivalents	25,319	20,320	199,896

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of

Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of cash and cash equivalents approximate to their fair value.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

		December 31,		June 30,
		2009	2010	2011
	Notes	RMB'000	RMB'000	RMB'000
Prepayments in respect of:				
— the purchase of inventories	(a)	—	18,000	18,000
— professional services		—	993	—
Deposits		—	170	439
Deferred listing fees	(b)	47	624	4,212
Staff advances		184	811	2,239
Other receivables	(c)	—	33,589	48,578
		231	54,187	73,468

Notes:

(a) The balance represents a prepayment made to Xiangcaopo Mining Co., Ltd ("Xiangcaopo Mining) an independent third party supplier for the purchase of Tungsten and Tin ores, where the delivery of products is expected to take place within the next 12 months from the end of the reporting date.

(b) Deferred listing fees represent legal and other professional fees relating to the Listing, and they will be deducted from equity when the Company completes the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing" or "IPO").

(c) The balance represents interest-free advances given to Mr. Li Jincheng, an independent third party and the owner of Xiangcaopo Mining for exploration activities at the Lushan Mine operated by Xiangcaopo Mining. Both Mr. Li Jincheng and Xiangcaopo Mining entered into an equity pledge agreement with the Group, pursuant to which Mr. Li Jincheng pledged his entire equity interest in Xiangcaopo Mining to the Group.

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

Company

As of December 31, 2010 and June 30, 2011, prepayments represented deferred listing fees incurred for the Listing as further explained in (b) above.

17 INVENTORIES

As of December 31, 2010 and June 30, 2011, inventories represent spare parts and consumables.

18 OTHER PAYABLES AND ACCRUALS

Group

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Payables relate to:			
Mining rights	—	489	489
Exploration and evaluation assets	—	4,296	4,716
Property, plant and equipment	—	7,990	40,194
Professional fees	—	—	8,708
Tax other than income tax	12	(825)	317
Payroll and welfare	99	185	33
Others	337	69	160
	448	12,204	54,617
Accruals	—	4,884	—
	448	17,088	54,617

Company

As of June 30, 2011, other payables represented various professional fees payable in relation to the Listing.

Other payables are non-interest-bearing and have average payment terms within one year.

19 BALANCES WITH RELATED PARTIES

Group

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Due to a director:			
Mr. Ran Xiaochuan	5,190	—	—
Due to the immediate holding company:			
Silver Lion	25,331	189,191	—

At the end of each reporting period, except for an amount due to the immediate holding company, which was denominated in US$, the remaining balances with related parties were denominated in RMB. Balances with related parties were non-trade, interest-free, unsecured and have no fixed terms of repayment.

The balance due to Silver Lion was settled via one new share issued by the Company to Silver Lion on June 27, 2011. The difference between the balance due to Silver Lion on June 27, 2011 and the nominal value of the one share issued to Silver Lion was credited to the Company's share premium account.

Company

The amount due to the immediate holding company was non-trade, interest-free, unsecured, has no fixed term of repayment and is denominated in US$.

The carrying amount of the amount due to the immediate holding company approximates to its fair value.

20 INTEREST-BEARING BANK LOANS

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Secured bank loans and repayable:			
In the second year	—	—	10,000
In the third year	—	—	52,000
	—	—	62,000

The Group's bank loans are secured by the mortgage over the Group's mining right to the Shizishan Mine with a net book amount of RMB73,242,000 as of June 30, 2011 (December 31, 2009 and 2010: Not applicable). As of June 30, 2011, all bank loans are denominated in RMB and bear interest at 7.68% per annum.

The carrying amounts of the interest-bearing bank loans approximates to their fair values.

21 PROVISION FOR REHABILITATION

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At beginning of year/period	—	—	—
Additions	—	—	11,796
At end of year/period	—	—	11,796

A provision for rehabilitation is mainly recognized for the present value of costs to be incurred for the removal of the processing plants and the restoration of tailing storage facilities in complying with the Group's obligations for the closure and environmental restoration and clean-up on completion of the Group's mining activities. These costs are expected to be incurred on mine closure, based on the current terms of mining rights for Shizishan Mine and are discounted at a discount rate of 7.68% (financial period/year ended December 31, 2009 and 2010: Not applicable). Changes in assumptions could significantly affect these estimates.

22 SHARE CAPITAL

(a) The Company was incorporated in the Cayman Islands on November 30, 2009 with authorized share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. At the date of incorporation, 1 ordinary share was allotted and issued for cash at par to Silver Lion.

Other than the issue of the above share, there was no movement in the Company's ordinary share capital since the date of incorporation of the Company to December 31, 2009.

(b) On February 3, 2010, the Company allotted and issued 7,311 ordinary shares for cash to Silver Lion and on February 8, 2010, 4,000 ordinary shares were allotted and issued for cash to Grow Brilliant Limited ("Grow Brilliant").

(c) On December 23, 2010, the Company issued an additional 88,688 ordinary shares for cash to Silver Lion.

(d) On June 27, 2011, the Company further allotted and issued 6,399 ordinary shares to Grow Brilliant, credited as fully paid shares at a par value of HK$0.1 each, totaling RMB532 (see Note 23).

On the same day, Silver Lion subscribed one ordinary share by way of a share premium in the amount of US$80,500,000 (equivalent to approximately RMB520,964,000) (see Note 24(a)).

As of December 31, 2010 and June 30, 2011, 100,000 shares and 106,400 shares were in issue, respectively, at HK$0.10 each.

23 SHARE-BASED PAYMENT TRANSACTIONS

The Company allotted and issued 6,399 ordinary shares (the "Awarded Shares") to Grow Brilliant pursuant to a shareholders' resolution passed on June 27, 2011. Grow Brilliant is a company which is wholly owned and controlled by Mr. Zhu Xiaolin, the executive director and chief executive officer of the Company. The objective of the Awarded Shares is to reward his contribution to the Group's development. The Awarded Shares are not subject to a vesting period and vested immediately when the Awarded Shares were allotted and issued to Grow Brilliant on June 27, 2011.

The fair value of the shares granted under the Award Shares during the six months ended June 30, 2011 was RMB233,000,000 and was determined by an external valuer using the discounted cash flow method. The significant inputs into the model were the weighted average cost of capital as discount rate and required return on equity.

The Group recognized an expense of RMB233,000,000 for the six months ended June 30, 2011 in relation to Awarded Shares by the Company with a corresponding amount credited to capital contribution reserve.

24 RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) *Share premium*

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

As described in Note 22(d) above, Silver Lion subscribed one new Share in the Company by way of a share premium in the amount of US$80,500,000 (equivalent to approximately RMB520,964,000) on June 27, 2011. The difference between the balance due to Silver Lion of RMB520,964,000 and the nominal value of the one share issued to Silver Lion was credited to the Company's share premium account.

(b) *Statutory reserve*

In accordance with the Company Law of the PRC and the respective articles of associations of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profits after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Dehong Yinbang is a foreign investment enterprise since its establishment on December 23, 2009, allocation to SSR is not required. According to Dehong Yinbang's articles of association, Dehong Yinbang is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF").

SSR and SRF are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalized as paid-up capital.

(c) *Contributed reserve*

The contributed reserve of the Group resulted from the preparation of the Financial Information on the basis of preparation set out in Note 2.1 of Section II. It represents the difference between a consideration of RMB390,000 paid by the Group for the acquisition of Kunrun as part of the Reorganization and the aggregate nominal amount of the paid-up capital of Kunrun attributable to the owner of the Company. Prior to the Reorganization, the contributed reserve represents the aggregate nominal amount of the paid-up capital of Kunrun attributable to the owner of the Company.

Company

The amounts of the Company's reserves and the movements therein are as follows:

	Notes	Share premium account RMB'000	Capital contribution reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At April 23, 2009		—	—	—	—
Total comprehensive loss for the period		—	—	(10)	(10)
At December 31, 2009 and January 1, 2010		—	—	(10)	(10)
Total comprehensive loss for the year		—	—	(796)	(796)
At December 31, 2010 and January 1, 2011		—	—	(806)	(806)
Issue of new shares	22	520,964	—	—	520,964
Recognition of equity-settled share-based payments	23	—	233,000	—	233,000
Total comprehensive loss for the period		—	—	(245,856)	(245,856)
At June 30, 2011		520,964	233,000	(246,662)	507,302

Movements in the Company's accumulated losses.

25 MOVEMENTS IN NON-CONTROLLING INTEREST OF A SUBSIDIARY

(a) Acquisition of non-controlling interest during the period from April 23, 2009 to December 31, 2009 represented the acquisition of 20% equity interest in Kunrun by Mr. Ran Xiaochuan for a consideration of RMB780,000. The consideration paid by Mr. Ran Xiaochuan was recorded as "Contributed reserve" and the difference between the consideration paid by Mr. Ran Xiaochuan and the share of net assets acquired of RMB196,000 has been recognized in equity as the acquisition of non-controlling interest in a subsidiary from the controlling party's perspective prior to the common control combination.

(b) Acquisition of non-controlling interest during the year ended December 31, 2010 represented the acquisition of 10% equity interest in Kunrun by Dehong Yinrun for a consideration of RMB390,000. The difference between the consideration paid by Dehong Yinrun and the share of net assets acquired of RMB141,000 is recognized as an equity transaction.

(c) As described in the paragraph headed "Our History" in the section headed "History and Organization" to the Prospectus", on June 25, 2010, the registered and paid-up capital of Kunrun was increased from RMB13.0 million to RMB56.0 million by way of capital injection from Dehong Yinrun. Following the capital injection and completion of the Reorganization on June 25, 2010, Kunrun was owned as to 93.04% by Dehong Yinrun and 6.96% by Mr. Ran Xiaochuan. The 6.96% equity interest attributable to Mr. Ran Xiaochuan on June 25, 2010 of RMB7,678,000 was treated as a distribution of a non-controlling interest with a corresponding decrease in "Contributed reserve" and "Difference arising from changes of non-controlling interest" by RMB3,900,000 and RMB3,778,000, respectively.

(d) Pursuant to an equity transfer agreement entered into between Mr. Ran Xiaochuan and Dehing Yinrun dated June 18, 2011, Mr. Ran Xiaochuan transferred 5.96% of the equity interest in Kunrun to Dehong Yinrun for a consideration of RMB6,160,000. The consideration was determined by reference to the book value of the share of net assets acquired in Kunrun. Upon completion of the acquisition, Kunrun was owned as to 99% by Dehong Yinrun and 1% by Mr. Ran Xiaochuan.

26 COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
— Exploration and evaluation expenditures	—	16,635	175,204
— Property, plant and equipment	—	35,615	46,632
	—	52,250	221,836
Authorized, but not contracted for:			
— Property, plant and equipment	—	358,333	113,262
	—	410,583	335,098

27 CONTINGENT LIABILITIES

On February 8, 2010, Challenger Mining 8 Limited ("Challenger") entered into a bond deed with the Company, Silver Lion, Gilberta, Next Horizon, Dehong Yinbang, Dehong Yinrun, Kunrun, Mr. Ran Xiaochuan and Mr. Shi Xiangdong, pursuant to which Challenger subscribed for secured bonds in the aggregate principal amount of US$25 million due in 2012 (the "Round 1 Bond") and issued by Silver Lion (the "Round 1 Bond Deed"). The maturity date of the Round 1 Bond Deed was extended to April 26, 2013 by a deed of amendment dated April 21, 2011. The Round 1 Bond is convertible into the Company's shares owned and held by Silver Lion immediately prior to the commencement of dealings of the Company's shares on the Stock Exchange on the date of the Listing.

On April 20, 2011, Deutsche Bank AG, London Branch, CMS 2 Limited Partnership, F.S. B. S. Limited Partnership, RD 8 Limited Partnership and MS China 3 Limited (the "Round 2 Bond Investors") entered into a subscription agreement with the Company, Silver Lion, Mr. Ran Xiaochuan and Mr. Ran Chenghao, pursuant to which the Round 2 Bond Investors subscribed for secured bonds in the aggregate principal amount of US$60 million (the "Round 2 Bond") and issued by Silver Lion (the "Round 2 Bond Deed"). The Round 2 Bond was issued by Silver Lion on April 26, 2011. The Round 2 Bond is convertible into the Company's shares owned and held by Silver Lion immediately prior to the commencement of dealings of the Company's shares on the Stock Exchange on the date of the Listing.

Pursuant to the Round 1 and Round 2 Bond Deed, the Company shall indemnify each of Challenger's stakeholder and their directors, officers and agents (collectively, the "Indemnified Persons") against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding (collectively, "Losses") that any Indemnified Persons may at any time become subject to or liable for in connection with claims by third parties by reason of the status of such stakeholder as stakeholder of the Company or of such director as a director of the Company, as the case may be, other than Losses arising from the gross negligence, wilful misconduct, fraud or dishonesty of such Indemnified Persons.

28 RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group had the following material transactions with related parties:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest-free loan provided by the immediate holding company	25,331	169,167	169,167	324,407

The Directors consider that the interest-free loan provided by the immediate holding company was conducted based on terms more favorable than terms available from an independent third party. The aforesaid loan was capitalized via one new share issued by the Company to Silver Lion on June 27, 2011.

(b) Details of the Group's balances with related parties at the end of each reporting period are disclosed in Note 19.

(c) Compensation of key management personnel of the Group:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Basic salaries and other benefits	—	5,727	1,649	1,949
Equity-settled share based payments	—	—	—	233,000
Pension scheme contributions	—	31	12	23
	—	5,758	1,661	234,972

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to credit risk, foreign currency risk and liquidity risk arises in the normal course of business. These risks are managed by the Group's financial management policies and practices as described below:

Credit risk

The Group has no significant concentrations of credit risk as the Group was primarily in its development stage. The carrying amounts of cash and cash equivalents and other receivables represented the Group's maximum exposure to credit risk in relation to financial assets. All the Group's cash and cash equivalents are held in major financial institutions located in Mainland China, which management believes are of high credit quality.

As the Group is primarily in its development stage, no credit sales were made to customers by the Group.

Foreign currency risk

The Group's businesses are located in Mainland China and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for an amount due to the immediate holding company and certain cash at bank which are denominated in US$.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currency. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity to a 5.0% change in RMB against US$. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against US$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of cash and cash equivalents and an amount due to the immediate holding company denominated in US$).

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Increase/(decrease) in profit before tax:				
If RMB weakens against US$	(3)	(8,836)	(9,145)	8,212
If RMB strengthens against US$	3	8,836	9,145	(8,212)

Liquidity risk

In the management of liquidity risk, the Group monitors the level of working capital and maintains it at a level deemed adequate, and maintains a balance between continuity of funding and flexibility through the funding from its holding company and interest-bearing bank loans.

The maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	December 31, 2009				
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	448	—	—	—	448
Due to a director	5,190	—	—	—	5,190
Due to the immediate holding company	25,331	—	—	—	25,331
	30,969	—	—	—	30,969

	December 31, 2010				
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	12,203	—	—	—	12,203
Due to the immediate holding company	189,191	—	—	—	189,191
	201,394	—	—	—	201,394

	June 30, 2011				
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	54,617	—	—	—	54,617
Interest-bearing bank loans	—	—	—	73,382	73,382
	54,617	—	—	73,382	127,999

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in Note 20. The Group manages its interest rate exposure from its interest-bearing bank borrowings through the use of fixed rates.

In addition, the Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's profit or loss during the Relevant Periods.

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's long term interest-bearing bank approximate to its fair values based on the prevailing borrowing rates available for the loan with similar terms and maturities at each of the reporting period.

The carrying amounts of the Group's all other financial instruments approximated to their fair values due to the short term to maturity at the end of each of the reporting period.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. During the start-up stage of the Group, the investor of the Company contributed capital based on the needs of these entities. The dividend policy will be established when the Group starts to generate revenues from its activities.

No changes were made in the objectives, policies or processes for managing financial risks during the Relevant Periods.

30 EVENT AFTER THE REPORTING PERIOD

(a) On May 21, 2011, Dehong Yinrun entered into an option agreement with Mr. Xi Wanli (an independent third party), the sole shareholder of a lead-zinc-silver polymetallic mine company, pursuant to which Dehong Yinrun agreed to purchase 90% of the equity interest in the mine company from the shareholder at Dehong Yinrun's sole discretion within a period of 18 months commencing from May 2011. This lead-zinc-silver polymetallic mine (the Dakuangshan Mine) has a mining permit covering an area of 1.56 sq. km. The consideration for the 90% equity interest in the mine company will be determined based on the lead and zinc metal components contained in the estimated resources of the Dakuangshan Mine and will in any event be no more than RMB145 million. Dehong Yinrun made a good-faith deposit of RMB40.0 million to the mine company in July 2011 and no further payment was made thereafter. Pursuant to the option agreement, if the option is not exercised, such good-faith deposit shall be refunded to Dehong Yinrun in full.

(b) On November 24, 2011, written shareholders' resolutions were passed to approve matters described in the paragraph headed "Statutory and General Information — Further Information about Our Group — Resolutions of our shareholders" attached as Appendix VIII to the Prospectus.

III. SUPPLEMENTARY FINANCIAL INFORMATION OF THE LIZIPING COMPANY

Financial information of the Liziping Company for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred hereafter as the ''Financial Information of the Liziping Company".

The Liziping Company was established in Mainland China on May 15, 2007 as a limited liability company. The Liziping Company was in its preliminary development stage during the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011.

1. FINANCIAL INFORMATION

Statements of comprehensive income

		Year ended December 31,			Six months ended June 30,	
		2008	2009	2010	2010	2011
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	2.2	—	—	—	—	—
Cost of sales		—	—	—	—	—
Gross profit		—	—	—	—	—
Administrative expenses		(6)	(72)	(365)	(25)	(94)
Other operating expense		—	—		—	(103)
Loss before tax	2.3	(6)	(72)	(365)	(25)	(197)
Income tax credit	2.4	—	18	91	6	49
Loss for the year/period and total comprehensive loss for the year/period attributable to owners of the Liziping Company		(6)	(54)	(274)	(19)	(148)

Statements of financial position

	Notes	December 31, 2008 RMB'000	December 31, 2009 RMB'000	December 31, 2010 RMB'000	June 30, 2011 RMB'000
Non-current assets					
Motor vehicles	2.5	—	—	202	493
Intangible assets	2.6	—	542	1,304	1,874
Payments in advance	2.7	—	—	—	200
Deferred tax assets	2.8	—	18	109	158
		—	560	1,615	2,725
Current assets					
Cash and cash equivalents	2.9	41	37	7	53
Other receivables	2.10	2,950	2,399	18,041	16,737
		2,991	2,436	18,048	16,790
Current liabilities					
Other payables	2.11	—	59	—	—
		—	59	—	—
Net current assets		2,991	2,377	18,048	16,790
Total assets less current liabilities		2,991	2,937	19,663	19,515
Net assets		2,991	2,937	19,663	19,515
Equity					
Equity attributable to owners of the Company					
Share capital		3,000	3,000	20,000	20,000
Accumulated losses		(9)	(63)	(337)	(485)
Total equity		2,991	2,937	19,663	19,515

Statements of changes in equity

	Share capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At January 1, 2008	3,000	(3)	2,997
Total comprehensive loss for the year	—	(6)	(6)
At December 31, 2008 and January 1, 2009	3,000	(9)	2,991
Total comprehensive loss for the year	—	(54)	(54)
At December 31, 2009 and January 1, 2010	3,000	(63)	2,937
Capital injection	17,000	—	17,000
Total comprehensive loss for the year	—	(274)	(274)
At December 31, 2010 and January 1, 2011	20,000	(337)	19,663
Total comprehensive loss for the period	—	(148)	(148)
At June 30, 2011	20,000	(485)	19,515

Statements of cash flows

	Notes	Year ended December 31, 2008 RMB'000	2009 RMB'000	2010 RMB'000	Six months ended June 30, 2010 RMB'000 (Unaudited)	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(6)	(72)	(365)	(25)	(197)
Adjustments for:						
Depreciation of property, plant and equipment	2.3, 2.5	—	—	5	—	16
		(6)	(72)	(360)	(25)	(181)
Decrease/(increase) in prepayments, deposits and other receivables		(2)	551	(15,642)	160	1,304
Increase/(decrease) in other payables and accruals		—	59	(59)	—	—
Net cash flow from/(used in) operating activities		(8)	538	(16,061)	135	1,123
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of items of property, plant and equipment		—	—	(207)	—	(307)
Purchase of intangible assets		—	(542)	(762)	(161)	(570)
Payment in advance for purchase of machinery		—	—	—	—	(200)
Net cash flows used in investing activities		—	(542)	(969)	(161)	(1,077)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from capital injection		—	—	17,000	—	—
Net cash flows from financing activities		—	—	17,000	—	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(8)	(4)	(30)	(26)	46
Cash and cash equivalents at beginning of year/period		49	41	37	37	7
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		41	37	7	11	53
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	2.9	41	37	7	11	53

2. NOTES TO THE FINANCIAL INFORMATION OF THE LIZIPING COMPANY

2.1 Principal accounting policies

The financial information of the Liziping Company has been prepared in accordance with the accounting policies set out in Section II, Note 3.2 of this report: Summary of significant accounting policies.

2.2 Revenue

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. As the Liziping Company had not commenced commercial production, there were no revenue, trade discounts or returns during the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011.

2.3 Loss before tax

The Liziping Company's loss before tax is arrived at after charging:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	4	49	68	18	30
Pension scheme contributions — Defined contribution fund	1	10	14	3	6
	5	59	82	21	36
Auditors' remuneration	—	—	8	—	—
Depreciation of items of property plant and equipment (Note 2.5)	—	—	5	—	16
Operating lease rental in respect of motor vehicles	—	—	—	—	6

2.4 Income tax credit

In accordance with the relevant PRC income tax rules and regulations, prior to January 1, 2008, the Liziping Company was subject to the PRC corporate income tax (''CIT'') at a statutory rate of 33% on its taxable income. During the 5th Session of the 10th National People's Congress, which was concluded on March 16, 2007, the new PRC CIT Law was approved and became effective on January 1, 2008. The new PRC CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the CIT rate for domestic-invested and foreign-invested enterprises at 25%.

The major components of income tax credit for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current — Mainland China Charge for the year/period	—	—	—	—	—
Deferred (Note 2.8)	—	(18)	(91)	(6)	(49)
	—	(18)	(91)	(6)	(49)

A reconciliation between the income tax credit and the loss before tax at the statutory tax rate of the Liziping Company for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before tax	(6)	(72)	(365)	(25)	(197)
Tax at the statutory tax rate of the Liziping Company	(2)	(18)	(91)	(6)	(49)
Tax losses during the year not recognized	2	—	—	—	—
Income tax credit	—	(18)	(91)	(6)	(49)

2.5 Motor vehicles

	RMB'000
Cost:	
At January 1, 2008, December 31, 2008, January 1, 2009, December 31, 2009 and January 1, 2010	—
Additions	207
At December 31, 2010 and January 1, 2011	207
Additions	307
At June 30, 2011	514
Accumulated depreciation:	
At January 1, 2008, December 31, 2008, January 1, 2009, December 31, 2009 and January 1, 2010	—
Additions	5
At December 31, 2010 and January 1, 2011	5
Additions	16
At June 30, 2011	21
Net book amount:	
At January 1, 2008, December 31, 2008, January 1, 2009, December 31, 2009 and January 1, 2010	—
At December 31, 2010	202
At June 30, 2011	493

2.6 Intangible assets

	Exploration right
	RMB'000
Cost and net book amount:	
At January 1, 2008, December 31, 2008 and January 1, 2009	—
Additions	542
At December 31, 2009 and January 1, 2010	542
Additions	762
At December 31, 2010 and January 1, 2011	1,304
Additions	570
At June 30, 2011	1,874

The exploration rights represent the exploration right for the Liziping Mine which is located in Lanping County, Yunnan Province, the PRC. The Mine is owned by the Liziping Company.

2.7 Payment in advance

As of June 30, 2011, payment in advance is respect of the purchase of motor vehicles and office equipment.

2.8 Deferred tax assets

	Losses available for off-setting against taxable profits
At January 1, 2008, December 31, 2008 and January 1, 2009	—
Deferred tax credited to profit or loss during the year (Note 2.4)	18
At December 31, 2009 and January 1, 2010	18
Deferred tax credited to profit or loss during the year (Note 2.4)	91
At December 31, 2010 and January 1, 2011	109
Deferred tax credited to profit or loss during the period (Note 2.4)	49
At June 30, 2011	158

The Liziping Company has tax losses arising in Mainland China during the years ended December 31, 2009 and 2010 and the six months ended June 30, 2011 (the year ended December 31, 2008: Nil) will be expired in five years for off-setting against future taxable profits where the deferred tax assets have been provided at the enacted corporate income tax rate of 25%.

2.9 Cash and cash equivalents

	December 31,			June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	41	37	—	—
Cash at banks	—	—	7	53
Cash and cash equivalents	41	37	7	53

The Liziping Company's cash and bank balances are all denominated in RMB as of December 31, 2008, 2009 and 2010 and June 30, 2011.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the statement of financial position approximate to their fair values.

2.10 Other receivables

Other receivables represent an amount due from Mr. Song Denghong, an independent third party and the owner of the Liziping Company as of December 31, 2008, 2009 and 2010 and June 30, 2011.

The carrying amounts of prepayments, deposits and other receivables closely approximate to their respective fair values.

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

2.11 Other payables

As of December 31, 2009, other payables represented payables in relation to staff payroll and welfare.

Other payables are non-interest-bearing and have average payment terms within one year.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to June 30, 2011.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth in this Appendix does not form part of the Accountants' Report prepared by the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this Prospectus, and is include here in for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and "Appendix I — Accountants' Report".

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to provide the investors with further information about (i) how the proposed listing might have affected the consolidated net tangible assets of the Group as if the Global Offering had occurred on June 30, 2011; (ii) how the proposed listing might have affected the unaudited pro forma forecast loss per share of the Group for the year ending 31 December 2011 as if the Global Offering had taken place on January 1, 2011; and (iii) how the proposed acquisition of the Liziping Company might have affected the unaudited pro forma statement of assets and liabilities of the Enlarged Group as if the acquisition of the Liziping Company had taken place on June 30, 2011.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position or results of operations.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial results and positions following the completion of the Global Offering.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared based on the consolidated net tangible assets attributable to owners of the Company as at June 30, 2011 as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of the financial position of the Group.

The following unaudited pro forma adjusted combined net tangible assets of the Group have been prepared to show the effect on the consolidated net tangible assets of the Group as at June 30, 2011 as if the Global Offering had occurred on June 30, 2011.

	Audited consolidated net tangible assets attributable to owners of our Company as of June 30, 2011[1]	Estimated net proceeds from issue of Offer Shares[2]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[3]	
	(RMB '000)	(RMB '000)	(RMB '000)	(RMB)	(HK$)
Based on Offer Price of HK$2.22 per Share	421,998	820,080	1,242,078	0.621	0.761
Based on Offer Price of HK$2.54 per Share	421,998	944,928	1,366,926	0.683	0.838

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as of June 30, 2011 is extracted from the Accountants' Report as set out in Appendix I to this Prospectus, which is equal to the audited consolidated net assets attributable to owners of our Company of RMB498.5 million as of June 30, 2011 less intangible assets of RMB76.5 million as of the same date.

(2) The estimated net proceeds from the Global Offering are based on hypothetical Offer Prices of HK$2.22 and HK$2.54 respectively, per Offer Share assuming no exercise of the Over-allotment Option, after deduction of underwriting fees and estimated expenses payable by us.

(3) The unaudited pro forma adjusted net tangible assets per Share is based on a total of 2,000,000,000 Shares expected to be in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option).

(B) UNAUDITED PRO FORMA FORECAST LOSS PER SHARE

The unaudited pro forma forecast loss per share of the Group for the year ending December 31, 2011 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2011. This unaudited pro forma forecast loss per share has been prepared for illustrative purposes only and, because of its nature, may not give true picture of the financial results of the Group following the Global Offering.

Consolidated loss forecast attributable to owners of the Company(1)	not more than RMB246.6 million (approximately HK$302.2 million)(3)
Unaudited pro forma forecast loss per Share for the year ending December 31, 2011(2)	not more than RMB0.123 (approximately HK$0.150)

Notes:

(1) The forecast consolidated loss attributable to owners of the Company for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this Prospectus.

(2) The calculation of unaudited pro forma forecast loss per Share is based on the forecast consolidated loss attributable to owners of the Company for the year ending December 31, 2011 of RMB246.6 million and on the assumption that the Company has been listed since January 1, 2011 and a total number of 2,000,000,000 Shares were in issue during the year ending December 31, 2011.

(3) The consolidated loss forecast attributable to owners of the Company includes a one-off equity-settled share-based expense of RMB233.0 million and the expenses in relation to the Global Offering.

(C) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

As the acquisition of the Liziping Company will be completed after the date of the latest published audited accounts of the Company, being June 30, 2011, the following unaudited pro forma financial information of the Group and the Liziping Company is included in this Prospectus in compliance with paragraph 31 of Appendix 1B of the Listing Rules.

1. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

As the acquisition of the Liziping Company will be completed after the date of the latest published audited accounts of the Company, being June 30, 2011, the following is a summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group in connection with the proposed acquisition of 90% equity interest of the Liziping Company, assuming that the acquisition had been completed on June 30, 2011 for the purpose of illustrating how the proposed acquisition of the Liziping Company might have affected the unaudited pro forma statement of assets and liabilities of the Enlarged Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based upon (i) the audited consolidated statement of financial position of the Group as of June 30, 2011, which has been extracted from the Accountants' Report as set out in Appendix I to this Prospectus; and (ii) the audited statement of financial position of the Liziping Company as of June 30, 2011, after making pro forma adjustments relating to the acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable as if the acquisition has been completed on June 30, 2011.

The unaudited pro forma statement of assets and liabilities is prepared to provide financial information on the Enlarged Group as a result of completion of the acquisition. As it is prepared for illustration purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as of June 30, 2011 or at any future date.

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as of June 30, 2011	The Liziping Company as of June 30, 2011	Unaudited pro forma adjustments relating to the acquisition		Unaudited pro forma Enlarged Group as of June 30, 2011
	RMB'000	RMB'000	RMB'000	Notes	RMB'000
Non-current assets					
Property, plant and equipment	183,768	493			184,261
Intangible assets	76,486	1,874	530,643	(i)	609,003
Payments in advance	89,180	200	(70,000)	(i)	19,380
Deferred tax assets	3,718	158			3,876
	353,152	2,725			816,520
Current assets					
Cash and bank balances	199,896	53			199,949
Prepayments, deposits and other receivables	73,468	16,737			90,205
Inventories	1,871	—			1,871
	275,235	16,790			292,025
Current liabilities					
Other payables and accruals	54,617	—	425,000	(i)	479,617
Tax payable	454	—			454
	55,071	—			480,071
Net current assets/(liabilities)	220,164	16,790			(188,046)
Total assets less current liabilities	573,316	19,515			628,474
Non-current liabilities					
Interest-bearing bank loans	62,000	—			62,000
Provision for rehabilitation	11,796	—			11,796
	73,796	—			73,796
Net assets	499,520	19,515			554,678
Equity					
Issued capital	9	—			9
Reserves	498,475	19,515	(19,357)		498,633
	498,484	19,515			498,642
Non-controlling interest	1,036	—	55,000	(ii)	56,036
Total equity	499,520	19,515			554,678

3. NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) The pro forma adjustment was raised to recognize the share transfer consideration pursuant to the share transfer agreement entered into between Dehong Yinrun and Song Denghong, who was the owner of the Liziping Company which owns the exploration right to the Liziping Mine. Dehong Yinrun agreed to purchase 90% of the equity interest in the Liziping Company from Song Denghong. The consideration for the 90% equity interest in the Liziping Company will be determined based on the lead and zinc metals contained in the estimated resources of the Liziping Mine, and will in any event be no less than RMB216 million and no more than RMB756 million. The pro forma adjustment used for the estimated consideration for 90% equity interest acquired in the Liziping Company of RMB495 million is based on the Group's current estimation of the Liziping Mine's exploration potential. Dehong Yinrun made a prepayment in relation to the Liziping Company of RMB70 million as of June 30, 2011.

(ii) Accounting for the acquisition of the Liziping Company

International Financial Reporting Standard 3 ("IFRS 3") defines business as "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. IFRS 3 further notes that a business consists of inputs and processes applied to those inputs that have the ability to create outputs. As the Liziping Company is primarily in its development stage and no mining activities have been commenced, the inputs (i.e. employees, mineral reserve and property, plant and equipment) and processes (i.e. exploration and evaluation processes) that are required to generate output are not satisfied. Therefore, the acquisition of the Liziping Company does not constitute a business combination and is regarded as an acquisition of an asset rather than a business combination.

In accordance with IFRS 3, when an acquisition of an asset or group of assets does not constitute a business, the acquirer shall identify and recognize the individual identifiable assets acquired and liabilities assumed. The cost of acquiring an asset or group of assets group shall be allocated to the individual identified assets and liabilities on the basis of their relative fair values at the date of purchase.

The non-controlling interest of RMB55 million is recognized at its proportion of the relative fair values of the assets acquired, which represents 10% portion of the Liziping Company's estimated value of RMB550 million. The consideration of RMB495 million paid by the Group is allocated between the assets based on the relative fair value and then grossed up to 100%. The carrying amounts of the assets in the statement of financial position of the Liziping Company approximate to their fair values except for the exploration right to the Liziping Mine. Based on the Group's current estimation of the Liziping Mine's exploration potential, the fair value of the exploration right to the Liziping Mine is far more than its carry amount. Therefore, the difference of RMB530.6 million between the consideration paid and the carrying amount of the assets acquired is added to the exploration right for the Liziping Mine.

(D) LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for inclusion in this Prospectus, in respect of the Group's unaudited pro forma financial information.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

December 2, 2011

The Directors
China Polymetallic Mining Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets, unaudited pro forma forecast loss per share and unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information") of China Polymetallic Mining Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the global offering of 500,000,000 shares of HK$0.00001 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated December 2, 2011 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as of June 30, 2011 or any future dates; or
- the forecast loss per share of the Group for the year ending December 31, 2011 or any future periods; or
- the financial position of the Enlarged Group as of June 30, 2011 or any future dates.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;

(b) such bases are consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The forecast consolidated loss after taxation and minority interests but before extraordinary items of our Company for the year ending December 31, 2011 is set out in the paragraph headed "Loss Forecast For The Year Ending December 31, 2011" in the section headed "Financial Information" in this Prospectus.

(1) Bases

The Directors have prepared the consolidated loss forecast attributable to the owner of our Company for the year ending December 31, 2011 based on the audited consolidated results of our Group for the six months ended June 30, 2011, the unaudited management accounts for the four months ended October 31, 2011 and forecast consolidated results of our Group for the remaining two months ending December 31, 2011.

The forecast has been prepared on a bases consistent in all material respects with the accounting policies currently adopted by our Group as summarized in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Consolidated loss forecast attributable to owners of the Company(1)	RMB246.6 million (HK$302.2 million)(3)
Unaudited pro forma forecast loss per Share for the year ending December 31, 2011(2)	RMB0.123 (HK$0.150)

Notes:

(1) The bases and assumptions on which the consolidated loss forecast attributable to owners of the Company for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this Prospectus.

(2) The calculation of unaudited pro forma forecast loss per Share is based on the consolidated loss forecast attributable to owners of the Company for the year ending December 31, 2011 of RMB246.6 million and on the assumption that the Company has been listed since January 1, 2011 and a total number of 2,000,000,000 Shares were in issue during the year ending December 31, 2011.

(3) The consolidated loss forecast attributable to owners of the Company includes a one-off equity-settled share-based expense of RMB233.0 million and the expenses in relation to the Global Offering.

We have analyzed the sensitivity of the loss forecast of the Group for the year ending December 31, 2011 with reference to the potential movements in the key bases in the loss forecast, such as the selling price of lead-silver concentrates and zinc-silver concentrates, the sales volume of lead-silver concentrates and zinc-silver concentrates and the unit cost of sales of lead-silver concentrates and zinc-silver concentrates for the year ending December 31, 2011.

The sensitivity of the loss forecast for the movements in average selling price of lead-silver concentrates and zinc-silver concentrates, sales volume of lead-sliver concentrates and zinc-sliver concentrates and average unit cost of sales of lead-sliver concentrates and zinc-sliver concentrates is analyzed as follows:

	For the year ending December 31, 2011
	RMB'000 Increase/(decrease) in profit attributable to the owners of the Company
(A) Movement in average selling price of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	2,338
Increase 10%	4,676
Increase 15%	7,014
Increase 20%	9,352
Increase 25%	11,691
Increase 30%	14,029
Decrease 5%	(2,338)
Decrease 10%	(4,676)
Decrease 15%	(7,014)
Decrease 20%	(9,352)
Decrease 25%	(11,691)
Decrease 30%	(14,029)
(B) Movement in sales volume of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	2,085
Increase 10%	4,170
Decrease 5%	(2,085)
Decrease 10%	(4,170)
(C) Movement in average unit cost of sales of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	(418)
Increase 10%	(836)
Decrease 5%	418
Decrease 10%	836

(2) Letters

Set out below are texts of letters received by the Directors from (i) Ernst & Young, the auditors and reporting accountants of the Company, and (ii) the Sole Sponsor prepared for the purpose of incorporation in this Prospectus in connection with the loss forecast of the Company for the year ending December 31, 2011.

(a) Letter from Ernst & Young

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

December 2, 2011

The Directors
China Polymetallic Mining Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the forecast of the consolidated loss attributable to equity holders of China Polymetallic Mining Limited (the "Company", together with its subsidiaries, hereinafter collectively referred to as the "Group") for the year ending December 31, 2011 (the "Loss Forecast") as set out in the paragraph headed "Loss Forecast" under the section headed "Financial Information" in the prospectus of the Company dated December 2, 2011 (the "Prospectus") for which the directors of the Company (the "Directors") are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Loss Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the six months ended June 30, 2011, the unaudited management accounts for the four months ended October 31, 2011 and a forecast of the consolidated results of the Group for the remaining two months ending December 31, 2011.

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Part 1 of Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated December 2, 2011, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(b) Letter from the Sole Sponsor

The following is the text of a letter, prepared for inclusion in this prospectus, which we have received from Citigroup Global Markets Asia Limited, the Sole Sponsor, in connection with the estimate of the consolidated loss of China Polymetallic Mining Limited (the "Company") and its subsidiaries attributable to equity holders of the Company for the year ending December 31, 2011.

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower, Citibank Plaza
3 Garden Road, Central,
Hong Kong

December 2, 2011

The Directors
China Polymetallic Mining Limited

Dear Sirs

We refer to the estimated consolidated loss attributable to owners of China Polymetallic Mining Limited (the " Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2011 (the "Loss Forecast") as set out in the prospectus issued by the Company dated December 2, 2011 (the "Prospectus").

We understand that the Loss Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the six months ended June 30, 2011, the unaudited management accounts for the four months ended October 31, 2011 and a forecast of the consolidated results of the Group for the remaining two months ending December 31, 2011. We have discussed with you the bases as set out in paragraph (1) of Appendix III to the Prospectus, to the extent applicable, upon which the Loss Forecast has been made. We have also considered, and relied upon, the letter dated December 2, 2011 addressed to yourselves and ourselves from Ernst & Young (the "Reporting Accountants") regarding the accounting policies and calculations upon which the Loss Forecast has been made.

On the basis of the information comprising the Loss Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by the Reporting Accountants, we are of the opinion that the Loss Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully

For and on behalf of
Citigroup Global Markets Asia Limited

Richard Zhang
Managing Director
Head of Greater China Metals and Mining

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at September 30, 2011 of the property interests of the Group.

Jones Lang LaSalle® Sallmanns

Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

December 2, 2011

The Board of Directors
China Polymetallic Mining Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instruction to value the properties in which China Polymetallic Mining Ltd. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at September 30, 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest of property no. 1 by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the property no. 2 and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interest has therefore been valued on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Group II and Group III, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various documents including Stated-owned Land Use Rights Certificates, Buildings Ownership Certificates and official plans relating to the property interests in the PRC and have made relevant enquires. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests. We have relied considerably on the advice given by the Company's PRC legal advisers — Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). The exchange rate adopted in our valuations is approximately HK$1 = RMB0.8154 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited

Paul L. Brown	**Sam B. Q. Zhu**
B.Sc. FRICS FHKIS	*MRICS*
Chief Valuation Adviser	*Director*

Notes:

1. *Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.*

2. *Sam B. Q. Zhu is a Chartered Surveyor who has 13 years' experience in the valuation of properties in the PRC.*

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at September 30, 2011	Interest attributable to the Group	Capital value attributable to the Group as at September 30, 2011
		RMB		RMB
1.	Units 2001 to 2004, Block 1 Intraxx Plaza No. 145 Tiantai Road Gaoxin District Chengdu City Sichuan Province The PRC	14,473,000	99%	14,328,000
2.	3 parcels of land, 12 buildings and various structures located at Tuanpo and Lanniqing Villages Zhanxi Town Yingjiang County Dehong Dai & Jingpo Autonomous Prefecture Yunnan Province The PRC	149,317,000	99%	147,824,000
.	**Sub-total:**	**163,790,000**		**162,152,000**

Group II — Property interests leased and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at September 30, 2011
		RMB
3.	Levels 2 and 3 of a 3-storey building No. 205 Mengla Road Yingjiang County Dehong Dai & Jingpo Autonomous Prefecture Yunnan Province The PRC	No commercial value

No.	Property	Capital value in existing state as at September 30, 2011
		RMB
4.	A 3-storey building, Block 2, Row 8, Area A Huafeng Ziyuan Community Mang City Dehong Dai & Jingpo Autonomous Prefecture Yunnan Province The PRC	No commercial value
	Sub-total:	**Nil**

Group III — Property interest leased and occupied by the Group in Hong Kong

No.	Property		Capital value in existing state as at September 30, 2011
			RMB
5.	Unit 4712 47/F the Center 99 Queen's Road Central, Hong Kong		No commercial value
	Sub-total:	**Nil**	**Nil**
	Grand total:	**163,790,000**	**162,152,000**

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2011
				RMB
1.	Units 2001 to 2004 Block 1 Intraxx Plaza No. 145 Tiantai Road Gaoxin District Chengdu City Sichuan Province The PRC	The property comprises 4 office units on Level 20 of a 20-storey office building completed in 2009. The units have a total gross floor area of approximately 1,058.81 sq.m.	The property is currently occupied by the Group for office purpose.	14,473,000 99% interest attributable to the Group: RMB14,328,000

Notes:

1. Pursuant to a Housing Purchase and Sale Contract dated June 18, 2010 entered into between Yingjiang County Kunrun Industry Company Limited ("**Kunrun**", a 99% interest owned subsidiary of the Company) and Intraxx Overseas Investment Management (Chengdu) Co., Ltd. (特拉克斯海外投資管理(成都)有限責任公司), 4 office units with a total gross floor area of approximately 1,058.81 sq.m. were contracted to be sold to Kunrun at a consideration of RMB9,435,000.

2. Pursuant to 4 Buildings Ownership Certificates — Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 2517465, 2517471, 2517474 and 2517476 (成房權證監證字第2517465, 2517471, 2517474及2517476號), 4 office units with a total gross floor area of approximately 1,058.81 sq.m. are owned by Kunrun.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Kunrun has legally obtained the Building Ownership Certificates of the property and has the rights to legally use, occupy, transfer, lease, mortgage or otherwise dispose of the property; and

   b. the property is not subject to mortgage and any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2011
				RMB
2.	3 parcels of land and 12 buildings and various structures located at Tuanpo and Lanniqing Villages Zhanxi Town Yingjiang County Dehong Dai & Jingpo Autonomous Prefecture Yunnan Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 115,671 sq.m. and 12 buildings and various structures erected thereon which were completed in December 2010 and August 2011. The buildings have a total gross floor area of approximately 14,038.55 sq.m. The buildings mainly include an office building, a laboratory and industrial buildings. The structures mainly include walls, pools and belt conveyor galleries. The land use rights of the property have been granted to Kunrun for a term of 50 years expiring on September 23, 2061 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes.	149,317,000 99% interest attributable to the Group RMB147,824,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — CR53 Ying Jiang County No. 2011002-2 dated September 23, 2011, the land use rights of the property were contracted to be granted to Yingjiang County Kunrun Industry Company Limited ("**Kunrun**", a 99% owned subsidiary of the Company) for a term of 50 years expiring on for industrial use. The total land premium was RMB13,070,823.

2. Pursuant to 3 State-owned Land Use Rights Certificates dated September 30, 2011 — Ying Guo Yong Zi Di Nos. 1043 to 1045, the land use rights of 3 parcels of land with a total site area of approximately 115,671 sq.m. have been granted to Kunrun for a term of 50 years expiring on September 23, 2061 for industrial use.

3. Pursuant to a Building Ownership Certificate dated October 19, 2011 — Ying Fang Quan Zheng Zi Di No. 8579, 12 buildings with a total gross floor area of approximately 14,038.55 sq.m. are owned by Kunrun.

4. Pursuant to a Mining Permit — No. C5300002010023220056038 dated March 29, 2011 issued by Yingjiang County State-owned Land and Resources Bureau, the mining rights with a mining area of approximately 3.2 sq.km. are authorized to Kunrun for a term commencing from April 6, 2011 and expiring on April 5, 2026 ("**Mining Area**").

5. As confirmed by Kunrun, there are 2 ancillary structures erected on the Mining Area.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Kunrun has legally obtained the Building Ownership Certificate of the property and has the rights to legally occupy, use, lease, mortgage, transfer and otherwise dispose of the property in accordance with the valid term stipulated in the State-owned Land Use Rights Certificates; and

   b. The property is not subject to mortgage and any other encumbrances.

7. We have attributed no commercial value to the structures mentioned in note 5 which are erected on the land without proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these structures (excluding the land element) as at the date of valuation would be RMB4,991,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

Group II — Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2011
				RMB
3.	Levels 2 and 3 of a 3-storey building No. 205 Mengla Road Yingjiang County Dehong Dai & Jingpo Autonomous Prefecture Yunan Province The PRC	The property comprises Levels 2 and 3 of a 3-storey building completed in 2005. The property has a total lettable area of approximately 380 sq.m.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Lease Agreement dated April 21, 2011, Level 2 of a 3-storey building with a lettable area of approximately 190 sq.m. is leased to Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司, "**Kunrun**", a 99% interest owned subsidiary of the Company) from Xie Guangyun (謝廣雲, an independent third party) for a term of one year expiring on April 20, 2012 at a monthly rent of RMB1,750, exclusive of water and electricity charges.

2. Pursuant to another Lease Agreement dated April 21, 2011, Level 3 of the aforesaid building with a lettable area of approximately 190 sq.m. is leased to Dehong Yinrun Mining Technology Development Company Limited (德宏銀潤礦業技術發展有限公司, "**Dehong Yinrun**", an indirectly wholly-owned subsidiary of the Company) from Xie Guangyun (謝廣雲, an independent third party) for a term of one year expiring on April 20, 2012 at a monthly rent of RMB750, exclusive of water and electricity charges.

3. We have been provided with a legal opinion on the legality of the Lease Agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. the lessor has the rights to lease the property; and

   b. the Lease Agreements are legal, valid and binding on both signing parties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2011
				RMB
4.	A 3-storey building Block 2, Row 8, Area A Huafeng Ziyuan Community Mang City Dehong Dai & Jingpo Autonomous Prefecture Yunnan Province The PRC	The property comprises a 3-storey residential building completed in October 2009. The property has a total lettable area of approximately 320.8 sq.m.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Lease Agreement, the property is leased to Dehong Yinbang Mining Technology Development Company Limited (德宏銀邦礦業技術發展有限公司) ("**Dehong Yinbang**", an indirectly wholly-owned subsidiary of the Company) from Tang Juan (唐娟, an independent third party) for a term of 5 years expiring on April 22, 2016 at an annual rent of RMB30,000, exclusive of water and electricity charges.

2. We have been provided with a legal opinion on the legality of the Lease Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. the lessor has the rights to lease the property; and

   b. the Lease Agreement is legal, valid and binding on both signing parties.

VALUATION CERTIFICATE

Group III — Property interest leased and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2011
				RMB
5.	Unit 4712 47/F the Center 99 Queen's Road Central Hong Kong	The property comprises a unit on the 47th floor of a 73-storey office building completed in about 1998. The unit has a lettable area of approximately 94.76 sq.m.(or 1,020 sq.ft.) The property is leased by China Ploymetallic Mining Limited from The Center (47) Limited (an independent third party) for a term of 2 years 8 months 15 days expiring on April 30, 2014, at a monthly rent of HK$106,000 (RMB86,432.4), exclusive of rates, management fees, water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The registered owner of the property is The Center (47) Limited.

2. The property is subject to an Occupation Permit No. H44/98 vide Memorial No. UB7511436 dated June 13, 1998.

3. The property is subject to a Certificate of Compliance vide Memorial No. UB8041101 dated March 31, 2000.

4. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB7603348 dated October 12, 1998.

5. The property is subject to a Sub-Deed of Mutual Covenant vide Memorial No. UB9024549 dated September 29, 2003.

Competent Person's Report
Yunnan Polymetallic Projects
Yunnan Province, China

Minarco-MineConsult, 13/F,
68 Yee Wo Street,
Causeway Bay,
Hong Kong.

Contact:
rungeasia@runge.com.au
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Effective Date: November 25, 2011

Compiled by:

Jeremy Clark

Senior Consultant Geologist

Peer Review by:

Michael Eckert

Senior Mining Engineer, Beijing

China Polymetallic Mining Limited

Unit 4712, 47/F
The Center
99 Queen's Road Central
Hong Kong

November 25, 2011

RE: INDEPENDENT TECHNICAL REVIEW AND COMPETENT PERSONS REPORT

Dear Sirs,

Runge Asia Limited ("RAL"), trading as Minarco-MineConsult ("MMC"), has been engaged by China Polymetallic Mining Limited (the "Client" or "Company") to carry out an Independent Technical Review ("ITR") of the Yunnan mining and exploration assets ("the Projects") located in Yunnan Province, China. The Company is planning to list on The Stock Exchange of Hong Kong Limited ("HKEx").

The process and conclusions of the ITR are presented in the attached Independent Technical Review and Competent Person's Report, which will be included in the HKEx prospectus prepared as part of the Initial Public Offering.

MMC's technical team ("the Team") consisted of both international and Chinese nationals, Competent Persons, senior mining engineers and geologists. The Team undertook a number of site visits to the Projects to familiarize themselves with site conditions. MMC's Competent Persons were responsible for compiling the report and the JORC compliant Mineral Resource and Ore Reserve Estimates stated within.

During the site visits, the Team had open discussions with Company personnel on technical aspects relating to the Project issues. The company personnel were cooperative and open in facilitating MMC's work.

In addition to work undertaken to generate independent JORC compliant Mineral Resource and Ore Reserve Estimates for the Shizishan Project, this report relies largely on information provided by the Company, either directly from the site and other offices, or from reports by other organizations whose work is the property of the Company. The data relied upon for the Mineral Resource and Ore Reserve Estimates completed by MMC have been compiled primarily by the Company and subsequently validated by MMC. The report is based on information made available to MMC as of October 25, 2011. The Company has not advised MMC of any material change, or event likely to cause material change, to the underlying data, designs or forecasts since the date of asset inspections.

Project Summary and Conclusions

The Projects consist of the Shizishan Pb-Zn-Ag Project (the Shizishan Project") which has commenced operations and the Liziping PB-Zn-Ag-Cu Project (the "Liziping Project") which is at an early stage of exploration. Both Projects are located in Yunnan Province of the Peoples Republic of China.

Shizishan project

- The Shizishan Project is a large scale high grade lead, zinc, silver mining asset. The Project has commenced operations with underground development underway and trial processing of ore on-going. The current total Project mine life as outlined in the Feasibility Study prepared by the Changsha Nonferrous Metallurgy Design Institute, a qualified Chinese institute, is estimated to be approximately 12.5 years (from July 2011) inclusive of a ramp up forecast production of 48 and 419 kilotonnes per annum (ktpa) in 2011 and 2012 respectively, prior to reaching a full forecast production capacity of 660 ktpa by the end of December 2012. The proposed mining schedule is considered reasonable and achievable.

- The Project is located 45 km north east of Yingjiang County Town, and is under the jurisdiction of Zhanxi Town, Yingjiang County. The Mining Licence No. C5300002010023220056038 covers an area bounded by Longitude 98°09'30"E to 98°10'26"E and Latitude 25°05'20"N to 25°06'25"N. The Project is easily accessible on well established roads. Water and power infrastructure in the area is not seen as a limiting factor to the projects development.

- Mineral Resources (Pb-Zn-Ag) within the current Mining Licence area have been independently estimated as at October 25, 2011 by MMC, in accordance with the recommendations of the JORC Code. The estimated Mineral Resources using a 0.5% Pb cut-off grade are 9,345 kt at an average grade* of 9.4% Lead (Pb), 6.0% Zinc (Zn), 256 grams per tonne (g/t) Silver (Ag), for a total of 878,600 t of contained Pb metal, 563,000 t of contained Zn metal and 2,400 t of contained Ag metal. MMC understands that the current Mining Licence has a vertical limit of 1,000m elevation. An estimated total of 108 kt of Indicated and Inferred resources at 4.7% Pb, 4.4% Zn and 171 g/t Ag are located below this elevation, which MMC considers immaterial to the global resource.

- Ore Reserves (Pb-Zn-Ag) within the current Mining Licence area have been independently estimated as at October 25, 2011 by MMC in accordance with the recommendations of the JORC Code. Ore Reserves are estimated to be 8,024 kt at an average grade* of 9.3% Pb, 6.0% Zn and 250 g/t Ag, for a total of 745,900 t of contained Pb metal, 477,300 t of contained Zn metal and 2,000 t of contained Ag metal. The JORC Ore Reserve estimate can be reconciled to the Mineral Resource estimate by considering 'Modifying Factors', which MMC has applied to the JORC Mineral Resource estimate. Some of these Factors include mining licence boundaries, non-economical areas of the deposit, mining dilution factors based on mining method and stope geometry and mining loss factors.

- Exploration to date has defined a significant high grade deposit within a limited portion of the total potentially mineralized host rock. It is MMC's opinion that significant potential exists to expand the currently defined resources within the Project with further drilling and advanced exploration techniques such as downhole geophysics within the remainder of the area.

- An upgrade of a significant portion of the existing Inferred Mineral Resource to the Indicated category can be achieved with the completion of an additional 2 to 3 holes, for approximately 1,000 m. This would potentially result in the upgrade of approximately 250 kt of the resource from Inferred to Indicated classification under JORC.

* In line with the industry standard, average grade refers to the overall grade of the whole resources or whole reserves and incorporates the bulk density grade variations of the deposit. The average grade of the reserves reflects the life of the mine grade.

- The Cut-and-Fill stoping mining method as described in the mining study and reviewed by MMC is planned to be implemented. This is a flexible and selective mining method which is appropriate for high grade resources where increased ore recoveries and reduced ore dilutions are desired.

- A processing plant designed to process Pb-Zn-Ag material at a throughput capacity of 660 ktpa (2,000 tpd) has been constructed and is undergoing commissioning and optimization. The processing circuit is a conventional flotation operation in which marketable lead and zinc concentrates, both containing payable silver, are produced. Forecast recoveries of 93% Pb and 89% Ag reporting to a Pb concentrate, and 89% Zn and 7% Ag reporting to a Zn concentrate are based on metallurgical testing.

- The Project has an estimated long term average mining operating cost of 62 RMB/t of ore mined, and an estimated processing operating cost of 82 RMB/t of ore processed. MMC considers both cost estimates to be reasonable for the operations.

- The total capital cost of developing the mine and processing plant to full production is estimated to be 403 million RMB, which MMC considers to be in line with similar styles of operation in China.

- The environmental quality classification standards of the region do not impose any restrictions on mining activities. No nature reserves or protected areas were reported within a 2km radius of the Project area.

- Local labor will be employed during project construction and operation, which should result in economic benefit for the local people and government.

- The local land utilization status should not be altered by the Project's construction or operation. The construction process is not expected to cause large areas of water or soil loss and the pollutants being discharged should not have a significant impact upon the surrounding ecosystem. Atmospheric pollution generated is not anticipated to be of harm to animals and plants in the area.

The key risks identified to the Shizishan Project during the ITR are outlined below:

- Detailed geotechnical information was not available for review. As such, MMC cannot comment on the ground conditions or stability of the underground workings. If the ground conditions are less favorable than expected, dilution may increase and recovery could be less than expected.

- The Cut-and-Fill mining method requires workers to operate in active stope areas. Working in stopes increases the workers risk of exposure to rock falls. This risk will potentially increase as mining progresses, however this can be mitigated through effective operational safety practices.

- Detailed understanding of the mineralization style and controls on mineralization in these types of deposits often rests with identification of the main controls of the high grade domains. Although the close spaced drill holes have confirmed the continuity of the high grade lenses surrounded by lower grade material, the larger spacing in some portions of the Project results in a lower level of confidence for the estimated grade.

Liziping Project

- The Liziping Project is contained within a single exploration licence which is held by Nujiang Shengjia Chengxin Industrial Company Ltd. MMC has been informed that the Company has an agreement to acquire 90 percent of Nujiang Shengjia Chengxin Industrial Company Ltd. Although no legal due diligence work has been completed by MMC, it is aware the Company is in the process of performing the legal due diligence which is yet complete to be completed.

- The Liziping Project is a single Pb-Zn-Ag-Cu exploration asset which is at the early stage of exploration. The Liziping Project has a reasonable amount of exploration completed, with recent surface drilling having delineated and underground sampling confirming remnant mineralization within the historical workings. The Liziping Project is located 40 km north west of the Lanping County, Yunnan Province, China. The Exploration Licence T53120091102035905 covers an area bounded by 99°14'00"E to 99°17'00"E and from 26°50'30"N to 26°53'00"N resulting in an area of approximately 18.29 sq.km

- Mining operations have been undertaken within the Liziping Project area since the early 1900's. No mining took place between 1949 and 1996 at which point operations recommenced via small scale private mining activity. In 2002 mining operations increased in scope and scale and peaked in 2005. Although no detailed surveys have been completed, documents and recent exploration work indicates that the mine workings reached a depth of 300 m from surface. In 2006, the Lanping Dipingxian Mining Company was established which resulted in mining activities becoming more organized and systematic until its closure in 2009.

- The Liziping project is a thrust fault system controlled, sediment hosted deposit containing Pb-Zn-Ag mineralization with minor Cu and Sn. The Pb-Zn-Ag mineralization is hosted within the finely laminated dolomitic and sandstone units of the upper Jurassic Period. Mineralization appears to be highly structurally controlled within these units and associated with significant late stage calcite veining and fracture fill. Both the galena and sphalerite mineralization occur as very fine grains, particularly galena which appears often to have a sheared fabric that overprints the primary crystal structure. Observations indicate that remobilization of the mineralization has occurred which is likely the result of shearing or ductile deformation events. Although it is likely remobilization will not have a significant impact on the overall geometry or grade distribution, there is potential for localized concentration, which may result in some higher grade areas being formed.

- Four areas of considerable Pb-Zn-Ag mineralization have been identified through underground historical mining and surface outcrop sampling. Although variable in orientation and geometry, the veins strike south of east and generally dip steeply towards the south with variable thicknesses ranging up to several meters. Three of the known Pb-Zn mineral occurrences are emplaced in east west trending fault systems which are approximately parallel. This style of emplacement typically results in discontinuous veins which pinch and swell at a local scale.

- Prior to 2004 minimal systematic geological and cursory reconnaissance exploration were undertaken. These works however noted several base metal anomalous areas within the district. During the 2004 campaign, which was completed by the No.3 team of the Yunnan Geological Bureau, geophysical surveys revealed 14 Induced polarization (IP) anomalies, all of which were highly prospective for base metals, in particular Pb and Zn. Following a review of the 2004 exploration work a systematic logging and sampling campaign was undertaken. This campaign which focused on the four historical mining areas included a detailed geological survey, underground geological mapping and sampling of historical drives, surface trench samples, and completion of the first chemical analysis.

- Recent exploration, which began in July, 2011 has primarily focused on establishing working infrastructure, rehabilitating and sampling of the historical underground workings, and completion of preliminary surface diamond drilling. The results received from this preliminary work have confirmed the geological interpretation and will enable a detailed exploration program to be planned in the next 6 to 12 months for the main mineralized zone located in the southern portion of the licence area.

- A review of the exploration data indicates the following:

  - During the review of the drilling and sampling data supplied MMC noted that insufficient data is available to complete a Mineral Resource and Ore Reserve estimate for the Liziping Project.

  - Remnant mineralization is still present in the lower levels of the underground workings and there are likely to be no structures or faults which offset mineralization directly below these levels. MMC notes that a significant underground drill program is planned to target the area directly below the mine workings on the main vein in Area 2 which is to commence in the next 2 months. MMC considers the likelihood of the definition of resources in the area directly below the mine workings to be high, however cannot comment as to the likely depth which these extensions will reach, as only limited information is available for this area.

  - Cu mineralization has been identified within surface outcrop and underground workings in the Liziping Project area which is likely related to the Pb and Zn mineralization. Further work is required to understand this relationship prior to undertaking any exploration for Cu.

  - Although no significant mineralization intercepts have been made in the recent drilling (pending results), these drill holes were targeting the potential host sequence well below any current mine workings (the closet target being over 300 m below the lowest mine workings). During the site visit MMC observed minor amounts of mineralization (Pb and Zn) in the available drill core, which indicates that at least the structure which contains the main vein of mineralization is potentially continuous at depth. MMC considers the potential identification of the mineralized structures at depth to be encouraging for future exploration and the likelihood for discovery of significant mineralization at depth to be likely.

  - Structures have a significant impact on the controls on mineralization within the Project and this is likely to be reflected both at a regional and local scale. Parallel repetitions of the mineralized structures have been identified within the Project which could potentially host blind veins which do no outcrop at surface. The geophysical surveys planned by the Company will likely highlight potential areas requiring further exploring.

MMC has conducted its review and preparation of the Independent Technical Review and Competent Person's Report in accordance with the requirements of Chapter 18 of the Listing Rules of the HKEx. The report is also in compliance with:

- the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code, 2004 Edition, Prepared by: The Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC); for determining resources and reserves; and

- the Code and Guidelines for technical assessment and/or valuation of mineral and petroleum assets and mineral and petroleum securities for Independent Expert Reports (the "Valmin Code").

MMC operates as an independent technical consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industries. This report was prepared on behalf of MMC by technical specialists, details of whose qualifications and experience are set out in **Annexure A**.

MMC has been paid, and has agreed to be paid, professional fees for its preparation of this report. However, none of MMC or its directors, staff or sub-consultants who contributed to this report has any interest or entitlement, direct or indirect in:

- the Company, securities of the Company or companies associated with the Company; or

- the Relevant Asset; or

- the outcome of the Initial Public Offering.

The work undertaken is an ITR of the information provided, as well as information collected during site inspections completed by MMC as part of the ITR process. It specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements/contracts that the Company may have entered into.

MMC does not warrant the completeness or accuracy of information provided by the Company which has been used in the preparation of this report.

Drafts of this report were provided to the Company, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the report.

Generally, the data available was sufficient for MMC to complete the scope of work. The quality and quantity of data available, and the cooperative assistance, in MMC's view, clearly demonstrated the Company's assistance in the ITR process. All opinions, findings and conclusions expressed in the report are those of MMC and its specialist advisors.

Yours faithfully,

Jeremy Clark

Senior Consultant Geologist

Runge Asia Limited

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1 INTRODUCTION

Runge Asia Limited ("MMC"), trading as Minarco-MineConsult ("MMC"), has been engaged by China Polymetallic Mining Limited (the "Client" or "Company") to carry out an Independent Technical Review ("ITR") of the Yunnan mining and exploration assets ("the Projects") located in Yunnan Province, China. The Projects are to be included into a listing circular for The Stock Exchange of Hong Kong Limited ("HKEx").

The Projects are all located in Yunnan Province of the Peoples Republic of China. The Projects consist of:

- the Shizishan Pb-Zn-Ag Project (the "Shizishan Project") is located 45 km north east of Yingjiang County. Exploration activities have been ongoing within the Shizishan Project area intermittently since the 1950's, however only recently has significant exploration been conducted which culminated with the Company completing a significant surface diamond drilling program in 2010 and 2011. This recent drilling has successfully defined a significant high grade lead, silver, zinc deposit which is the focus of this ITR. The Project has commenced operations with underground development underway and trial processing of ore on-going;

- the Liziping Pb-Zn-Ag-Cu Project (the "Liziping Project") is located 40 km north west of Lanping County and is an early stage exploration project with some historical underground workings which are currently being rehabilitated. Exploration is being carried out through drilling and underground sampling as well as further geophysical surveying with the aim of delineating a Mineral Resources in the next 12 months.

1.1 Scope of Work

MMC carried out the following scope of work for the ITR:

- Gathered relevant information on the Project including drill hole information (collar, survey, geology, and assays), quality control data, life of mine production schedules, and operating and capital cost information;

- Reviewed geological information, including quantity and quality of drilling, and verified existing data and procedures;

- Completed geological and exploration reviews of the Projects;

- Completed a Mineral Resource and Ore Reserve Estimation in compliance with the recommendations of the JORC Code resulting in a Statement of Mineral Resources for the Shizishan Project;

- Completed Ore Reserve estimations in compliance with the recommended guidelines of the JORC Code for the Shizishan Project;

- Reviewed and commented on the appropriateness of planned mining methods and mine design in the relevant technical studies for the Shizishan Project;

- Reviewed potential production profiles for the Shizishan Project;

- Reviewed and commented on forecast operating and capital expenditure in the relevant technical studies for the Shizishan Project;

- Reviewed the Company's short and long term development plans for the Shizishan Project; and
- Reviewed the Project's environmental and social setting.

1.2 Relevant Assets

The Relevant Asset include:

- Shizishan Project: a Pb-Zn-Ag deposit which occurs within a single mining licence with extents of Longitude 98°09'30" to 98°10'26"E and Latitude 25°05'20" to 25°06'25"N.
- Liziping Project: a Pb-Zn-Ag-Cu deposit which occurs within a single exploration licence with extents of Longitude 99°14'00"E to 99°17'00"E and Latitude 26°50'30"N to 26°53'00"N.

1.3 Review Methodology

MMC's ITR methodology was as follows:

- Preparation for the study by translating and reviewing existing reports. The list of reports reviewed is outlined in ***Chapter 1.5*** below.
- Several sites visits were conducted to the projects by a Chinese geologist, senior international Consultant Geologists, a processing engineer and a senior international mining engineer. Technical issues were discussed with technical Project personnel.
- Meetings were held with technical staff from the various design institutes including Changsha Nonferrous Metallurgy Design Institute ("the Design Institute") who prepared the Feasibility Study of Shizishan Pb Zn Ag deposit Expansion Project, April 2011, ("Feasibility Study") which was reviewed by MMC.
- MMC prepared this ITR and provided drafts to the Company and its specialist advisers to ensure factual accuracy.

The comments and forecasts in this report are based on information compiled by enquiry and verbal comment from the Company. Where possible, this information has been cross checked with hard data or by comment from more than one source. Where there was conflicting information on issues, MMC used its professional judgment to assess the issues.

1.4 Site Visits and Inspections

Shizishan Project

The MMC technical team which visited site ("the Team") consisted of a Chinese Resource Geologist (Mr Sheng Zhan), an international senior consultant geologist (Mr Alexander Arizanov), a Chinese processing engineer (Mr Jim Jiang) and senior international mining engineers (Mr Andrew Shepherd and Mr Michael Eckert). Four site visits were completed in November 2010, March 2011, May 2011 and October 2011. During these site visits, the Team inspected the surface exposures, access roads, underground development, the processing plant construction site and conducted general inspections of the surrounding countryside. These visits were also used to gain a better understanding of the Project and to ensure compliance with the JORC Code of MMC's Mineral Resource and Ore Reserve Estimations. Particular attention was paid to the drilling, sampling and analytical procedures to ensure no sample bias was occurring and ensure compliance with the JORC Code.

Open discussions were held with the Company and associated Design Institute's experts on aspects relating to the technical issues of the Project. Technical personnel were co-operative and open in facilitating MMC's work.

Liziping Project

The MMC technical team which visited Liziping sites consisted of a Chinese resource geologist (Mr Feng Wu), a Chinese senior consultant geologist (Mr Jinping Xu), an international senior consultant geologist (Mr Mark Burdett), and an international consultant geologist (Miss Tanya Nayda). Two site visits were completed in August 2011, September 2011. During these site visits, the Team inspected the surface exposures, access roads, underground development, and conducted general inspections of the surrounding countryside. These visits were also used to gain a better understanding of the drilling, sampling and analytical procedures to ensure no sample bias was occurring and ensure compliance with the JORC Code.

Open discussions were held with the Company and associated Design Institute's experts on aspects relating to the technical issues of the Project. Technical personnel were co-operative and open in facilitating MMC's work.

1.5 Information Sources

The following information sources were provided for review:

Shizishan Project

Reports

- "Detailed Survey Report of Shizishan Pb Zn Ag deposit, Yingjiang County, Yunnan Province", Institute of Mineral Resources, China Academy of Geological Sciences, February 2006.
- "Feasibility Study of Shizishan Pb Zn Ag deposit Expansion Project" ("Metallurgy Testing"), Changsha Nonferrous Metallurgy Design Institute, April 2011.
- "Feasibility Study of Shizishan Pb Zn Ag deposit Expansion Project", Changsha Nonferrous Metallurgy Design Institute, April 2011.
- "Geological Hazard Assessment of the Tailing Storage Facility", Yunnan No. 2 Geological Engineering Institute, October 2010.
- "Metallurgy Testing and Study Report of Shizishan Pb Zn Ag deposit", Geology and Mineral Resources of Sichuan Province, Chengdu Integrated Mineral Exploration and Development Test Centre, June 2009.

- "Shizishan Pb Zn deposit Geological Environment Protection and Restoration Plan", Yunnan No. 2 Geological Engineering Institute, October 2010.
- "Water and Soil Conservation Plan for the Shizishan Mine 1,500 tpd Mining and 2,000 tpd Ore Processing Plant Projects", Southwest Nonferrous Kunming Exploration and Design Institute, October 2010.
- "Yingjiang Pb-Zn-Ag Safety Chapter", Changsha Non-ferrous Metal Design Institute, November 2010.

Licence

- Mining Licence C5300002010023220056038.

Liziping project

Reports

- "Detail Exploration Design of Lizhiping Pb-Zn Polymetallic Project", Northwest brigade, Sichuan Bureau of Geology, August 2011.

Licence

- Exploration Licence T53120091102035905.

1.6 Competent Person and Responsibilities

1.6.1 Mineral Resources

The information in this report that relates to Mineral Resources is based on information compiled by or under the supervision of Mr Jeremy Clark who is a full time employee of MMC and a Member of the Australian Institute of Geoscientists. Jeremy Clark has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves ("The JORC Code").

The Mineral Resource estimate complies with the recommended guidelines of the JORC Code. Therefore it is suitable for public reporting.

1.6.2 Ore Reserves

The information in this report relating to Ore Reserves, is based on information compiled by the Company and reviewed by Mr Michael Eckert, who was a mining engineer with MMC at the time of Ore Reserve Estimate and a Member of the Australasian Institute of Mining and Metallurgy. Mr Michael Eckert has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code.

Further details regarding all participants can be found in Annexure A Qualifications and Experience.

1.6.3 HKEx Requirements

Mr Jeremy Clark meets the requirements of a Competent Person, as defined by Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These requirements include:

- Greater than five years' experience relevant to the type of deposit;
- Member of the Australian Institute of Geoscientists ("MAIG");
- Does not have economic or beneficial interest (present or contingent) in any of the reported assets;
- Has not received a fee dependent on the findings outlined in the Competent Person's Report;
- Is not an officer, employee of proposed officer for the issuer or any group, holding or associated company of the issuer, and
- Assumes overall responsibility for the Competent Person's Report.

Mr Jeremy Clark has over 9 years of experience working in the mining industry. During this time he has been responsible for the planning, implementation and supervision of various exploration programs, open pit and underground production duties, detailed structural and geological mapping and logging and a wide range of experience in resource estimation techniques. Mr Jeremy Clark's experience has included 5 years actively working in narrow vein gold mines which have similar styles of mineralization to the Deposit. His experience includes working and estimating resources both in underground and open pit operations in Western Australia, including the Saint Barbara gold operations at Southern Cross from 2001-2006, the gold Leonora operations in 2006 and the Jaguar mine (Pb-Zn-Ag) during his work with Jabiru mines in 2007. During this time Mr Jeremy Clark completed internal estimations (not for public release) for the Marvel Loch, Golden Pig, Blue Haze, Jaccoleti, Nevoria, Jaguar, and Gwalia Deeps gold deposits which have similar style of mineralization to the skarn type mineralization which hosts the Shizishan deposit within the Project.

During his work with Runge from 2007 to the present, Mr Jeremy Clark has working on numerous epithermal base and precious metals deposit throughout the world including China, Central Asia, Europe, Africa, and North and South America. This work has included resource estimation of deposits which have similar styles of mineralization to the Shizishan deposit. These deposits include but are not limited to the Central Ashanti Gold Project (Perseus Mining) in Ghana, the Gurupi Au-Ag deposit in Brazil (Jaguar Mines), the Sierra Mojada (Pb-Zn-Ag) deposit in Mexico (Metalline Mining), the Daisy Milano and Murchison Operations (Silver lake Resources) in Western Australia, the Silver Coin Gold deposit (Au-Ag-Zn-Pb) (Jayden Resources Canada) in Canada. All of these deposits were estimated in accordance with the JORC Code (Australia, Africa, Europe and Asia) or the NI-43-101 code (Canada, and South America) and resulted in public releases or Technical Reports, of which Jeremy was a Component or Qualified person and are available on the Australian Stock Exchange (ASX) or the Toronto Stock Exchange (TSX).

1.7 Limitations and Exclusions

The review was based on various reports, plans and tabulations provided by the Company either directly from the mine site and other offices, or from reports by other organizations whose work is the property of the Company. The Company has not advised MMC of any material change, or event likely to cause material change, to the operations or forecasts since the date of asset inspections.

The work undertaken for this report is that required for a technical review of the information, coupled with such inspections as the Team considered appropriate to prepare this report. It specifically excludes all aspects of legal issues, commercial and financing matters, operating licences, regulatory approvals, land titles and agreements, excepting such aspects as may directly influence technical, operational or cost issues. In this regard, MMC is reliant on the information supplied to it by the Company, including documents and/or matters referred to in chapters 2.1.3, and 3.1.5.

MMC has specifically excluded making any comments on the competitive position of the Relevant Asset compared with other similar and competing lead, zinc and silver producers around the world. MMC strongly advises that any potential investors make their own comprehensive assessment of both the competitive position of the Relevant Asset in the market, and the fundamentals of the base metals market at large.

1.7.1 Limited Liability

This Report has been prepared by MMC for the purposes of the Company in respect of its proposed listing on the Hong Kong Stock Exchange and is not to be used or relied upon for any other purpose. MMC will not be liable for any loss or damage suffered by a third party relying on this report or any references or extracts therefrom contrary to the purpose (regardless of the cause of action, whether breach of contract, tort (including negligence) or otherwise) unless and to the extent that MMC has consented to such reliance or use.

1.7.2 Responsibility and Context of this Report

The contents of this report have been based upon and created using data and information provided by or on behalf of the Company. MMC accepts no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from, the Company or any third parties, even if that data and information has been incorporated into or relied upon in creating this report. The report has been produced by MMC in good faith using information that is available to MMC as at the date stated on the cover page. This report contains forecasts, estimates and findings that may materially change in the event that any of the information supplied is inaccurate or materially changes in any way. MMC is under no obligation to update the information contained in the report at any time.

1.7.3 Indemnification

The Company has indemnified and held harmless MMC and its subcontractors, consultants, agents, officers, directors, and employees from and against any and all claims, liabilities, damages, losses, and expenses (including lawyers' fees and other costs of litigation, arbitration or mediation) arising out of or in any way related to :

(a) MMC's reliance on any information provided by the Company; or

(b) MMC's services or Materials; or

(c) any use of or reliance on these services.

In all cases, save and except in cases of wilful misconduct (including fraud) or gross negligence on the part of MMC and regardless of any breach of contract or strict liability by MMC.

1.7.4 Intellectual Property

All copyright and other intellectual property rights in this report are owned by and are the property of MMC.

MMC has granted the Company a non-transferable, perpetual and royalty-free Licence to use this report for its internal business purposes and has consented to the Report's inclusion in the Company's listing document to be lodged with the Hong Kong Stock Exchange.

1.7.5 Mining Unknown Factors

The findings and opinions presented herein are not warranted in any manner, expressed or implied. The ability of the operator, or any other related business unit, to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond the control of MMC and cannot be fully anticipated by MMC. These factors included site-specific mining and geological conditions, the capabilities of management and employees, availability of funding to properly operate and capitalize the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, etc. Unforeseen changes in legislation and new industry developments could substantially alter the performance of any mining operation.

1.8 Capability and Independence

MMC provides advisory services to the mining and finance sectors. Within its core expertise it provides independent technical reviews, resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

MMC has independently assessed the Relevant Assets of the Company by reviewing pertinent data, including resources, reserves, manpower requirements and the life of mine plans relating to productivity, production, operating costs and capital expenditures. All opinions, findings and conclusions expressed in this Report are those of MMC and its specialist advisors.

Drafts of this report were provided to the Company, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in this Report.

MMC has been paid, and has agreed to be paid, professional fees based on a fixed fee estimate for its preparation of this Report. None of MMC or its directors, staff or specialists who contributed to this report has any interest or entitlement, direct or indirect, in:

- the Company, securities of the Company or companies associated with the Company; or
- the Relevant Asset; or
- the outcome of the Initial Public Offering.

This ITR was prepared on behalf of MMC by the signatories to this letter, details of whose qualifications and experience are set out in ***Annexure A*** to this ITR. The Specialists who contributed to the findings within this Report have each consented to the matters based on their information in the form and context in which it appears.

2 SHIZISHAN PROJECT

2.1 Project Overview

2.1.1 Project Location

The Shizishan Project is located 45km north east of Yingjiang County Town, as shown in ***Figure 2.1-1***, and is under the jurisdiction of Zhanxi Town, Yingjiang County. The mining licence extents are Longitude 98°09'30"E to 98°10'26"E and Latitude 25°05'20"N to 25°06'25"N.

2.1.2 Regional Environment

The mining licence area is located in the southern part of the north south trending Hengduan Mountain Range. The Shizishan Project relative elevation ranges from 1,000 m to 1,500 m above sea level and is surrounded by steep terrain.

The area has a typical tropical monsoonal climate. The average temperature is 18° C 20° C, and average annual precipitation ranges from 1,400 mm to 1,700 mm.

2.1.3 Licences and Approvals

The mining licence is held by Yingjiang County Kunrun Industry Company Limited, as outlined in ***Table 2.1.-1***.

Table 2.1-1-Shizishan Polymetallic Project — Mining Licence

Mine/Project	Shizishan Polymetallic Project
Name of Certificate	Mining Licence
Certificate No.	C5300002010023220056038
Mining Title Holder	Yingjiang County Kunrun Industry Company Limited
Address	Yingdong Rd., Yingjiang County, Yunnan Province
Name of Mine	Shizishan Pb-Zn Mine, Zhanxi Town, Yingjiang County, Yunnan Province
Company Category	Limited Liability Company
Mining Method	Underground Mining
Production Scale	450 ktpa
Area	3.2 sq.km
Excavation Depth	1,498 m — 1,000 m
Validation	April 6th, 2011 to April 5th, 2026
Issue Date	March, 9th 2011
Issuer	Department of Land & Resources Ministry of PRC

Source: MMC sighted original documents

MMC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts. Readers are also directed to consult the chapter titled "Business — Legal Proceedings and Compliance", on page 216 of China Polymetallic Mining Limited Global Offering Prospectus ("the Prospectus").

2.1.4 History of Exploration

The Shizishan region has a long history of exploration starting in the 19th century. Modern exploration activity dates back to the 1960's. ***Table 2.1-2*** shows a brief summary of the exploration in the region completed since 1962.

Table 2.1-2- Shizishan Polymetallic Project-Regional Exploration History

Year	Activity	Conducted By
1962-64	General Geological Survey	Army geological survey Team 00919
1978-82	Regional Mapping M1:200 000	Geological Survey Team Yunnan Bureau
1982-83	General exploration discovered good potential for polymetallic deposits (Pb, Zn, Ag, Sn, Au)	Team 4 of Yunnan Bureau of Geology
1984-85	Carried out exploration on potential areas for tin and submit report with Shizishan Pb-Zn-Ag deposit	Team 4 of Yunnan Bureau of Geology
1992	Soil chemistry of the area	Geophysics Team of Bureau of Geology
2001-2002	Geological exploration under 'Copper-polymetallic evaluation of Tengchong-Baoshan region, Yunnan' Project. Updated report submitted.	Team 4 of Yunnan Bureau of Geology exploration team
2006-07	40 surface diamond drillholes completed	Previous owner, data not supplied.
2010-2011	A three stage surface diamond drilling program undertaken	Yingjiang County Kunrun Industry Limited

Source: Based on information provided by the Company and Geological and Detailed Exploration Reports

Prior to 2010 (2006-2007), 40 drill holes were completed which formed the basis for the 2009 resource estimate. To date no details of these drill holes have been provided to MMC and as a result these were not utilized as part of the ITR. MMC is aware that all of these drill holes were located within the limits of the resource defined by the recent drilling and were completed following the Chinese standards. MMC considers the recent drilling to have been completed to international standards and as a result, the addition of these holes would be immaterial to any Mineral Resource estimate.

In late 2010, Yingjiang County Kunrun Industry Limited commenced a drilling program aimed at confirming and expanding resources defined by the historical drilling. The drilling program, which has recently concluded, consisted of three stages. The first two stages of drilling, which were completed in late 2010, consisted of 11 drill holes totalling 5,274 m and 30 drill holes totalling 11,110 m. The third stage consisted of 18 drill holes for a total of 6,506 m. A total of 59 diamond drill holes were drilled resulting in a total of 22,890 m.

MMC was engaged in September 2010, to review the Shizishan Project, the completed drill holes and the planned exploration program. Subsequent to this review, MMC recommended appropriate procedures and changes to the planned drilling programs to ensure the recommended guidelines of the JORC Code were followed. Since being engaged, MMC has consistently provided exploration advice and reviewed drilling results to ensure the highest international standards were being followed and the resource potential was maximized through a targeted drilling program.

2.1.5 History of Mining

Production commenced in July 2011 at the Shizishan Project, however adit development is ongoing and has not intersected the Ore Reserves mineralization to date. During the October site visit MMC noted mineralisation from outside the current Resource and Reserves area has been intersected. This material is being utilised to commission to recently constructed processing facility.

2.1.6 Infrastructure

Road

The Shizishan Project's processing plant is located approximately 4.8 km from Zhanxi town and 45 km from Yingjiang County, Yunnan Province. The processing facility is readily accessible by roads.

Power

The Feasibility Study estimated the overall power demand of 7,663 kW with an installed equipment power of 8,767 kW for both mining and processing facilities.

The Company is currently sourcing power from China Southern Power Grid and is negotiating to update their supply contract. Whilst there is currently no power supply contract, MMC considers power demand to be reasonable and does not believe that limitations to power supply are likely.

Water

The Feasibility Study estimated fresh water demand of 2,358 cu.m/d and logistic water of 80 cu.m/d. Water is pumped from the Zhina River located 1.2 km from the processing facility.

The availability of water and the ability to obtain the associated permitting is not seen as a limitation to any potential site development. Additionally, process water is planned to be recovered and recycled from the processing plant as well as the final tailings dam.

Tailings dam

The tailings dam is located close to the processing plant which is currently being constructing in two phases. The Company has advised, confirmed by MMC during the site visit, that the first stage of construction has been completed, which resulted in a total dam volume of 0.79 M cu.m and a live capacity of 0.35 M cu.m. At the completion of the second construction phase, there will be a total dam volume of 1.46 M cu.m with a live capacity of 1.28 M cu.m, which MMC considers to be sufficient to store the processing tailings. Additionally, 60% of the flotation tailings is intended to be recovered for backfill in the underground mine.

MMC estimates that the processing plant is likely to produce 495,000 tpa of tailings (average of 75% of the process feed), of which some 297,000 tpa is proposed to be recovered as mine backfill (60% of the tailings). The net tailings production would therefore be expected to be 198,000 tpa which, assuming a bulk density of 1.8 cu. m/t, would be 0.11 M cu.m per annum. The first dam will thus provide three years of storage, while the second dam will allow another nine years of tailings storage, making a total of approximately 12.5 years which is the current life of mine based on the Ore Reserve estimate.

Figure 2.1-1. Shizishan Polymetallic Project — General Location Plan

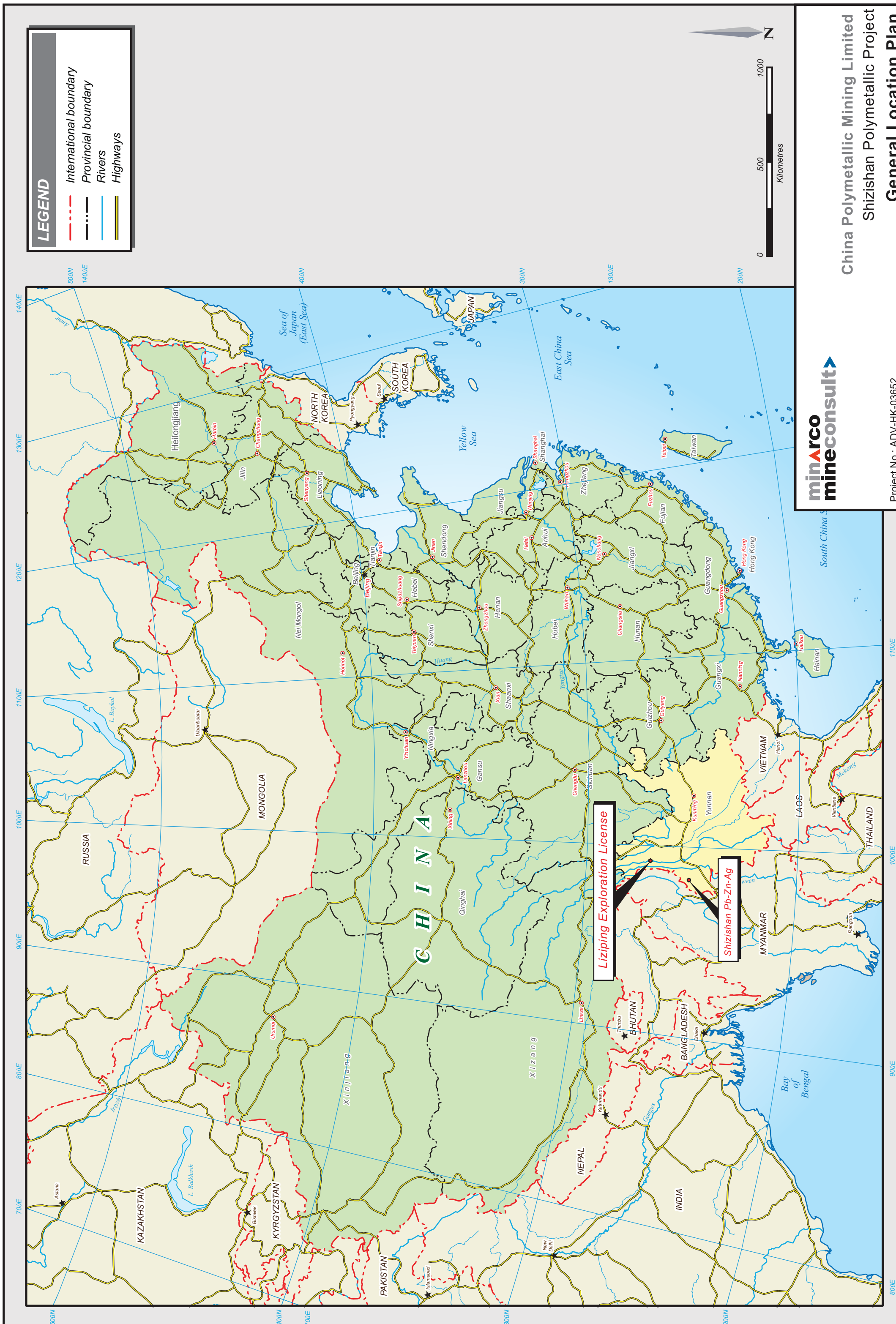
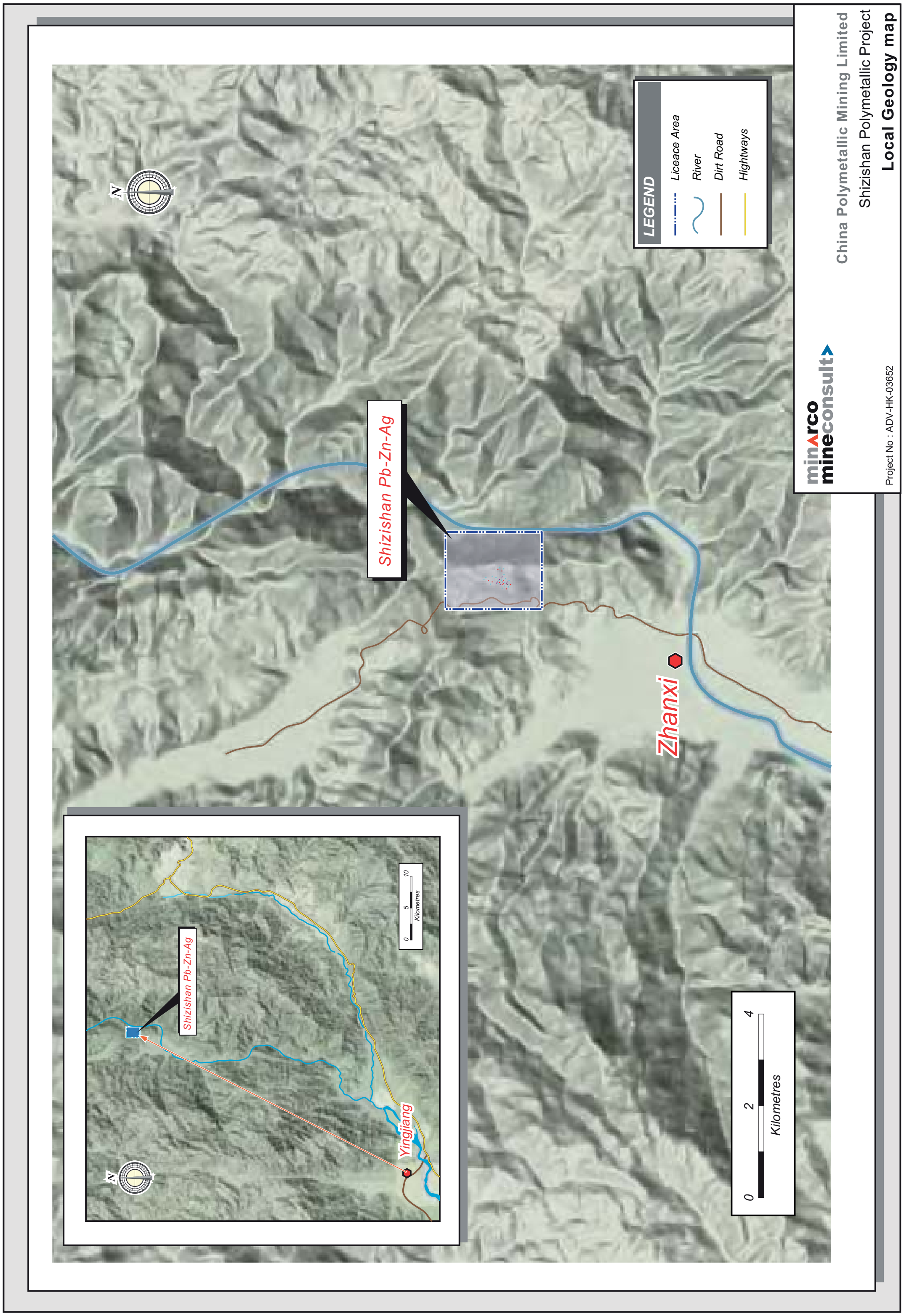


Figure 2.1-2 - Shizishan Ploymetallic Project — Detail Location Plan



2.2 Geology

2.2.1 Regional Geology

The Shizishan Project is located in the Shizishan Mountains, Yunnan Province. The geology of the region is dominated by a series of sedimentary rocks; these rocks have been subdivided into groups which include (from oldest to youngest):

- *Lower Palaeozoic (Gaolishan gongshan group)*: This group is composed of dolomite and dolomitic siltstone layers. Total thickness of the group varies from 340m to 530m.

- *Upper Silurian:* This group consists of grey dolomite, slightly metamorphosed limestone and some marble layers. Total thickness of the group varies from 30m to 270m. This group is separated from the Lower *Carboniferous* series by an unconformity.

- *Lower Devonian (Guanshang group):* This group outcropped in a large area of the mining licence and trend in north-south direction. The group is separated from the Lower Carboniferous series by an unconformity and consists of a series of shallow sea sediments. The group is divided into 4 subgroups:

  - Fourth subgroup: consists of gray fine-grained feldspar quartz sandstone, dark gray siltstone and metamorphosed feldspar-quartz sandstone and siltstone layers, rarely small pyrite veins occur in the layer. The thickness of the subgroup is more than 450m.

  - Third subgroup: consists of grey sandy slate, carbonaceous sericite slate, siltstone, quartz and feldspar-quartz sandstone layers. Limonite is occasionally observed along fractures. The total thickness varies from 250m to 300m.

  - Second subgroup: composed of grey banded limestone, crystalline limestone, gray marble, muddy limestone and slightly metamorphosed quartz sandstone layers. Disseminated pyrite is observed along fractures. This subgroup is the second strata to host Pb-Zn-Ag mineralization. The total thickness of this subgroup varies from 150m to 200m.

  - First subgroup: this subgroup is located in the centre of the mining licence and is the first strata to contain Pb-Zn-Ag mineralization. The ore bodies formed mainly in the interlayer faults of this subgroup. This subgroup begins with slightly metamorphosed feldspar-quartz sandstone, feldspar-quartz sandstone, siltstone and argillaceous limestone. The top of the subgroup ends with dark gray silty slate, dark grey carbonaceous silty slate and feldspar-quartz sandstone layers. This subgroup has a total thickness exceeding 240m.

- *Carboniferous (Menghong group):* This group outcrops in the central and west part of the mining licence. The lower members are metamorphosed sandstone, feldspar-quartz sandstone and muddy siltstone and the upper members are dark grey silty slate, feldspar-quartz sandstone, siltstone and limestone lens. The total thickness of the group is more than 630m.

- *Quaternary* — The lower members aredacite, andesite-dacite and andesite volcanic rocks and the upper members are gravelite, pebbles, sand, silt, clay and rock debris. The total thickness of the group varies from 0 m to 10 m.

2.2.2 Local Geology and Mineralization

The Shizishan Project is located in the north of Gangdisi-Nianqingtanggula fold system, south of the Guyong-zhanxi fold, west of Tengchong-Yingjiang arc fault, in the southern portion of the Bosulaling-Gaoligongshan fold system. It is also in the west of Binglang River fault (the faults in this area generally have a North-South strike and >65° dip toward West). The tectonic structures show 3 different trends in the area:

- *Northeast-Southwest trend*: These are the principal tectonic structures in the area, and they cut all represented groups. Tectonic structures included Guanshang anticline and Mengnai-Shizishan reverse fault. The axis of the anticline trend toward NE (30°). The east wing of the anticline dips to the southeast with an angle of 10~25° (Figure 2.2-1), the west wing dips to the northwest with an angle of 30-42°. The Mengnai-Shizishan fault extends more than 5km, and the fault plane dips to the southeast. The Lower and Upper Cambrian sediments reverse on the top of Devonian sediments along this fault. These structures probably formed in the early Palaeozoic and have been re-activated repeatedly during geological history. This structure is the main mineralization controlling structure in the asset.

- *Northwest trend:* Tectonic structures include the Lanniqing anticline, the Mengwai-Caobazhai-Lanniqing fault and a number of other small faults. The axis of the Lanniqing anticline is consistent with the Shizishan granite uplift, and it is accepted that both formed in the same time. The Mengwai-Caobazhai-Lanniqing fault (F2) extends more than 10km, with fault plane dipping to the southwest at 60°. The early normal fault is a brecciated zone that a later tectonic event transformed into a mylonitised reverse fault. Parallel to the Mengwai-Caobazhai-Lanniqing fault, the Lanniqing-Shizishan fault is a normal fault, dipping to southwest. In addition to these main structures, there are the Yuanbaoshan syncline, the Yuanbaoshan south anticline, the Caobazhai north syncline and the Guangmo anticline as the secondary structure in the same trend. The F3 fault cutting the No.1 ore body has the same characters as F2; it starts as a normal fault and ends as a reverse fault, forming many tectonic lenses in the fractured zone.

- *North-south trend:* These structures have no genetic relation to the mineralization and are determine to be post mineralization. The structures intersect the above Northeast, and Northwest structures and may cut the orebodies as well and complicate the structure of the region even further.

Acid intrusive rocks and lamprophyre dykes can be found within the area. These rocks are mainly located in the north of the deposit and consist of fine-grained porphyritic biotite granite and coarse-grained porphyritic biotite granite of Tertiary age. These intrusions have a genetic relationship with the Pb-Zn-Ag mineralization. Lamprophyre dykes are located in the first and second subgroups of the Devonian strata, as veins along the fractures with length approximately 100~200m and thickness less than 30m. Some granite porphyry and biotite monzogranite veins are found along the faults.

Mineralization

The local geology in the area is dominated by the sedimentary units of the upper Devonian, in particular the first and second subgroups which consists mainly of limestone, sandstone, marble and intrusive rocks. The Pb-Zn-Ag mineralization is located in the dolomite series of the upper Devonian units.

As a result of the neogene acid intrusive emplacements the upper Devonian limestone and sandstone were metasomatised to form skarns. These skarns host Pb-Zn-Ag mineralization within the Shizishan Project.

Project Characteristics

The skarn type mineralization is hosted by the limestone layers within the dolomite which strikes northeast to southwest and dipping towards the west at an angle ranging between 40-60°. Based on the data completed to date, the mineralized zone extends more than 240m along strike, and over 330m down dip with an average downhole thickness of 60m. The mineralization is composed predominately of galena, sphalerite, pyrite, smithsonite, limonite and chalcopyrite, while the gangue minerals are mainly quartz, chlorite and hydro-mica.

The geometry of the mineralization is linked to the skarn bodies hosted by the surrounding dolomites. Contacts between the alteration zones and the dolomites are gradual and a distinct halo surrounds the main zone of mineralization. To date no comprehensive understanding of the structural control and relationship with the mineralized zone has been completed, however interpreted structural displacement has occurred.

Two style of mineralization is observed within the deposit, these include:

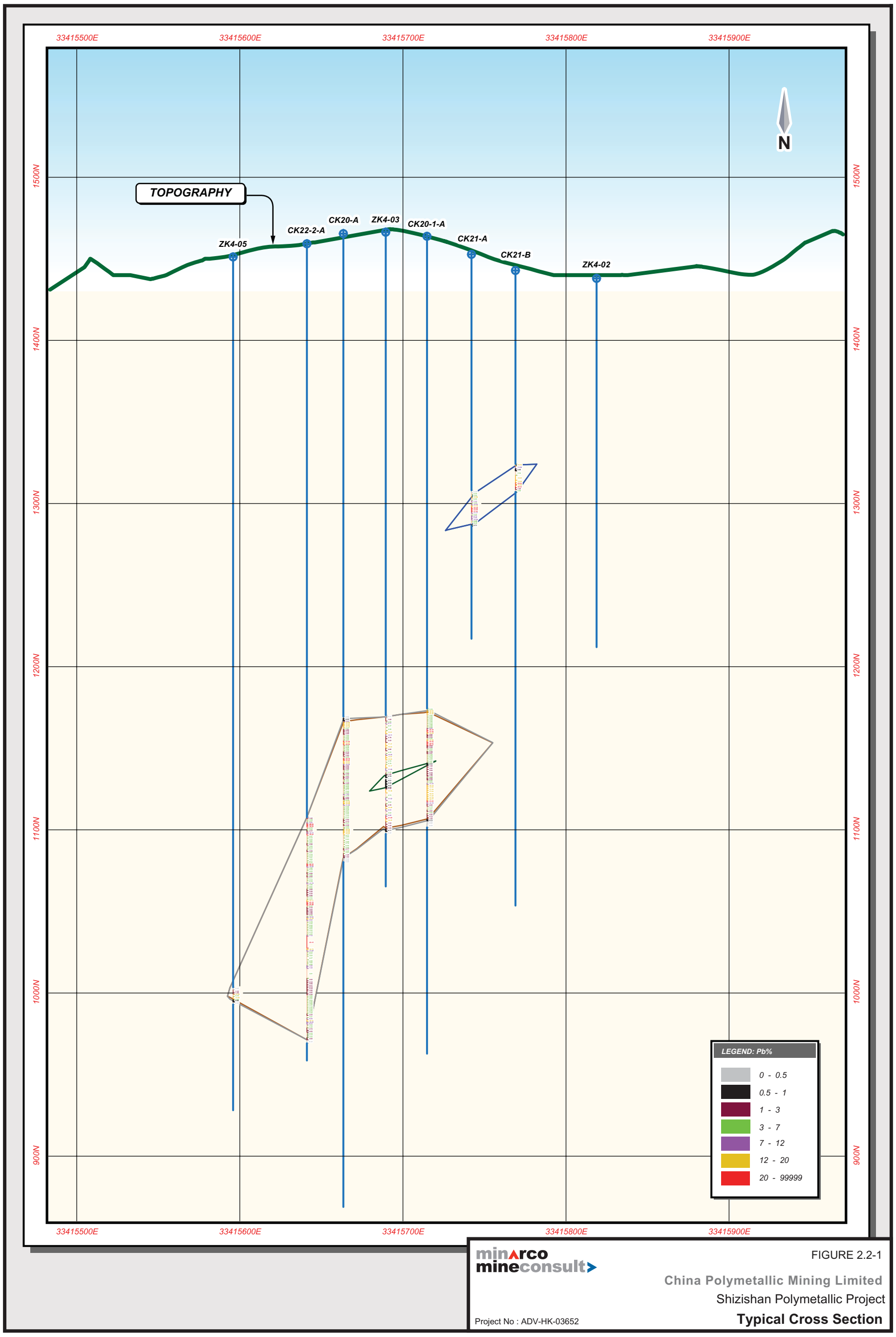
- Stock Work: This material is formed from veins of quartz and sulphide intruding and/or replacing the dolomite host rock. Analysis of the logged lithology and mineralization suggests that a combined Pb and Zn grade of less than 15% is commonly associated with the style of mineralization.

- Massive: This material as the name suggests contains massive sulphide. The contact with the stock work style is generally sharp. The massive zones commonly form as lenses within a 'sea' of stock work style mineralization. Grades within this style of mineralization are always over 15% combined Pb and Zn.

Although it is clearly evident that two styles of mineralization occur within the main zone (surrounded by the halo), a detailed understanding of the geometry of the massive lenses has not been completed. Although the close spaced drilling confirms the continuity of the high grade zones, they appear not to be continuous along strike or down dip over 40m and as a result cannot be interpreted in the areas with larger spaced drill holes.

With further infill drilling and detailed structure and mineralogical logging of the core a determination of the geometry of the lenses can be established, which can then form the basis of the geological and mineralized envelopes.

Figure 2.2-1 Shizishan Polymetallic Project — Typical Cross Section



2.3 Data Verification

MMC conducted a review of the digital data provided by the Company for The Shizishan Project during the site visits and also as a desktop review.

Further checks of the digital data by MMC included:

- Compared photographs of 1,152 original assay certificates (more than 85% of the total assay results in the digital database) with the digital database, no errors were identified;
- Checked the relative position of 7 drill holes collars using a hand GPS (15%) locations. All locations were consistent with the plans and digital datasets provided;
- Randomly reviewed and took photographs of 7 drilling hole reports on site (15%) and subsequently compared these records with the digital database, no errors were noted;
- Inspected the remaining core of 24 drilling holes, ensured mineralization was consistent with the supplied assay results and the relative position of the sample locations were correct;
- Conducted a laboratory visit to review the sample preparation and analytical procedures.
- A review of the assay and sampling procedures of the core and channel samples.
- Comparison of geological maps, exploration drill plans and digital datasets.

During this review MMC noted only very minor inconsistencies with the provided data, which were subsequently corrected in the digital database which formed the underlying data for the independent JORC Statement of Mineral Resource completed by MMC. These inconsistencies included differences between the hole ID recorded on the geological maps and observations during the site visit, different coordinate systems were used and minor data entry errors. During discussions with the Company it was determined that these errors were the result of incorrect data entry or miscommunication and are immaterial to any Mineral Resource completed.

2.3.1 Quality Assurance and Quality Control

The Quality Assurance and Quality Control data supplied to MMC included internal and external duplicate samples, while standard reference materials were also submitted to the laboratory for analysis. In addition MMC completed independent re-assays of the coarse reject material at the SGS Tianjin laboratory.

2.3.2 Internal and External Duplicate Checks

The internal duplicate samples were taken from the homogenized pulverized material, while the external duplicates where taken from the secondary crushed material (coarse reject). The number of duplicate samples is shown in ***Table 2.3-1***, and the comparison to the original sample is shown graphically in the scatter plots in ***Figure 2.3-1*** and ***Figure 2.3-2***.

A review of these scatter plots indicates that generally there is an excellent correlation between the original and the duplicate sample, however some samples vary significantly. Further analysis of the data indicates that the samples which vary on each scatter plot are the same i.e. the same sample ID. During discussions with the primary sample laboratory it was uncovered that these duplicate samples were split from the original material, placed in smaller bags which were labeled by hand. As a result it is highly likely that sample naming issues during preparation of the duplicates rather than during the primary analytical or systematic sample preparation have resulted in the errors observed.

Table 2.3-1 - Shizishan Polymetallic Project — Internal and External Duplicate Samples for the Deposit

Independent Re-Assay	Internal	External
50	43	92

2.3.3 Independent Pulp Re-assaying

MMC collected a total of 50 coarse reject samples and submitted them to the independent SGS Laboratory in Tianjin, China. SGS utilized the four acid digestion method with an AAS finish for determinations, which differs from the titrate method used by the primary laboratory. The comparison of the independent sample to the original sample indicates an excellent correlation exists with only minor variations being observed, as shown graphically in the scatter plots in ***Figure 4-3***. Although variation is observed MMC considers this correlation to be excellent considering the source sample for these re-assays are coarse rejects which are not homogenized.

2.3.4 Data Quality Review

The review of the drilling and sampling procedures indicate that international standard practices were used with only very minor or immaterial issues being noted during the review completed by MMC. Furthermore a good correlation is observed for the majority of internal and external duplicates while an excellent correlation is observed for the independent check assays completed at the SGS laboratory from the coarse reject samples retrieved from site by MMC. As a result MMC believes the sample preparation and assay determination procedures have not resulted in any sample bias and are representative of the sample taken.

2.3.5 Data Verification Statement

As a result of the above data verification and data quality, the digital database used as the basis for the Statement of JORC Mineral Resources and Ore Reserves is supported by verified certified assay certificates, original drill logs, QAQC, independent assays and independently verified survey data. Therefore MMC believes there is sufficient data to enable the use of this data in a Mineral Resource estimate and resultant classification following the guidelines set by the JORC Code.

Figure 2.3-1 Shizishan Polymetallic Project — Internal Duplicate

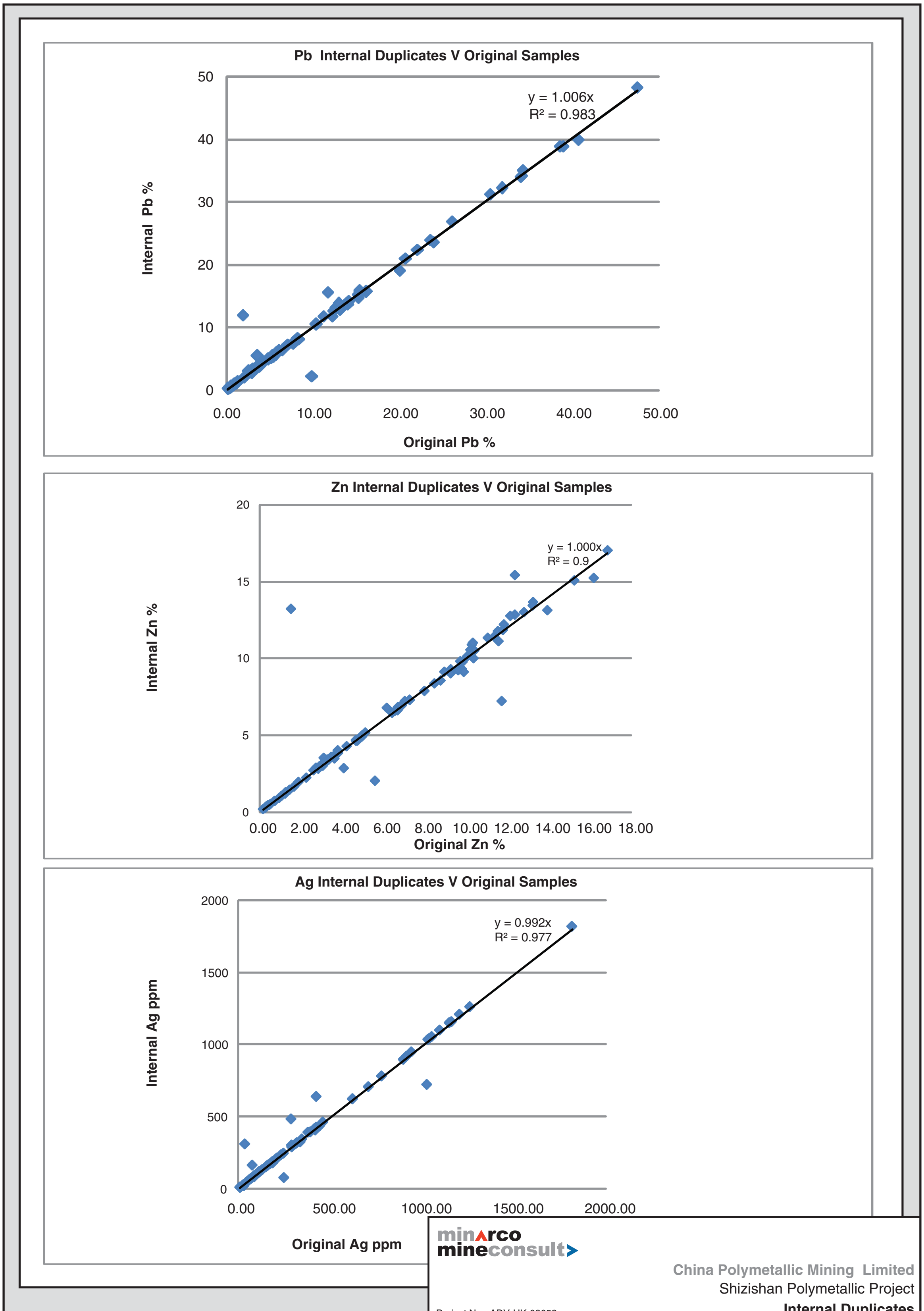


Figure 2.3-2 Shizishan Polymetallic Project — External Duplicates

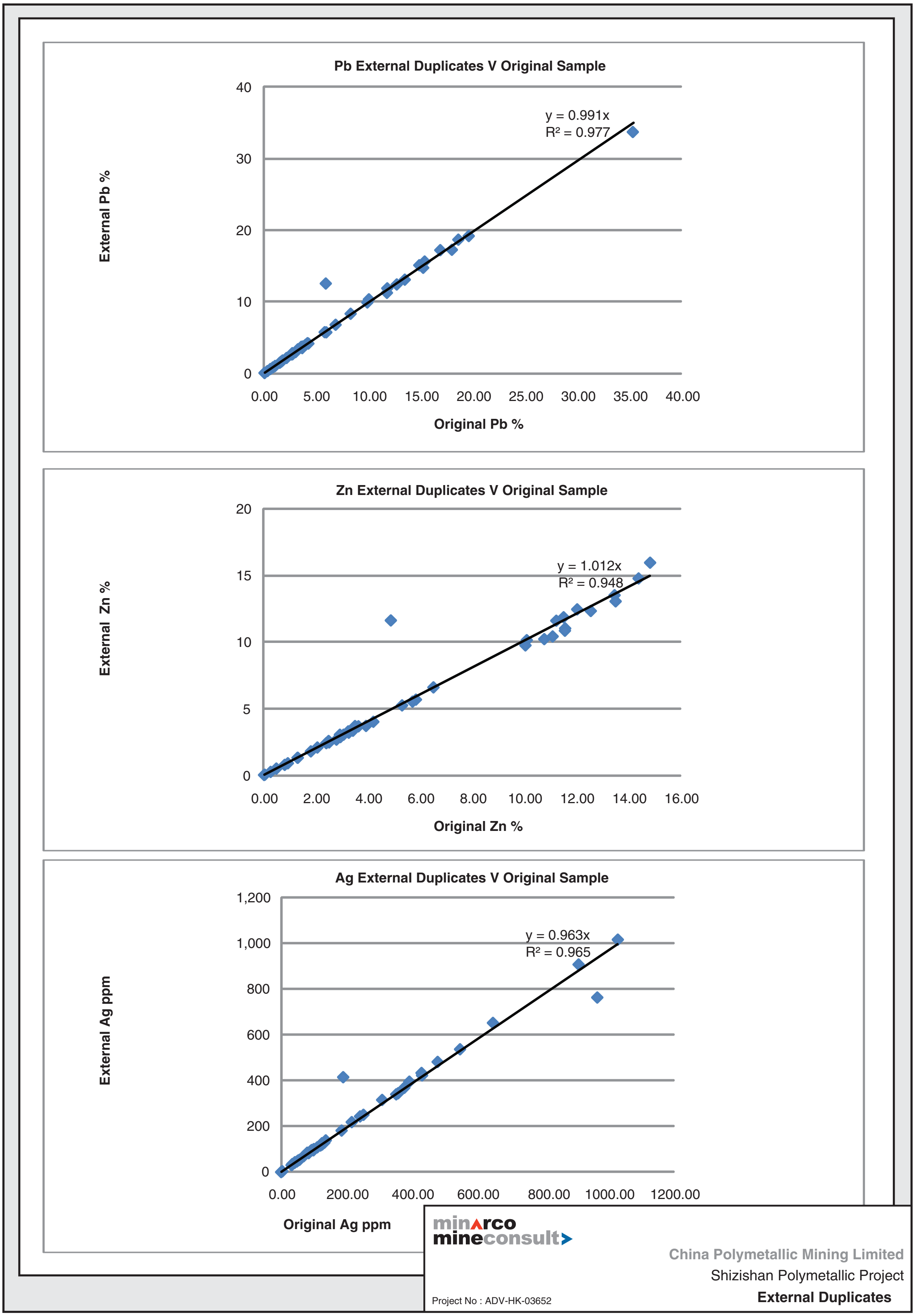
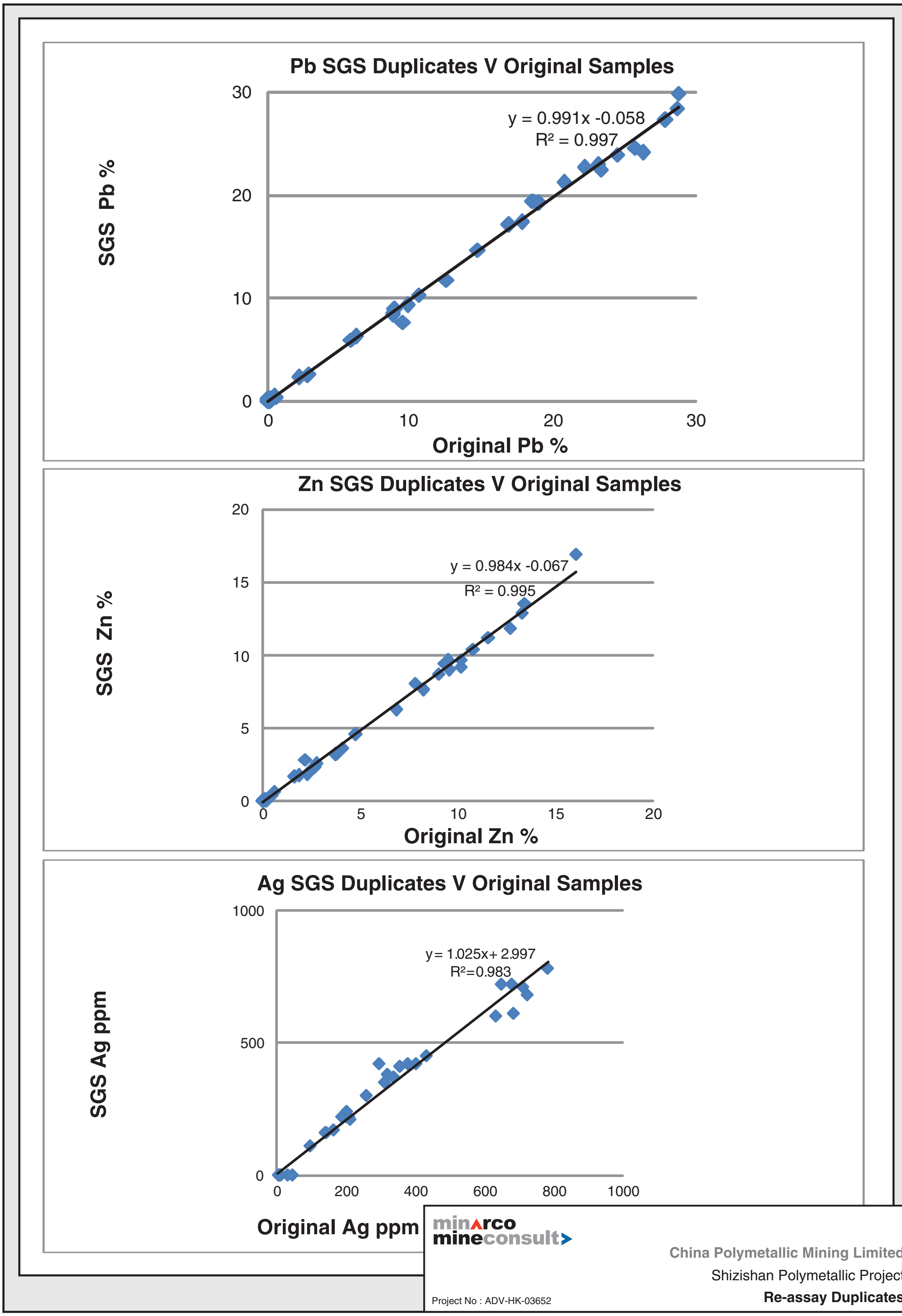


Figure 2.3-3 Shizishan Polymetallic Project — Re-Assays Duplicates



2.4 Mineral Resources Estimation

MMC has completed a standalone 'Resource Report and Statement' for The Shizishan Project within the Licence area, for which JORC Mineral Resources have been estimated. The report, entitled 'Shizishan Pb-Zn-Ag Deposit Mineral Resource Estimate Report' has been compiled with appropriate 'Competent Person signoff by Mr Jeremy Clark. This ITR document contains extracts from this standalone JORC Resource Reports.

2.4.1 Statement of Mineral Resources

MMC has independently estimated the Mineral Resources contained within the Shizishan Project area, based on the data collected by the local Chinese geological team as at May 2011. The Mineral Resources estimate and underlying data complies with the recommended guidelines in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared in 2004 by the Joint Ore Reserves Committee (JORC), therefore it is suitable for public reporting.

MMC is aware that mining is ongoing within the Project area, during the site visit MMC noted that all mining activities as of October 25, 2011 have been undertaken outside both the Mineral Resource and Ore Reserve areas. The quantities which have been mined are additional to the current Mineral Resource (***Table 2.4-1***) and Ore Reserve Statements (***Table 2.5-1***) due to location of the mined areas relative to the current drill hole location.

The results of the resource estimate for the Shizishan Project are tabulated in ***Table 2.4-1*** below.

Table 2.4-1 - Shizishan Polymetallic Project — Statement of JORC Mineral Resources as at October 25, 2011 Mineral Resource at 0.5% Pb Cut Off

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Measured	2,431,000	10.9	6.6	271	**263,800**	**160,000**	**700**
Indicated	6,398,000	9.0	5.9	250	**575,200**	**378,500**	**1,600**
Inferred	516,000	7.7	4.8	247	**39,600**	**24,500**	**100**
Total	**9,345,000**	**9.4**	**6.0**	**256**	**878,600**	**563,000**	**2,400**

Note: Figures reported are rounded which may result in small tabulation errors.

MMC is aware that the current mining licence has a lower vertical limit of 1,000 m elevation. A total of 108,800 t at 4.7% Pb, 4.4% Zn and 171 g/t Ag of the Indicated and Inferred Mineral Resources Estimate is located below this elevation. Discussion indicated that the Company will apply to extend the exploration licence below this elevation and as a result, MMC has not delineated it separately in the above ***Table 5-1***.

At a cut-off of 0.5% Pb, the Shizishan deposit reports an Inferred, Indicated and Measured Mineral Resource of 9.345 Mt grading 9.4% Pb, 6.0% Zn and 256g/t Ag.

2.4.2 JORC Resource Classification

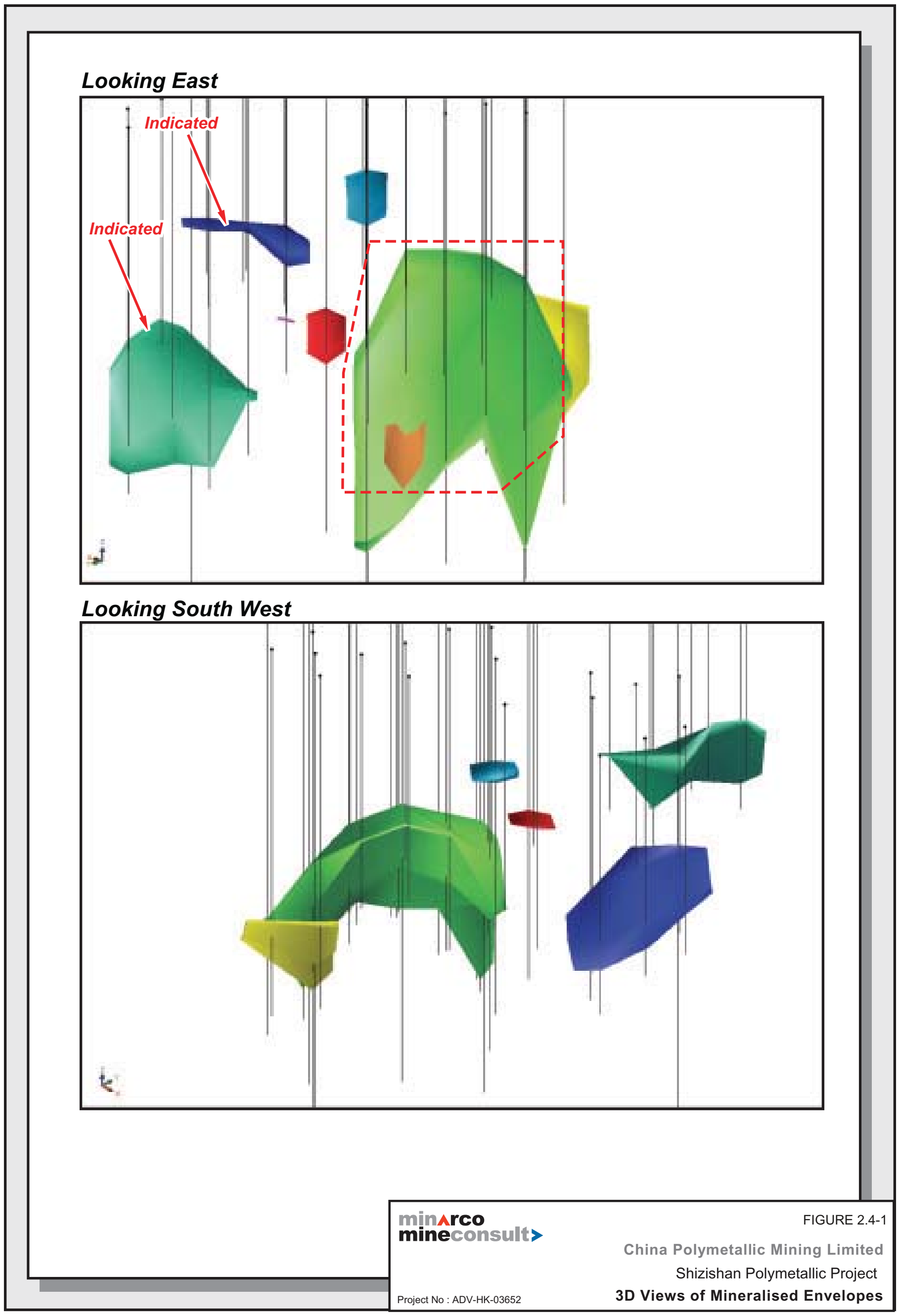
A significant number of holes have been completed from the surface on the deposit. Using the data from the recent drilling (2010 and 2011) MMC constrained a geospatial analysis of the grade distributions of all elements. This detailed statistical analysis suggested that a sample spacing of 20-25 m, 40 m, and 150 m were appropriate for classification of Measured, Indicated and Inferred Mineral Resources respectively which would be compliant with the recommended guidelines of the JORC Code. These distances were based on the variogram ranges for the major direction of continuity and the visual inspection of the geology and grade within the drill hole for each element. These distances represent the maximum distance between two composites from at least two different drill holes. The area classified as Measured and Indicated are shown graphically on ***Figure 2.4-1***.

2.4.3 Exploration Potential

Mineralization is open along strike both north and south of the current drilling limits. Only a small portion of the rock type which hosts the Skarn type mineralization has been drilled and this has successfully defined four mineralized bodies including lodes No. I, II and V. Skarn type mineralized bodies generally occur in clusters. Furthermore no detailed downhole geophysical work has been conducted on the Shizishan Project to test for additional 'hidden' lodes. Although the exploration to date has defined a significant high grade deposit this exploration has been limited to only a small area of the potentially mineralized host rock. As a result MMC considers there to be excellent potential to expand the currently defined resources within the Shizishan Project with further drilling and advanced exploration techniques.

In addition to the excellent potential to define further resources, MMC believes an upgrade of a significant portion of the Inferred Mineral Resource to the Indicated category can be achieved with the completion of 2-3 holes for approximately 1,000 m. This would potentially result in the upgrade of approximately 250 kt of the Inferred to Indicated.

Figure 2.4-1 Shizishan Polymetallic Project — 3 D View of Mineralized Envelopes



2.4.4 Estimation Parameters and Methodology

The Mineral Resource estimate was completed using the following parameters:

- The Shizishan Polymetallic resource covers approximately 3.2 sq.km with lateral extents from 98°09'30"E to 98°10'27"E and 25°05'25"N to 25°06'29"N. The known resource reaches a maximum depth below surface of 500 m.

- 59 drill holes were used to define the resource envelopes for a total of 1,994 m of drilling within the resource envelopes. Drilling has been conducted on predominantly 40 m spaced NW-SE sections, with some broader spacing at depth. Infill drilling during the third stage of drilling was completed on 20 m - 30 m section within the middle portion of the main zone (***Figure 2.4-2***).

- Two resource estimation specific site visits were conducted one by Mr. Alex Arizanov and Mr. Sheng Zhan in November, 2010, and one by Mr. Sheng Zhan in March 2011.

- All diamond drill holes were drilled vertically using mainly HQ and NQ sizes. BQ sized core was used sporadically but not within the mineralized zones.

- Holes were sampled to the mineralisation boundaries with a maximum of 3 m forming one sample. Only 2 to 3 samples were taken outside mineralisation.

- Sample preparation and assay determinations were carried out by the laboratory of No.3 Geology Team (subsidiary of Yunnan Bureau of Geology). Assay determinations consisted of Pb, Zn and Ag.

- Quality control samples were collected on a regular basis throughout the exploration program. Internal and external samples were completed. A total of 43 internal samples were completed, while 92 external checks were completed at the Southwest Metallurgical and Geological Analysis Centre

- 50 coarse reject samples were collected by MMC and sent to SGS Tianjin for analysis.

- Downhole surveys were not completed as all holes were vertical. MMC notes that while several holes have significant length, all drill holes have a vertical orientation. Although MMC considers the lack of down hole surveys to be a risk to the resource estimate, MMC considers this risk to be low. Given the geological continuity observed and the drill spacing applied MMC believes that any potential deviation of the holes will be minimal and immaterial to the Mineral Resource or the classification applied.

- The Chinese 1942 survey system was used for the estimate.

- Envelopes were constructed based on 3 dimensional interpretations of the mineralized bodies. Mineralized envelopes were constructed at mineralized contacts or a nominal 0.5% Pb cut-off grade with no minimum downhole length.

- Samples within the envelopes were composited to 1 m with no high grade cuts applied.

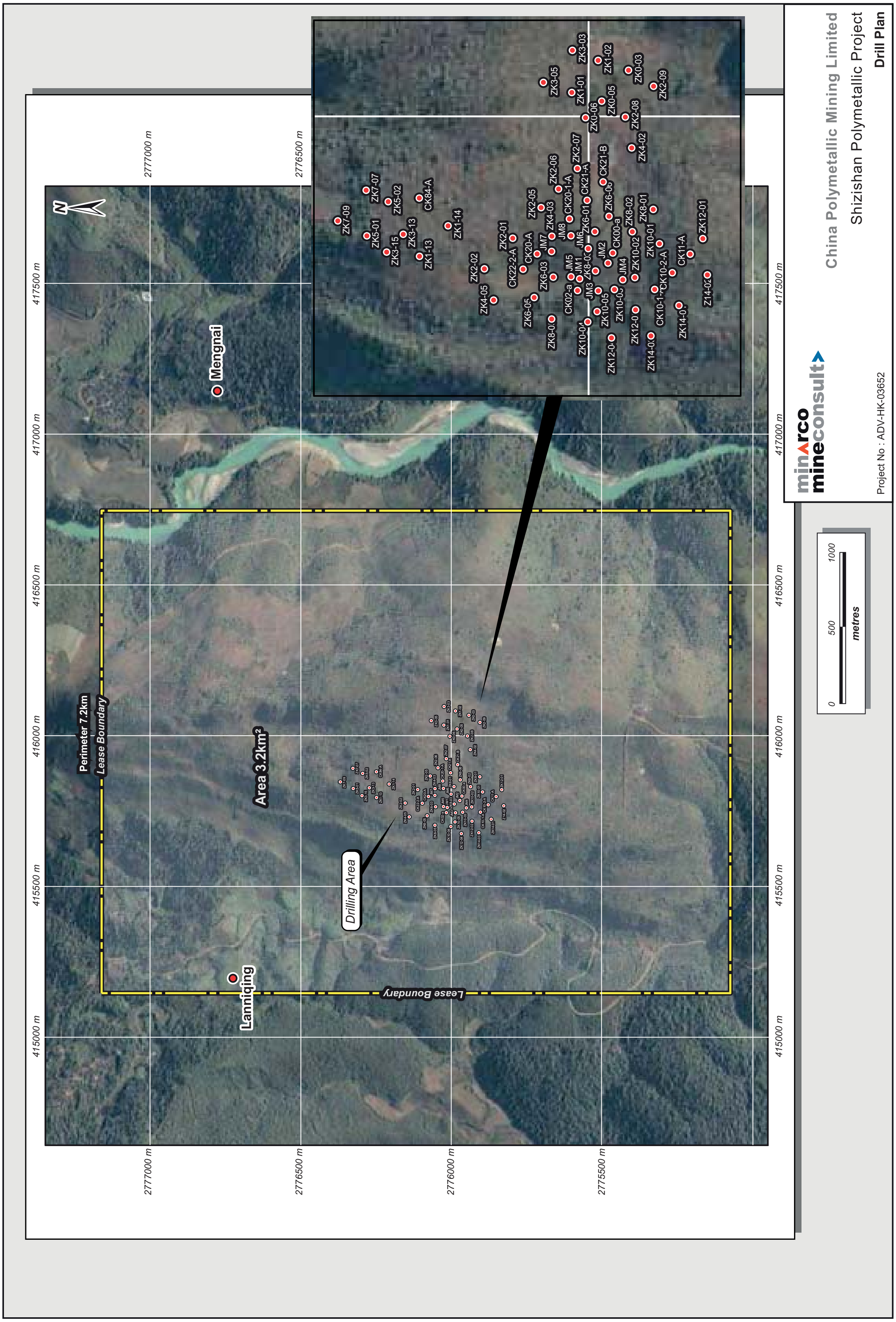
- One Surpac block model was generated for the estimate to encompass the full extent of the deposit. The model was created using a block size of 10 m NS by 10 m EW by 4 m vertical with sub-cells of 0.625 m by 0.625 m by 0.3125 m.

- The Ordinary Kriging (OK) algorithm with an anisotropic search was selected for grade interpolation due to the number of samples and the interpreted geospatial analysis. The search ellipses utilized for the estimate were based on the interpreted variogram parameters for each element and the relative orientations of the geology. Due to the interpreted variation in the grade and discontinuous high grade within the domains, a maximum of 4 samples were used from each drill hole

- A total of 169 bulk density determinations using the wax emersion method were supplied, which represent a 10 cm sample for every 3 mineralized assays. A significant amount of variation was observed with a minimum of 2.71 t/cu.m, a maximum of 5.47 t/cu.m and an average of 3.75 t/cu.m.

- The bulk density value for each block was calculated based on a regression of the combined Pb and Zn grades for each block. Using the regression analysis an average density of 3.79 t/cu.m is reported within the estimate as compared to 3.75 t/cu.m for the 168 bulk density determinations supplied to MMC.

Figure 2.4-2 Shizishan Polymetallic Project — Drill Hole Plan View



2.5 Ore Reserves

The JORC Code defines Ore Reserves as the economically mineable portion of a Measured and/or Indicated Mineral Resource, taking into account any diluting materials and allowances for losses which may occur when the material is mined.

The Ore Reserves Estimate for the Shizishan Project has been summarized in ***Table 2.5-1***. The Measured and Indicated Mineral Resources reported in ***Chapter 5*** are inclusive of, and not additional to, the Mineral Resources modified to produce the Ore Reserve Estimate reported below.

Table 2.5-1-Shizishan Polymetallic Project — Statement of JORC Ore Reserve Estimate as at October 25, 2011

JORC Ore Reserve Classification	Ore Quantity (t)	Pb Grade (%)	Zn Grade (%)	Ag Grade (g/t)	Pb Metal (t)	Zn Metal (t)	Ag Metal (t)
Proved	2,311,000	10.0	6.1	251	231,400	140,400	600
Probable	5,713,000	9.0	5.9	250	514,500	336,900	1,400
Total	**8,024,000**	**9.3**	**6.0**	**250**	**745,900**	**477,300**	**2,000**

Note: Figures reported are rounded which may result in small tabulation errors.

To enable the estimation of Ore Reserves, MMC has:

- Examined and characterized the Shizishan Project on a lode by lode basis;
- Reviewed the proposed mining methods and current life of mine designs;
- Estimated appropriate mining parameters for ore loss and dilution;
- Estimated cut-off grades suitable for use in an Ore Reserve estimate, and
- Completed economic modelling to determine the economic viability of extraction of the Ore Reserves.

This process and the findings are outlined in more detail below.

2.5.1 Description of Mining Method

The Feasibility Study proposes the use of two variants of the Cut-and-Fill mining method, namely Transverse Cut-and-Fill Stoping and Longitudinal Cut-and-Fill Stoping. These are selective mining methods and are suited to the variable geometry and high grade tenure of the Shizishan Project. It is proposed that stoping blocks narrower than 15 m shall use the longitudinal method while blocks wider than 15 m shall use the transverse method. These mining methods are defined in further detail in ***Chapter 7***.

2.5.2 JORC Ore Reserve Estimate

JORC Ore Reserve Estimation Parameters

MMC has determined suitable mining parameters to apply in the Ore Reserve estimation process following discussions with site personnel, revision of the Feasibility Study, and revision and application of the proposed life of mine plan, mining methods, and processing plant recoveries to the areas of the Shizishan Project where Measured and Indicated Mineral Resources have been estimated.

The following parameters have been used in the Ore Reserve Estimate:

- Lead Equivalence (Pb Eq) based on processing plant recoveries proposed by MMC of 93% Pb and 89% Ag reporting to Pb concentrate, and 89% Zn and 7% Ag reporting to Zn Concentrate, saleable quality of concentrates as discussed in ***Section 2.7.2***, and forecast metal prices outlined in the Feasibility Study of 11,000 RMB/t Pb and 4.8 RMB/g Ag in Pb concentrate, and 10,000 RMB/t Zn and 1.14 RMB/g Ag in Zn concentrate; where
  - 1% Pb Eq ~ 1% Pb ~ 1.149% Zn ~ 23.508 g/t Ag, so
  - Pb Eq% = 1.000 × Pb% + 0.870 × Zn% + 0.043 x Ag g/t.
- Life-of-Mine Cut-off Grade (Industrial Cut-off Grade) of 4.3% Pb Eq after dilution and losses. This is the minimum grade for each stoping block that can be economically extracted taking into account all operating and capital costs forecast in the Feasibility Study;
- Minimum Cut-off grade (Operational Cut-off Grade) of 3.3% Pb Eq after dilution and losses. This is the minimum grade for any parcel of ore within or adjacent to a stoping block that can be economically extracted taking into account all variable costs directly associated with mining, processing and concentrate handling forecast in the Feasibility Study;
- Minimum mining width (including ore and planned waste dilution) is 4.0 m, which is based on the equipment selected in the Feasibility Study;
- Mining dilution factor of 5.4% has been used for Transverse Cut-and-Fill primary stoping, assuming 0.3 m over-break of ore and waste, 0.5 m over-break and 0.3 m over-muck of back-fill applied to the proposed stope geometries;
- Mining dilution factor of 9.8% has been used for Transverse Cut-and-Fill secondary stoping, assuming 0.3 m over-break of ore and waste, 0.5 m over-break and 0.3 m over-muck of back-fill applied to the proposed stope geometries;
- Mining dilution factor of 10.3% has been used for Longitudinal Cut-and-Fill Stoping, assuming 0.3 m over-break of waste, 0.5 m over-break and 0.3 m over-muck of back-fill applied to the proposed stope geometries at an average stope width of 10 m;
- Recovery factor of 92.5% assumed for orebodies with a dip greater than 45 degrees, and
- Recovery factor of 87.5% assumed for orebodies with a dip less than 45 degrees.

JORC Ore Reserve Estimation Procedure

Ore Reserves were estimated using Surpac Mine Planning Software. The Ore Reserve estimation applied the reserve estimation parameters to the 3-D geological block model created for the Mineral Resource estimate. The following steps were completed as part of the estimation process:

- The block model was examined and the appropriate mining method for each part of the Mineral Resource was identified based on horizontal width;
- Appropriate stoping shapes for the selected mining method and minimum mining width were created on 5 m sections around mineralization within the licence area and above the minimum cut-off grade before mining losses and dilution;
- Internal waste required to be mined to stope a parcel of ore was shaped with that parcel of ore;
- The stoping shapes were reviewed to confirm the mining method selected based on the resource;
- Tonnes and grade were reported for each stoping shape on 5 m sections;
- In Transverse Stoping mining areas, tonnes and grade of each 5 m section was reviewed and position of the primary stopes was optimized to extract highest grade ore first;
- The appropriate recovery factor was applied according to the dip of the orebody;
- The appropriate mining dilution was added according to the designated mining method. The grade of the applied dilution material was 0% Pb Eq;
- The Minimum Cut-off Grade was applied to the diluted stoping shapes. Stoping shapes below the Minimum Cut-off Grade were excluded from the Ore Reserve estimate;
- Diluted stoping shapes remaining were combined into relevant stoping blocks;
- The Life-of-mine Cut-off Grade was applied to all stoping blocks. Stoping blocks below the Life-of-mine cut-off grade were excluded from the Ore Reserve estimate;
- Ore Reserves within Indicated Mineral Resource were classified as Probable, and
- Ore Reserves within Measured Mineral Resource were classified as Proved.

2.6 Mining

The Shizishan Project consists of a single underground mining operation. The Company commenced production at the end of July 2011 followed by a forecast ramp up of production of 48 ktpa and 419 ktpa in 2011 and 2012 respectively, prior to reaching a full forecast production capacity of 660 ktpa by the end of December 2012. The current Project mine life (based on the Ore Reserves Estimate) is estimated to be 12.5 years, commencing July 2011.

Based on the Ore Reserves Estimate, the mine is likely to produce a high grade Run-of-Mine material with an estimated average grade of 9.3%, 6.0% and 250 g/t for Pb, Zn and Ag respectively. Two variants of the Cut-and-Fill Stoping method will be implemented. Cut-and-Fill Stoping is a conventional mining method and is appropriate for high grade resources where high ore recovery and low dilution rates are desired.

The Company plans to mine 4 main lodes; the largest of which contains approximately two thirds of the currently defined Mineral Resource and is neighbored by three smaller lodes 100 m to the north, 120 m to the east and 20m to the east. In addition, there are several smaller pods within the mining licence. These pods are presently classified as Inferred Mineral Resources and are excluded from the Ore Reserve Estimate. However, with further drilling and Mineral Resource reclassification these lenses present an opportunity to increase the Ore Reserve Estimate and provide alternate production sources. These can be seen in ***Figure 2.4-1***.

The mine design and plans were outlined in the Feasibility Study and have been reviewed by MMC. A summary of the Feasibility Study and MMC's findings are provided below.

2.6.1 Mine Design

A three dimensional mine design (prepared using Surpac Mine Design Software) completed by the Design Institute for the Feasibility Study was provided to MMC for review. A number of adits will provide access to mining levels for personnel and materials, ore and waste movement and ventilation. Adits are considered appropriate for the Shizishan Project given the site's topographical relief. The planned Mining Level interval is 50m. Sublevels for stoping will be accessed through an internal decline with sub-level intervals of approximately 12m.

MMC notes that this mine design has not incorporated the most recent drilling information. MMC considers that the mine design concept, whilst at a high level, is still appropriate for the Shizishan Project and envisages there will not be significant impact on the life-of-mine production profile. MMC has been advised by the Company that the detailed mine design is in the process of being updated to incorporate the new geological information.

In addition to photographs of the drill core supplied by the company, MMC has reviewed the geotechnical and hydrogeological data provided in the Feasibility Study. A limited amount of Porosity and Uniaxial Compressive Strength ("UCS") testing has been carried out on the different rock types in the area, including the contact group which hosts the mineralization. These results are positive, and coupled with conditions observed during the site visits and the flexibility offered by the Cut-and-Fill Stoping Method selected; MMC envisages that with conventional ground support that the modifying factors applied for the reserves are achievable.

2.6.2 Mining Method

Cut-and-Fill Stoping Method

The planned Cut-and-Fill Stoping method is both flexible and selective. It is suited to deposits of variable dimension and shape, and for rock that cannot be supported over large spans. The method has a higher mining cost compared to less selective mining methods but is suitable for high grade resources, as increased recovery and reduced dilutions may be achieved.

The stopes are accessed by two main levels at the top and bottom of the stope, plus 4 sub-levels serviced by an internal decline. The stopes will be mined in 4 m lifts from the bottom of the level to the top of the level. As each lift is mined a void will be created which will be backfilled with a tailings product from the processing plant. The bottom lift will be filled with high cement backfill and the top portion of each backfill layer will be filled with a cement mix that provides a solid work floor to support heavy equipment. This will ensure no pillars are left and recovery of the resource is maximized. The process is repeated until the level above is reached.

Due to the variable dimensions of the deposit, two variants of the mining method will be implemented. These are Longitudinal Cut-and-Fill Stoping and Transverse Cut-and-Fill Stoping.

Longitudinal Cut-and-Fill Stoping

Longitudinal Cut-and-Fill Stoping extracts the material parallel to the strike of the orebody. It is suited to narrower portions of the orebody where the entire width can be mined without producing an unstable stope crown. The Feasibility Study proposed that mineralized zones that are less than 15 m wide are suitable for the longitudinal method.

Proposed Longitudinal Cut-and-Fill Stope dimensions are 50 m in height, 80 m to 150 m in length and less than 15 m wide. Within each stope, panel length will be 40 m to 50 m, as shown in ***Figure 2.6-1***.

MMC estimates that the dilution rates for this method would vary between 8.7% for 15 m wide stopes to 17.6% for 4 m wide stopes. Higher dilution rates are anticipated in narrower stopes as over-break will contribute a greater proportion of the material mined.

Transverse Cut-and-Fill Stoping

Transverse Cut-and-Fill stoping extracts the material perpendicular to the strike of the orebody. It is suited to portions of the orebody that are too wide for the longitudinal method. The stopes are mined in a sequential fashion, where primary stopes are mined and back-filled first. Secondary stopes located between the completed primary stopes are then mined, exposing the back-fill used to fill the primary stopes. The Feasibility Study proposes that mineralized zones equal to or greater than 15 m wide will be mined using the transverse method.

Proposed Transverse Cut-and-Fill Stope dimensions for both primary and secondary stopes are 50 m in height, 15 to 120 m in length and 12.5 m wide. Within each stope, panel length will be 45 to 60 m. This is shown in ***Figure 2.6-2***.

Dilution in Transverse Cut-and-Fill Stopes will be dependent on the stope extraction sequence, with higher dilution expected in secondary stopes then in primary stopes. MMC estimates that dilution rates for this stoping method would vary between 5.4% for primary stopes and 9.8% for secondary stopes. Assuming an equal proportion of primary stopes to secondary stopes, an overall dilution factor of 7.5% for the transverse method is estimated.

2.6.3 Production Rate

Table 2.6-1 shows the Company's forecast mine production schedule until 2015.

Table 2.6-1 - Shizishan Polymetallic Project — Underground Production Schedule

	Unit	2011	2012	2013	2014	2015
ROM Ore	ktpa	48	419	660	660	660
	Lead %	9.3	9.3	9.3	9.3	9.3
ROM Grade	Zinc %	6.0	6.0	6.0	6.0	6.0
	Silver g/t	250	250	250	250	250

Source: Feasibility Study update provided by the Company and reviewed by MMC

Although the proposed mining quantities are considered reasonable and achievable, MMC envisages minor variation in annual tonnages. In addition to this, MMC expects grade variation over the life of the mine. This variations will be the result of natural variations in bulk density and grade distribution throughout the resource, optimization of the stoping schedule to mine high grade material earlier in the mine life and increased dilution in secondary stopes which will contribute the majority of tonnes towards the end of the mine life.

The Feasibility Study detailed the forecast mining equipment, the equipment list is summarized in ***Annexure E***. MMC considers the current equipment list to be suitable for the planned mining operation and production rate. Due to the long mine life, opportunity exists to review and optimize the equipment selection when equipment is replaced.

Underground development commenced in early 2011. The total underground development meters completed as of June 2011 and capital development remaining is shown in ***Table 2.6-2***. MMC considers the estimated development rates to be achievable.

Table 2.6-2 - Shizishan Polymetallic Project — Underground Development Plan

Item	Engineering Design No.	Total Length (m)	Development Meters (as of June 2011)	Development Rate (m per month)
	1250PD	1,659	145	120
Lateral Development	1200PD	3,231	295	120
	1150PD	3,089	40	120
Internal Decline	Sublevel Access Decline	761	0	100
Vertical Development	Ore Passes, Vent Rises	404	0	80

Source: Feasibility Study and Provided by the Company and reviewed by MMC

2.6.4 Comments and Recommendations

The mining method, mine design concept and forecast production rates currently proposed are considered by MMC to be technically achievable and suitable for the Shizishan Project. A key concept of the current mine plan is the implementation of the Cut-and-Fill mining method, to minimize ore losses and dilutions of the high grade material at Shizishan Project.

To ensure successful implementation and optimization of the mine plans, MMC provides the following recommendations:

- Once trial processing commences, complete an evaluation and design program for the tailings and back-fill products. The program should include (but not be limited to) testing the compressive strength of back-fill at various cement proportions, water content, pH levels, particle size distributions and cure times. Drainage properties at various particle size distributions should also be measured. Once the back-fill product design is optimized, a QAQC program should be developed to measure achieved performance and variance to design. An understanding of back-fill performance will underpin design of stable back-fill spans which will determine safe panel lengths in Transverse Cut-and-Fill stopes, safe exposure sizes and necessary properties of back-fill stope crowns.

- A geotechnical review of ore and waste rock properties and development of a ground control management plan should be progressively completed as further development is undertaken. This review should include (but not be limited to) testing compressive strength of all rock types to be encountered in the mine, measurement of joint sets including spacing, orientation and state, wedge formation analysis, rock densities, weathering profiles, in-situ stress testing including orientation and magnitude, induced stress modeling, reactive ground, and development of a regional shear model. Maximum stable ore and waste exposures should be determined and appropriate ground support selected. Stope geometry, including maximum width of longitudinal stopes, ratio of width of primary to secondary transverse stopes, panel length and height of mining lift should be reviewed and optimized to minimize dilution and cement requirements for backfill, and maximize productivity.

- Some operating risks of the Cut-and-Fill mining method will require ongoing management. Effective mine scheduling will be required to ensure the planned productivity is maintained as the production rate per stope will be limited. Additionally, as workers must enter the stope during mining operations there is an increased safety hazard associated with rock-falls. This hazard will increase as mining progresses. These risks may be controlled through effective mine management and implementation of a ground control management plan.

- Variable Cut-Off Grades present an opportunity to maximize the Shizishan Project's value. The Cut-off Grade should be increased at the beginning of the operation due to reduced productivity during ramp-up and reduced recoveries at the processing plant. The Cut-off Grade can also be increased to improve revenue early in the Shizishan Project's development and reduce capital payback time. The Cut-off Grade can then be reduced. This will help optimize the production schedule to increase revenues earlier in the life. MMC recommends a Cut-off Grade study be completed to determine the optimum Cut-off Grade at relevant stages of the mine life.

Figure 2.6-1 - Shizishan Polymetallic Project — Longitudinal Cut-and-Fill Stoping

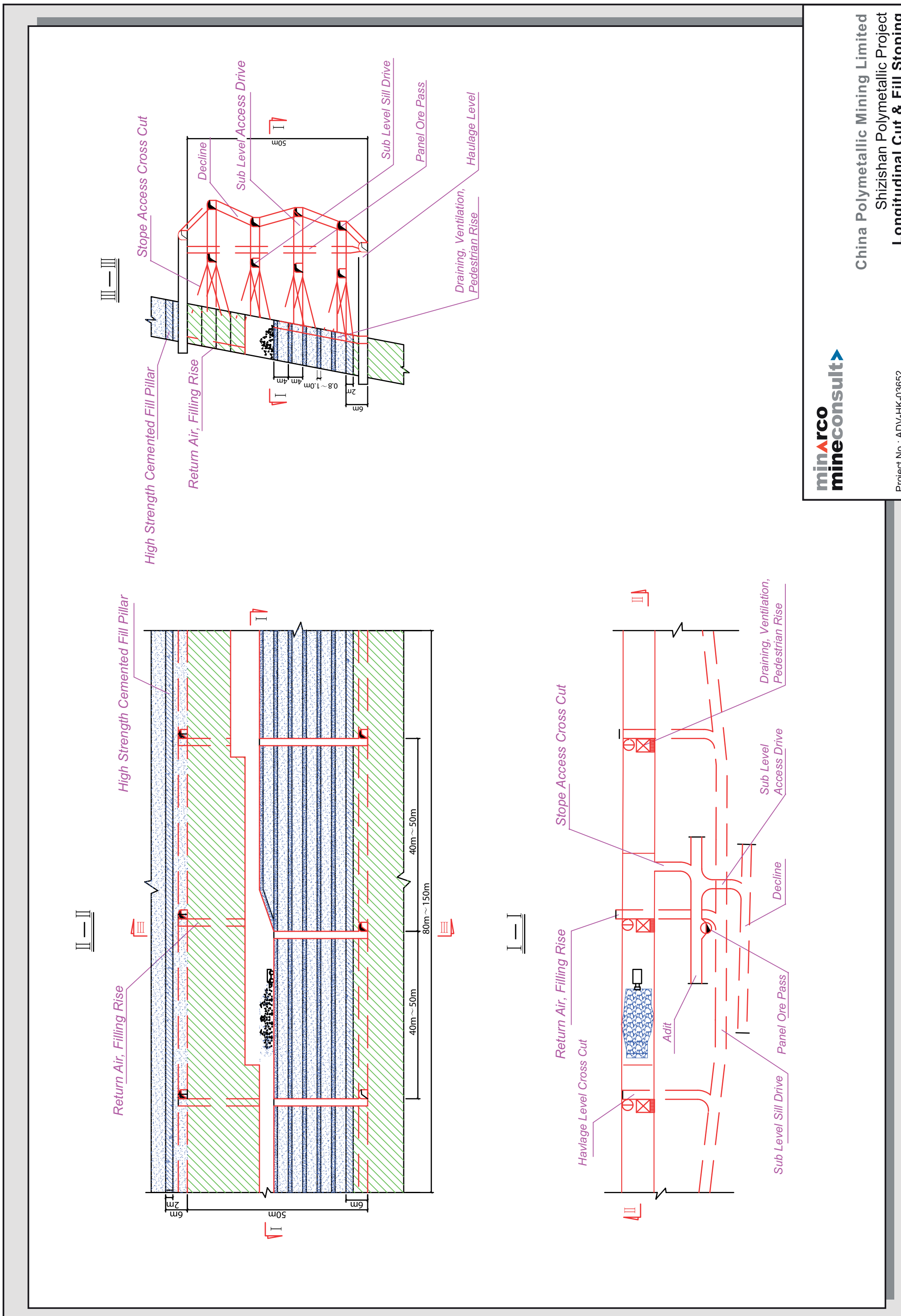
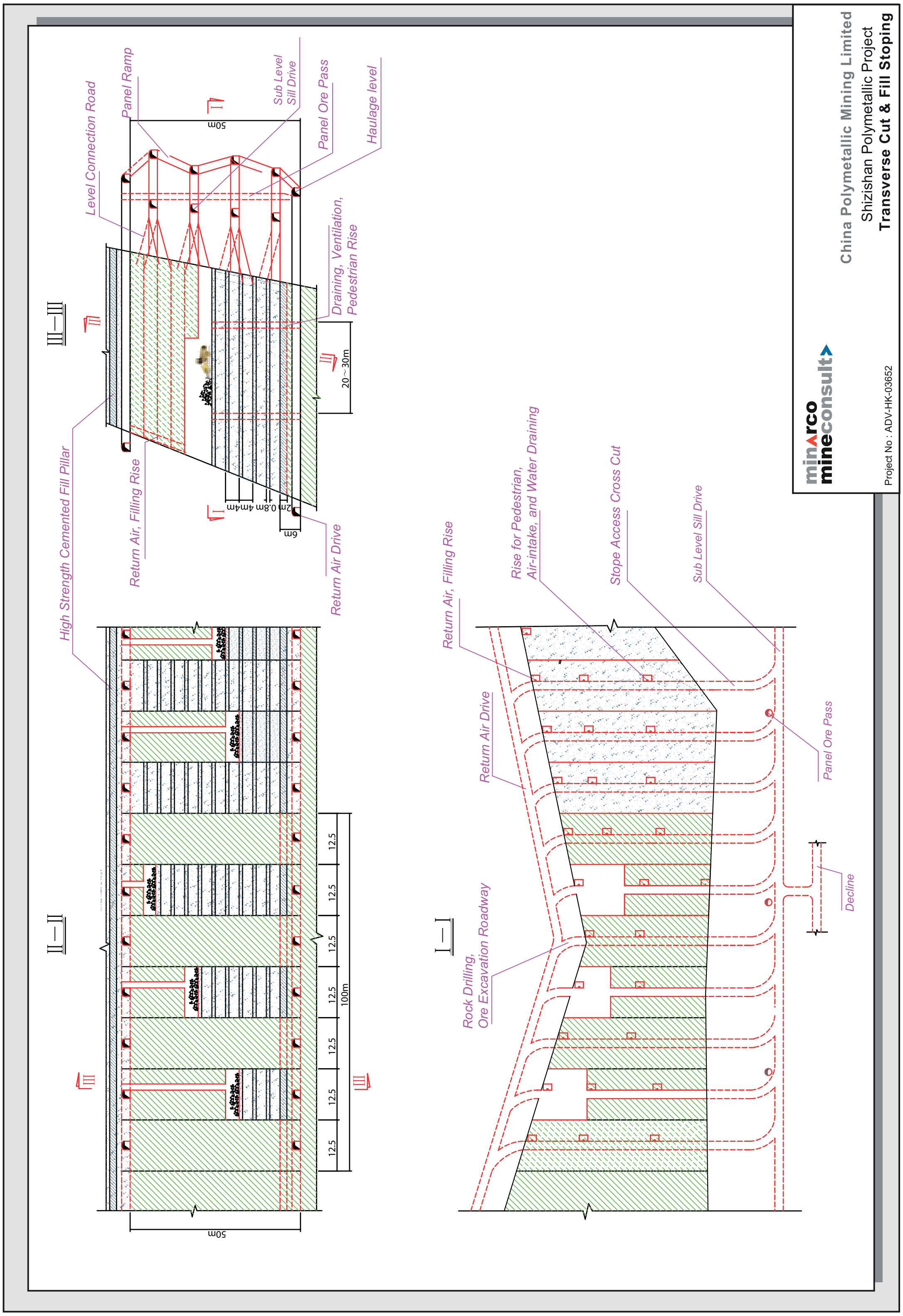


Figure 2.6-2 - Shizishan Polymetallic Project — Transverse Cut-and-Fill Stoping



2.7 Processing Plant and Mineralogy

The Shizishan Project's processing plant is designed to process Pb, Zn and Ag material at a throughput capacity of 660 ktpa (2,000 tpd). The processing circuit is a conventional flotation operation in which marketable lead and zinc concentrates are produced through three stages of crushing, one stage of milling followed by a lead flotation and a zinc flotation circuit. The Shizishan Project's mineralogy and metallurgical testing has established that the mineralized material is expected to be readily concentrated.

The construction of the processing plant concluded in late July 2011 and production of concentrate subsequently commenced. Process Description

The proposed processing circuit is a conventional flotation operation in which separate lead and zinc concentrates are produced. The flowsheet (as presented in ***Figure 2.7-1***) consists of three stages of crushing, one stage of milling followed by separate lead and a zinc flotation circuits. The milling circuit employs hydrocyclones to classify the slurry for flotation. Each flotation circuit consists of one stage of roughing followed by two stages of scavenging, with the rougher concentrate being upgraded to a final concentrate with three stages of cleaning. The lead and zinc concentrates are initially dewatered by thickening followed by filtration with ceramic filters.

MMC considers the process design and equipment selection to be appropriate for the proposed processing capacity and the production of two marketable concentrates.

MMC inspected the Shizishan Project's processing facility on the 5th May 2011. This facility was under construction with part of the major concrete works finished. The grinding mills and the concentrate and tailings thickeners had been installed. The crushing circuit equipment, the flotation cells as well as the filters were yet to be installed.

A summary of the processing plant is presented in ***Table 2.7-1.***

Table 2.7-1 - Shizishan Polymetallic Project — Processing Plant Overview

Name of Plant	Processing Line	Daily Capacity tpd	Annual Capacity ktpa	Ore Type	Status
Shizishan	Single	2,000	660*	Pb-Zn-Ag	Under Construction

Source: Feasibility Study Report and reviewed by MMC.

* *330 operating days per year*

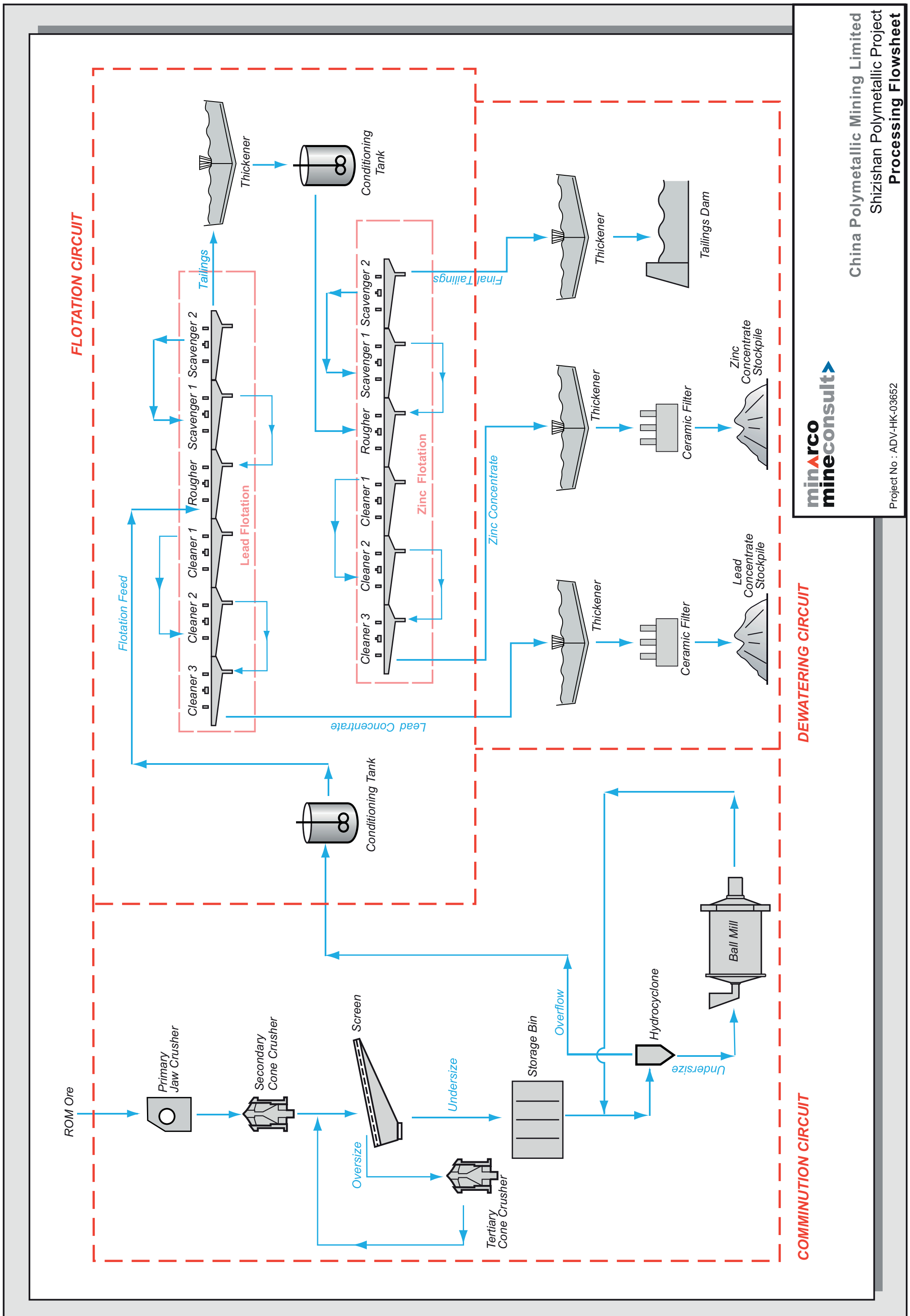
The crushing circuit consists of a primary C100 jaw crusher and a secondary cone crusher, feeding a screen. The screen oversize feeds a tertiary HP200 cone crusher while the screen undersize, 95% passing 15 mm, feeds a fine ore storage bin with a live capacity of 2,000 t (24 hours).

Ore is recovered from the storage bin and fed into two parallel overflow ball mills (2.7 m Ø, 4.5 m long and 500 kW motor) in a closed circuit with two sets of hydrocyclones. The hydrocyclone underflow is returned to the ball mill feed for further grinding while the overflow (P_{60-65} =74 microns) reports to the flotation circuit.

The first flotation stage consists of a lead flotation process in which lead minerals containing silver are separated from the gangue and zinc minerals to form a separate lead concentrate. During the lead flotation stage, zinc sulphate ($ZnSO_4$) and sodium sulphite (Na_2SO_3) are added to inhibit the flotation of any activated zinc minerals. The lead flotation circuit is conventional, consisting of a rougher and two stages of scavengers with the rougher concentrate upgraded in three stages of cleaning. The tailings from the scavenger circuit are dewatered in a 40 m diameter thickener, where most of the reagents are removed prior to zinc flotation.

The zinc flotation circuit is the same as that of lead flotation circuit, however copper sulphate ($CuSO_4$) is added to activate the zinc and cause flotation.

Figure 2.7-1 - Shizishan Polymetallic Project — Processing Flowsheet



The lead and zinc concentrates are dewatered in dedicated dewatering circuits, consisting of two thickeners (28 m diameter) followed by two ceramic disc filters (each 45 sq.m area) to produce final marketable lead and zinc concentrate products. Water is recovered from dewatering and re-used in the process.

The final tailings from the zinc scavenger circuit are dewatered in a 40 m diameter thickener before flowing to the tailings dam.

2.7.1 Equipment

MMC consider the equipment types and sizes are modern and satisfactory for an operation of this capacity. The key processing equipment has been ordered and is summarized in ***Annexure E.*** Although this may guarantee performance, it may have been more cost-effective to install one single milling line with a larger mill, with some capital and operating costs savings. The Company indicated that due to spatial limitations, a group of 8 cu.m flotation cells are to be used for all flotation duties although additional smaller sized flotation cells would be preferable in cleaner flotation duties.

2.7.2 Production Schedule

The Company provided forecast production from 2011 to 2015, which estimated marketable grades of lead and zinc would be produced with a lead recovery of 93%, a zinc recovery of 89%, a silver recovery of 89% from the lead concentrate and a silver recovery of 7.4% from the zinc concentrate. MMC considers these recoveries to be appropriate.

Whilst production will steadily increase until 2013, MMC consider that a lower recovery should be applied during the commissioning and optimization period. MMC notes that the lead concentrate grade has been relaxed from 56.78% to 55% Pb, which should improve the lead recovery to 93%. MMC considers that during the commissioning and optimization period (first 6 months of operation) the process recoveries should be de-rated by 20%.

MMC considers that the planned plant performance in terms of both the lead and zinc metallurgy is reasonable and supported by the metallurgical testing.

Table 2.7-2 Shizishan Polymetallic Project — Actual and Scheduled Processing Plant Production

	Items	Unit	Actual 2011			Planned			
			Aug	Sept	Oct	2011	2012	2013-2023 (annual)	2024
ROM Ore	Mined	kt	6.2	8.8	9.8	48	419	660	297
	Processed	kt	5.1	7.8	9.8	48	419	660	297
	Annualized processed*	ktpa	25.5	36.3	42.3	48	419	660	297
Feed Grade	Lead	%	2.7	3.6	3.6	9.3	9.3	9.3	9.3
	Zinc	%	4.4	4.3	4.2	6.0	6.0	6.0	6.0
	Silver	g/t	41	40	44	250	250	250	250
Recovery	Lead	%	71.8	75.0	76.2	74.4	93	93	93
	Zinc	%	83.8	84.1	84.1	71.2	89	89	89
	Silver in lead concentrate	%	64.1	71.5	72.4	71.2	89	89	89
	Silver in zinc concentrate	%	5.9	6.4	5.9	5.9	7.4	7.4	7.4
Concentrate Grade	Lead	%	60	55	55	55	55	55	55
	Zinc	%	45	46	46	55	55	55	55
	Silver in lead concentrate	g/t	808	595	632	1,414	1,414	1,414	1,414
	Silver in zinc concentrate	g/t	30	33	34	192	192	192	192
Concentrate Tonnes	Lead-silver concentrate	kt	0.164	0.378	0.493	6.0	65.9	103.8	46.71
	Zinc-silver concentrate	kt	0.409	0.611	0.749	3.7	40.3	63.6	28.62
Metal Contained in Concentrate	Lead	t	98	209	270	3,320	36,220	57,080	25,686
	Zinc	t	184	279	348	2,030	22,180	34,950	15,728
	Silver in lead concentrate	kg	133	225	311	8,540	93,130	146,790	66,056
	Silver in zinc concentrate	kg	12	20	25	710	7,740	12,200	5,490

Source: Feasibility Study update provided by the Company and reviewed by MMC

* *Annualized rate assumes 2011 year commenced in August*

Metallurgical Testing

A testing program was developed and conducted by the Ministry of Land and Mineral Resources, Chengdu Supervision and Testing Centre ("Testing Centre") in 2011 to provide the basic technical parameters for developing a 2,000 tpd processing operation. The Testing Centre believes that correct and representative samples were selected for testing.

The testing program encompassed the following aspects:

- Mineralogical and elemental determination for test samples, sample composite head assays, determination of lead and zinc occurrences, ore specific gravity determination, hardness etc.;
- Grinding size determination;
- Reagent screening testing for roughing-scavenging-cleaning flowsheet: activator (copper sulphate), depressant (zinc sulphate, lime) and collector;
- Locked cycle tests to confirm optimum processing conditions and final concentrate quality; and,
- Toxicity screening of the flotation tailings.

As in most Chinese testing programs, crushing and milling properties such as work indices, unconfined compressive strengths and abrasion indices, were not determined. The values of these properties are assumed based on apparently similar ore types from around China and used to select the crushers and mills and the associated motor sizes.

Sample Selection

Approximately 116 kg of sample was collected from drill cores and prepared as a composite for testing. Based on a review of the Mineral Resource estimate and the Metallurgical Testing Report ("Metallurgical Testing Report") MMC considers that these samples were representative of the deposit and that the composite is representative of future mining production.

While the ore grade and geological characteristics do vary, it is not considered to be significant. Mineralogical and chemical analysis of the Shizishan Project's mineralized material revealed that the sample was high grade and consisted of the sulphide minerals galena and sphalerite (please refer to ***Table 2.7-3).***

Table 2.7-3- Shizishan Polymetallic Project — Composite Head Assays

Element	Pb (%)	Zn (%)	TFe (%)	S (%)	Au (g/t)	Ag (g/t)	As (%)	Cu (%)
Content	8.74	7.06	9.23	8.13	<0.1	253.1	<0.05	0.08

Source: Metallurgy Test Report for Shizishan Pb-Zn-Ag Ore, Ministry of Land and Mineral Resources, Chengdu Supervision and Testing Centre, 2011, reviewed by MMC

Independent assays completed by MMC indicated that As had up to 5 percent in some samples. These independent samples taken from pulverized samples of drill core which are not representative of the entire deposit. Furthermore all metallurgical testwork indicates that the head grade has low levels of penalty elements (ranging between 0.014 -0.05 percent). As a result, MMC regards these high grade samples as anomalous and will not materially affect the expected head grade of the concentrate. MMC does however recommend testwork and monitoring of the penalty elements to ensure blending of the feed ore is resulting in the required concentrate grades.

Mineralogy

As described in the Metallurgy Testing Report, the mineralized material consists predominately of the sulphide minerals (98.51% of the lead and 96.46% of the zinc) silver-bearing galena and sphalerite with small quantities of pyrite and chalcopyrite. Gangue minerals are dominated by dolomite, quartz, calcite, and chlorite.

Galena occurs as coarse grains (>0.5 mm) while sphalerite occurs as irregular granular and massive grains, associated or within the galena. A trace of pyrite and chalcopyrite were observed as fine grains within samples sourced from near the bottom of the deposit.

The average grade of the ore is higher than most of Chinese lead and zinc deposits. There are no obvious impurities of concern, with the arsenic content less than 0.05%.

Grinding

Once the flotation reagent types and dosages were determined by exploratory tests, the optimum grind size for the best flotation performance was investigated. Three grinding conditions were tested, namely P_{54}= 74 microns, P_{64}= 74 microns and P_{72}= 74 microns. It was found that grinding to P_{64}= 74 microns achieved best flotation performance.

Reagent Screening

The reagent screening tests focused on the collector addition rates (ethyl xanthate), addition points for lead flotation and activator addition rates ($CuSO_4$) for the flotation of zinc. It was found that addition of ethyl xanthate of 140 g/t in the rougher, 70 g/t in the first scavenger and 35 g/t in the second scavenger of lead flotation offered the most cost-effective performance. The zinc flotation recovery was found to be independent of the copper sulphate addition rate (100-500 g/t) and addition stage (roughing or scavenging stage). Consequently, 100 g/t of copper sulphate would be used ahead of the zinc roughing stage.

Locked cycle tests

Locked cycle testwork was conducted to estimate the impact of circulating loads including reagent build-up upon flotation circuit performance as well as establish the cleaner circuit recovery and the final concentrate grade. The testing program included both the lead and zinc concentrate with one roughing, three cleaning and two scavenging circuit, employing 4.5 minutes flotation time for roughing and 7 minutes for scavenging and 8 minutes for cleaning. The locked cycle testing results are summarized in ***Table 2.7-4***.

Table 2.7-4 - Shizishan Polymetallic Project — Locked Cycle Testing Results

		Grade			Recovery		
Items	**Mass (%)**	**Pb (%)**	**Zn (%)**	**Ag(g/t)**	**Pb (%)**	**Zn (%)**	**Ag (%)**
Lead Concentrate	14.14	56.78	2.16	1,591.27	91.86	4.33	88.9
Zinc Concentrate	11.52	1.99	55.00	162.58	2.62	89.75	7.40
Tailings	74.34	0.65	0.56	12.60	5.52	5.92	3.70
ROM Ore	100.00	8.74	7.06	253.10	100.00	100.00	100.00

Source: Metallurgy Test Report for Shizishan Pb-Zn-Ag Ore, Ministry of Land and Mineral Resources, Chengdu Supervision and Testing Centre, 2011, reviewed by MMC

Testing showed that up to 92% of lead, 90% of zinc and 95% of silver were recovered at the selected grind size (P_{64} =74 microns). Nearly 90% of the silver was recovered to the lead concentrate which will attract a credit, while over 7% reported to the zinc concentrate which will receive some payment (18%). The products include a reasonably high grade lead concentrate (57% Pb) with a very high silver grade (1,591 g/t Ag) and a high grade zinc concentrate (55% Zn) containing a good silver content (163 g/t). As shown in ***Table 2.7-5***, testing demonstrates that both concentrates contain no significant quantities of deleterious elements. MMC envisages that the concentrates produced are of good and saleable quality.

Table 2.7-5 - Shizishan Polymetallic Project — Locked Cycle Concentrate Grade

Product	Pb (%)	Zn (%)	Cu (%)	TFe (%)	Au (g/t)	Ag (g/t)	As (%)	Al_2O_3 (%)
Lead Concentrate	56.78	2.16	0.04	3.71	3.06	1,591.27	0.02	0.05
Zinc Concentrate	1.99	55.00	0.05	3.19	0.09	162.58	0.01	0.04

Source: Metallurgy Test Report for Shizishan Pb-Zn-Ag Ore, Ministry of Land and Mineral Resources, Chengdu Supervision and Testing Centre, 2011, reviewed by MMC

Further testing is recommended for ores with different head grades to establish the relationship between metal recoveries and head grade. Additionally, more information is required regarding the crushing and milling characteristics of ores with greater quantities of harder materials such as quartz. This may arise due to dilution during mining.

2.8 Operating and Capital Costs

2.8.1 Operating Cost

The estimated total operating cash cost includes mining costs, processing costs, and General and Administration ("G&A") costs. The estimated total cash cost includes total operating cash cost and taxes and royalties. The estimated total production cost includes total cash costs and depreciation and amortization costs. The operating costs given in ***Table 2.8-1*** have been forecast based on information provided by the Company for the period 2011 to 2015. MMC considers the operating cost estimates and forecast to be reasonable for the Shizishan Project and its planned operations. The unit operating costs have not been escalated over the forecast period.

A mining cost of 62 RMB/t ore mined includes estimated contract mining rates. The contractor mining costs of 62 RMB/t ore mined reflect the cut and fill mining method.

A processing cost of 82 RMB/t processed at full production rate reflects the flotation process and production of separate lead-silver and zinc-silver concentrates. The processing costs include appropriate estimates for materials, salary, services such as electricity and water and maintenance. Concentrate transport costs are not included in the operating cost estimate as the cost will be beared by the costumer.

Mine management and other costs, such as administrative and sales costs, have been included in the G&A and Other costs. These costs are estimated to be approximately 39 RMB/t ore processed once full production has been achieved in 2013.

The unit operating costs decrease significantly from 2011 to 2013 which reflects the ramp-up in production from 48 kt in 2011 to 660 ktpa in 2013. From 2011 to 2015, the weighted average total operating cash cost is 193 RMB/t ore processed and total production cost are 396 RMB/t ore processed.

Table 2.8-1 - Shizishan Polymetallic Project — Forecast Operating Costs

Cost Item	Unit	Aug 2011 (Actual)	Sep 2011 (Actual)	Oct 2011 (Actual)	2011	2012	2013	2014	2015
Mining cost	RMB/t ore mined	**62**	**58**	**58**	**62**	**62**	**62**	**62**	**62**
Subcontracting fee	RMB/t ore mined	**62**	**58**	**58**	**62**	**62**	**62**	**62**	**62**
Processing cost	RMB/t ore processed	**153**	**129**	**146**	**121**	**89**	**82**	**82**	**82**
Materials cost	RMB/t ore processed	51	53	60	40	38	38	38	38
Labor	RMB/t ore processed	49	35	32	41	13	8	8	8
Electricity and Water	RMB/t ore processed	39	37	46	23	23	23	23	23
Maintenance and Others	RMB/t ore processed	14	4	8	17	15	13	13	13
G&A and Other Costs	RMB/t ore processed	**84**	**113**	**103**	**270**	**55**	**39**	**40**	**42**
Total Operating Cash Cost*	RMB/t ore processed	**299**	**300**	**307**	**453**	**206**	**183**	**184**	**186**
Total Operating Cash Cost*	RMB/t concentrate	**2,633**	**2,366**	**2,419**	**2,232**	**812**	**722**	**726**	**734**
Total Taxes and Royalties	RMB/t ore processed	55	63	79	176	154	150	150	150
Total Cash Cost+	RMB/t ore processed	**354**	**363**	**386**	**629**	**360**	**333**	**334**	**336**
Total Cash Cost+	RMB/t concentrate	**3,117**	**2,863**	**3,041**	**3,100**	**1,420**	**1,313**	**1,317**	**1,325**
Total Depreciation and Amortization	RMB/t ore processed	38	28	123	110	52	50	50	50
Total Production Cost	RMB/t ore processed	**392**	**391**	**509**	**739**	**412**	**383**	**384**	**386**
Total Production Cost	RMB/t concentrate	**3,452**	**3,083**	**4,010**	**3,642**	**1,625**	**1,511**	**1,515**	**1,522**

Source: Provided by the Company and reviewed by MMC

*Note: * "Total Operating Cash Costs" includes all mining, processing, G&A and other costs, which are inclusive of administrative and sales costs.*

+ "Total Cash Costs" includes Total Operating Cash Costs as well as Taxes and Royalties

Capital Costs

The capital cost schedule from present to 2012 as forecast based on information provided by the Company is given in ***Table 2.8-2.*** MMC considers the estimated capital costs to be reasonable and understands the estimate is based on the latest available construction and contract rates.

The mining capital costs consist of underground development, mine infrastructure, design and equipment.

The processing capital costs include construction, design and equipment and appear higher relative to other similar processing plants in China. It is considered by MMC that the relatively higher cost reflects the standard of equipment selected for the Shizishan Project.

Almost 45% of the capital costs are scheduled to occur in 2011 which aligns with the planned production ramp up from 2011 to full production in 2013.

Table 2.8-2 - Shizishan Polymetallic Project — Actual and Planned Capital Expenditure (M RMB)

	Apr 23 2009 to Dec 31 2009	2010	2011	2012	Total
Mining	6.0	34.7	68.5	120.5	229.7
Mining Infrastructure	0.3	0.3	35.7	120.5	156.8
Mining Right and Exploration	5.7	34.4	32.8	0.0	72.9
Processing	1.3	48.7	91.5	4.5	146.0
Processing Factory and Equipment	0.3	40.0	77.3	0.5	118.1
Tailing Storage Facilities (TSF)	1.0	8.7	14.2	4.0	27.9
Land Use Right	0.0	7.2	10.3	0.0	17.5
Buildings	0.0	0.0	10.0	0.0	10.0
Total	**7.3**	**90.6**	**180.3**	**125.0**	**403.2**

Source: Based on information provided by the Company and reviewed by MMC

2.9 Operational Safety

MMC reviewed the Special Safety Chapter of the Preliminary Design which has also been independently reviewed by an expert group organized by the Safety Supervision Bureau of Yunnan Province on 4th November of 2010. The Safety Special Chapter of the Preliminary Design was written by the Design Institute in September 2010. MMC considers the Special Safety Chapter adequate as conceptual level safety planning.

The Safety Special Chapter details the potential safety issues and prevention practices for the Shizishan Project, as summarized below.

2.9.1 Ventilation

The Special Safety Chapter provides a description of the Shizishan Project's ventilation requirements. Ventilation is a fundamental system for underground mining that plays a vital role in providing fresh air, diluting potentially poisonous gas and preventing the build-up of dust.

Ventilation mode and system: The cut-and-fill horizontal mining face will be ventilated by fresh air entering through air-intake gateway and returning through the air-return gateway with "Z" type form of ventilation. The planned ventilation capacity is 103.88 cu.m/sec (6,233 cu.m/min), which will be subject to the results of a ventilation simulation study. The Feasibility Study further recommends the use of a rotating axial flow fan (KD-8-No25).

Development mining face ventilation: The development roadways will be developed individually in a single driven roadway face. A ventilation fan will be installed in the intake roadway. The developing faces will be ventilated by means of an auxiliary fan and ventilation duct, feeding air under positive pressure to the development. The return air will travel along the roadway to the intake roadway.

Underground ventilation facilities and structures: Underground ventilation installation and structures include ventilation doors, regulators, seals, overcast structures, and wind measurement stations. These facilities and structures ensure reliable air flow along the required roadway routes. Careful management and maintenance of these items is needed to ensure safety and production.

Ventilation equipment and reversed wind: For fire fighting, the axial flow fans enable the ventilation flow to be reversed within 10 minutes, while retaining 60% of the normal airflow.

2.9.2 Mine Water Control

The normal water discharge was stated to be 5,000cu.m/d on the 1,150 m Level. The following controls will be deployed:

- Establish an underground drainage system including the pump station, water storage sumps, ditches, drains and other drainage facilities at 1,000 m level, pumping water up to the 1,150 m Level;
- An automatic water drainage system has been designed through the east drift on the -1,150 m Level; and
- Ensure adequate pumping capacity with redundancy for maintenance/breakdown.

2.9.3 Dust Control

Dust is generated by the mining process and the key hazard is long-term inhalation of dust by the underground workers which may result in various lung diseases. The Safety Special Chapter requires implementation of a series of measures for controlling the mine dust as follows:

- Proper ventilation;
- Establishment of underground sprinkler water systems under the control of a specially appointed person;
- Regular dust inspections; and
- Personal protective equipment for those who come into contact with dust.

2.9.4 Fire Prevention and Extinguishment

The Preliminary Design outlined some common extinguishment methods. Careful management and adequate fire fighting equipment will be needed for both underground and surface facilities.

2.9.5 Mine Rescue Team

The Shizishan Project does not plan to establish a mine rescue team, but will provide the necessary equipment and health care and first aid station onsite.

2.10 Environment and Health

2.10.1 Environmental Setting

According to the Shizishan Project's Environmental Impact Assessment Report ("EIA"), the Shizishan Project is subject to the following environmental quality classifications:

- Class III surface water quality;
- Class II air quality (i.e. for residential and rural areas);
- Class II acoustic quality (i.e. for residential, commercial and industrial mixed areas), and;
- Class III groundwater quality (i.e. for use for drinking, industrial and agricultural purposes).

These environmental quality classification standards do not impose any restrictions to mining activities in the Shizishan Project area. In addition no nature reserves or protected areas were reported within a 2km radius of the Shizishan Project area.

2.10.2 Social Setting

Zhanxi Town has over 67 housing areas comprised of 4,214 households. The total population of the area is 21,532, of which 98% are farmers. The population is predominantly comprised of Dai (48%), Jingpo (21.94%), Han (21.9%) and Lisu (8%). Zhanxi Town has a total farmland of 26.26 sq.km and agricultural products include oil seed, sugar cane and tea leaves. In 2008, the average annual income for local farmers was 2,159 RMB per capita.

There are sparsely distributed residential houses located to the south of the Shizishan Project, which are part Lannijing Village. The nearest house to the Shizishan Project is located approximately 100 to 150 m away, while the Lannijing Primary School is located 250 m south. In addition, it was observed that two newly-constructed residential houses were located approximately 200 m to the southwest of the tailing storage facility location. The new houses are located on the hillside and upstream of the tailings dam, while no residential areas have been noted downstream of the tailing dam location.

No record of public opposition to the operation conducted at the asset was revealed in the scope of this investigation. As such, no immediate community risks were observed regarding the assets.

Local labor will be employed during project construction and operation of the mine, which will result in an economic benefit for the local people and government. Sections of roads were rebuilt for the Shizishan Project and will also serve to improve the local transportation.

2.10.3 Environment Protection Measures

Surface water

Waste water from processing activities will be recycled. As a result, minimal impact will be placed upon the quality of the surface water environment. Irregular occurrences, such as dam failures, floods and storms, have caused damage to tailings storage facilities of other operations which resulted in waste water being released into rivers. These events have resulted in partial surface water exceeding the standards for heavy metal content. It is, therefore, necessary that preventative measures for unplanned waste water release incidents be adopted during production.

Domestic sewage quantity will be 32 cu.m/d, which meets the first level of 'Sewage Draining Standard' (GB8978-1996). This level is deemed to have a minor impact on surface water quality. This standard will be achieved by oil separation, sewage treatment and the recycling of waste water.

Underground water

The Shizishan Projects surface storage facility is situated in underground water recharging areas. Anti-seepage treatment will be required during tailings dam construction for the prevention of underground water pollution. According to leaching tests the tailings belong to the Type 1 general industrial solid waste category and are considered to have a relatively minor impact upon surface water quality under normal conditions.

Atmospheric environment impact

The Shizishan Project will adopt a single bulk floatation process which will result in minimal dust production. The uncontrolled discharge of particles from the processing plant will have little impact upon the surrounding atmospheric environment and Lanniqing residential areas after these environmental protection measures have been adopted.

Noise

The Shizishan Project's operating equipment will be located inside plant workshops or underground. Efforts to minimize noise production will include the addition of damping pads for the bases of all equipment, the use of low noise equipment and workshop sound insulation. The processing plant is located 250 to 350 m from the Lanniqing Primary School and residential areas, as a result the noise impact on Lanniqing residents will be relatively minor after processing plant noise reduction measures are adopted.

Solid Waste

The tailings generated through ore processing will be stored in tailings dams. The EIA requires the construction of a domestic waste landfill area and collective treatment in order to reduce the environmental impact of the Shizishan Project. The process was undertaken with the approval of the relevant sectors of the government, environmental sanitation, and environmental protection.

The tailings dam construction will impact nearby residents through the release of dust and noise into local environment. Once environmental protection measures are undertaken, the influence of the tailings construction process will be further reduced.

Ecology

The local land utilization status will not be altered by the Shizishan Project's construction. The construction process will not cause large areas of water or soil loss and the pollutants being discharged will not have a significant impact upon the surrounding ecosystem. Atmospheric pollution generated is not anticipated to be of harm to animals and plants in the area.

Dust

Dust production will be unavoidable consequence of the Shizishan Project. The primary cause of dust production is the mineralized material crushing process. According to dust emission calculations, the processing plant sanitation protection distance of 65 m is appropriate. However, according to environmental regulations, the protection distance should be 100 m. The environmental appraisal confirmed the requirement to relocate the crushing facility to an area that will allow for a 100m sanitation protection distance to be established. This sanitation protection distance is based on the observation that dust in largely generated through wind action on dry tailings. Currently there are no residents living in the environmental appraisal settled ranges and processes are in place to prevent schools, hospitals and other residential facilities being built inside sanitation protection areas.

2.10.4 Impact of Non-Governmental Organizations

MMC has not noted the impact of any Non-Government Organizations on the Shizishan Project. However, as outlined on page 60 of the Prospectus, in the section titled "Risk Factors — Our operations are subject to risks relating to environmental protection and rehabilitation", the Shizishan Project may be subjected to actions by environmental protection groups or other interested parties, whether governmental or non-governmental, who object to the actual or perceived environmental impact of mining or the perceived condition of the Shizishan Project. These actions may delay or halt production or may create negative publicity related to the Shizishan Project.

2.10.5 Rehabilitation

The Company has developed a rehabilitation and re-planting program for the mined and disturbed areas of the Shizishan Mine, pursuant with which the Company will be required to rehabilitate the tailings storage facility and waste rock storage area upon mine closure and plant vegetation to stabilize the ground and to prevent erosion. MMC has not reviewed the proposed rehabilitation program outlined above. Readers are directed to consult the section headed "Business — Land Rehabilitation" in the Prospectus.

2.10.6 Environmental Liabilities

MMC has not been made aware of any environmental liabilities.

2.10.7 Historical Experience

MMC has not reviewed and is not aware of non-compliances with PRC laws and regulations. Readers are directed to consult the section headed 'Business — Legal Proceedings and Compliance' of the Prospectus.

3 LIZIPING PROJECT

3.1 Project Description

3.1.1 Project Location

The Liziping Project area is located in 40 km north west of Lanping County, Yunnan Province, China (***Figure 2.1-1***). The Project area is in close proximity to the regional villages of Liziping, Wudichang and Wangjia and ranges in coordinates from 99°14'00"E to 99°17'00"E and from 26°50'30"N to 26°53'00"N resulting in an area of approximately 18.29 sq.km. The access to the Liziping Project area is via a 125 km dirt road from Liziping to Zhongpai then via a dirt access road for 17 km (***Figure 3.1-1***).

The majority of the Project area can be accessed by all-wheel drive vehicles on a network of rural tracks, however these tracks are rugged, narrow, steep and prone to interrupted access at times of heavy rainfall.

3.1.2 Climate

The climate of the Liziping Project area is mild subtropical highland climate with short, mild, dry winters, and warm, rainy summers. The region has minor temperature variation throughout the year with distinct dry and rainy seasons. Temperature is influenced by elevation with approximately a 0.5°C temperature decrease for every 100 m rise in elevation.

The average annual temperature within the region is 9.7°C with the maximum daily temperatures ranging from 20°C to 27°C, while the lowest temperature is -5°C. Frost occurs between 131 to 165 days a year. Rainfall in the area is abundant with an annual average rainfall of 1,010 mm. Approximately 85% of the annual rainfall occurs between the months of May to October, while the dry season occurs between November and April.

3.1.3 Physiography

The geography of the Project area is comprised of mountainous plateau canyon areas, high mountains and deep valleys with steep terrain. Landslides occasionally occur in areas with steep slopes that display extensive weathering. This is particularly prevalent during the rainy season which results in potential delays to exploration activities and access to areas within the Project area. The lowest elevation in the Liziping Project area is at 2,350 m, while the highest altitude is 3,595 m.

The vegetation is widely dispersed and quite dense in areas, particularly with increasing elevation. There are wooded areas and subtropical, temperate forest in the mountain valleys.

3.1.4 Local Resources and Infrastructure

The local population is predominantly of the Lisu, Pumi, Bai ethnic groups with a lesser number of Han people. Due to the geographical constraints in the region, production technology and economic development is limited. The main industry of the area is in agricultural production, particularly corn, buckwheat and potato. Minor amounts of logging and mining also occur in addition to income from livestock breeding. The mining industry is quite developed in the region, with both modern and small-scale mining processing facilities as well as a large number of ancient ruins left by historical mining and milling.

3.1.5 Mineral Right and Land Tenure

The Liziping Project is contained within a single exploration licence which is currently held by Nujiang Shengjia Chengxin Industrial Company Ltd. MMC is aware the Company is in the process of acquiring 90% of the licence. The licence is detailed in ***Table 3.1-2*** and shown graphically in ***Figure 3.1-1.***

MMC is aware that a small licence is located within the coordinates presented in ***Table 3.1-2***. This licence covers an area of approximately 0.25 sq.km and is located in the vicinity of Area 2 and includes several of the historical mine workings, as shown graphically on ***Figure 3.3-5***. MMC has been informed that this licence has lapsed as of July 15, 2011 however MMC is not aware of any renewal application by the previous owners.

MMC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts. Readers are also directed to consult the chapter titled "Business — Legal Proceedings and Compliance", on page 216 of the Prospectus.

Table 3.1-1. Liziping Polymetallic Project — Exploration License

Project	Liziping Polymetalic Project
Type of Licence	Exploration Licence
Certificate No.	T53120091102035905
Area	18.29 sq.km
Valid From	December 29, 2010
	December 29, 2012

Point	Longitude	Latitude
1	99°14'00" E	26°53'00" N
2	99°17'00" E	26°53'00" N
3	99°17'00" E	26°52'15" N
4	99°16'30" E	26°52'15" N
5	99°16'30" E	26°51'45" N
6	99°16'15" E	26°51'45" N
7	99°16'15" E	26°50'45" N
8	99°15'15" E	26°50'45" N
9	99°15'15" E	26°50'30" N
10	99°14'00" E	26°50'30" N

Source: MMC Sighted Original

3.1.6 Exploration History

Exploration activities have been carried out in the Liziping project area since the mid 1970's. ***Table 3.1-2*** provides a summary of the exploration activities undertaken in the region to date.

Table 3.1-2. Liziping Polymetallic Project — Exploration History

Year	Activity	Conducted By
1975-1985	1:50,000 Regional geological mapping	No. 1 Survey Team of Yunnan Geological Bureau
2004	1:10,000 and 1:25,000 Geophysical survey, 1:200,000 Geochemical survey. Survey and logging of mining tunnels	Geological Institute of No. 3 Geological Team, Yunnan Geological Bureau
2009	1:10,000 and 1:2,000 Geological mapping, underground tunnel logging, trench sampling, exploration and geological report	South Geological Exploration Company Of Yunnan

Source: August, 2011 Detailed Exploration Design Report.

The Liziping Project area has long been identified for its exploration potential due to the favorable structural and lithological setting and close proximity to multiple producing mines. The most significant of which are the Baiyangping Cu-Co-Ag project to the east, the Fulongchang Cu-Ag-Pb project to the south and the Jinding Pb-Zn deposit to the southeast.

Minimal systematic geological and exploration activities have been undertaken prior to 2004, with only cursory reconnaissance exploration completed. The geological, geophysical and geochemical exploration methods used have resulted in the identification of several areas which have anomalously high soil values in Pb, Zn, Ag, and Cu. Limited attempts to study the controls on mineralization, characteristics of mineralization and the geometry and continuity of mineralized bodies have been undertaken. Until the recent exploration campaigns completed since 2004, only one drill hole of 150 m length had been drilled within the Liziping Project area. No information related to this hole was supplied, however an extensive network of underground workings have been completed, which are currently being reviewed for geological information.

Two significant exploration campaigns have been undertaken in the region since the preliminary reconnaissance surveys in the 1970's and 1980's. These were completed in 2004 and 2009.

2004

During the 2004 campaign, which was completed by the No.3 team of the Yunnan Geological Bureau, geophysical surveys revealed 14 inverse polarization (IP) anomalies. These included the D1-D6 anomalies located in the southern portion of the Project area, near the Liziping village. These are regular-shaped and overlapped with Cu, Pb, Zn, Ag surface geochemical anomaly, the KT2 mineralized body and a fault zone. The D7-D10 anomalies, located near the Wudichang village in the northern portion of the project area are of relatively high intensity and cover a larger area. These anomalies are considered to be prospective for Pb and Zn. The D11-D14 anomalies are located near the village of Tianshengchang in the Northern portion of the Liziping Project.

2009

Following the completion and review of the 2004 exploration campaign a systematic logging and sampling campaign was undertaken. These works included a geological survey of 1:10,000 covering an area of 10.444 sq.km (on a scale of 1:2,000), geological mapping of 10,667 m underground development drives, 294 surface trench samples, and collection of 1,097 samples for chemical analysis. These works resulted in the compilation of the 'Liziping Pb and Zn Polymetallic Deposit Exploration and Geological Report'.

Recently the Company has completed further exploration works, these are summarized in ***Section 4.4*** of this report.

3.1.7 Mining

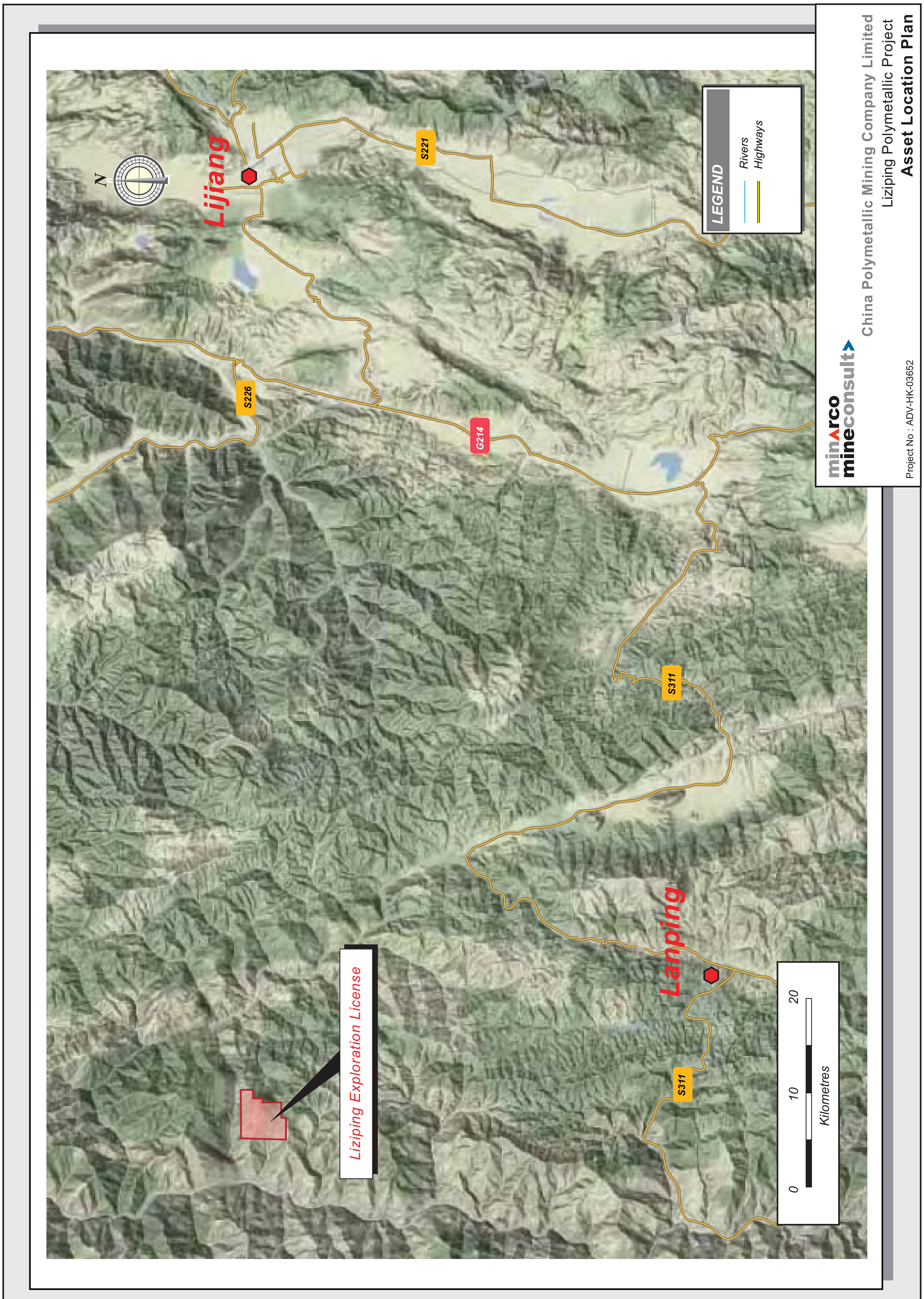
Mining operations have been undertaken within the Liziping Project area since the early 1900's and ceased in 1949. Operations recommenced in 1996 via small scale private mining activity. In 2002 these mining operations increased in scope and scale with production peaking in 2005. During this period, dozens of extensive underground workings were developed, with the largest reaching a horizontal length in excess of 1 km. Although no detailed surveys have been completed, documents and recent exploration work indicates that the mine workings reach a depth of 300 m from surface.

Due to a lack of official historical data, no detailed production data is available. Approximate estimates indicate that up to 50,000 m underground development has been completed. Production estimates suggest that approximately 1Mt has been mined within the district until the mines closure in 2009.

Eight small-scale private processing plants were constructed in the village of Zhongpai between 2005 and 2006 to serve operations. These processing facilities mostly utilized the gravity separation or flotation method. Similar to the mining operations, limited documentation exists which detail the processing plants production, however estimates suggest the combined plants throughput totalled approximately 1,500 to 2,000 tonnes of ore per day (approximately 0.5 Mtpa). The largest processing facility is the Zhongpai Village Floatation Plant, which at the time of full operation had a processing capacity of 200 tonnes per day. Another large processing facility with a daily processing capacity of 100 tonnes per day was also known to exist with the remainder of the plants having daily capacity typically of between 20 and 50 tonnes per day.

In June 2011 the Company entered into an agreement to purchase the current licence holders. At the time the majority of the underground workings and processing plants had ceased operation.

Figure 3.1-1 Liziping Polymetallic Project — Detailed Location Plan



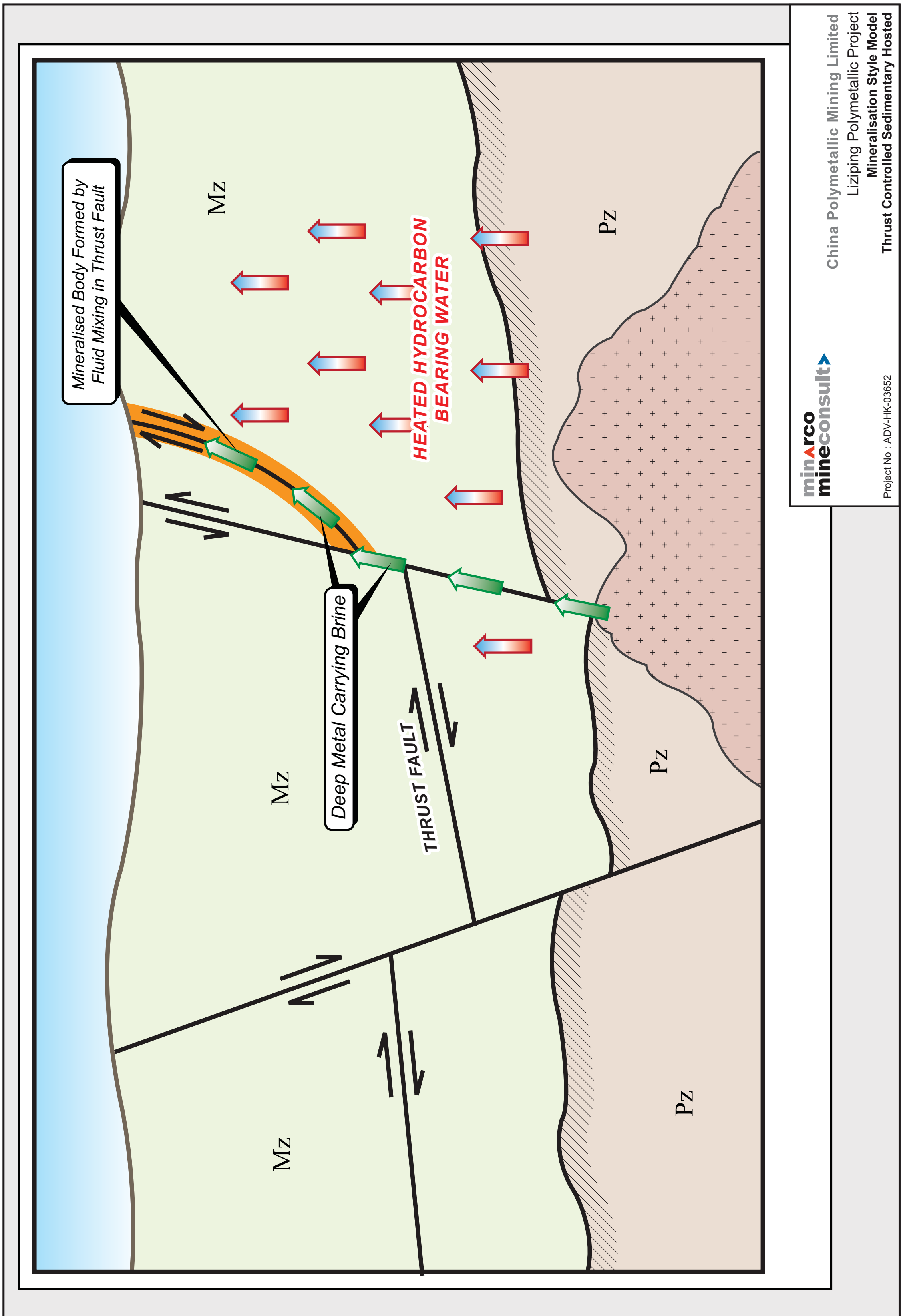
3.2 Thrust Controlled Sedimentary Hosted

Mineralization within the Liziping Project was emplaced at a high crustal level. The mineralization appears to be similar to that of other silver, lead, zinc (copper) mineralized areas in the Lanping Basin, for example the Jinding sediment-hosted Zn-Pb deposits and the Baiyangping Cu-Ag-Co Polymetallic deposit.

Genetic models published on the mineralization of Jinding deposit, indicate metal bearing solutions from deep set intrusions rise to higher crustal levels on normal fault systems and earlier thrust faults that have been deformed in subsequent deformation events. Thrust fault systems in the Lanping Fold Belt are recognized to have a strong genetic link with mineralization in the Lanping Basin. The regional distribution of sulphide mineralization in the fold belt is controlled by the Cenozoic age thrust-nappe systems. The low angle thrust systems provide potential migration paths for mineralization forming fluids derived from basinal brines. These thrust planes represent trap structures for the accumulation of minerals and organic reductants that have traveled upward away from deeper parts of the heated sedimentary pile. Interaction of the reductants with the passing magmatic solutions caused the precipitation of the Ag- Pb-Zn-Cu mineralization in the form of veins or lenses of mineralization. Texturally, mineralization predominantly occurs as open-space filling, such as cavity-filling, fracture-filling and brecciation. This model is graphically shown in ***Figure 3.2-1***.

Numerous studies have been completed on the nearby deposits which support this model of mineralization. These studies included isotopic analysis results (supportive of dual solutions, both high temperature magmatic brines and lower temperature basinal brines), the presence of bitumen in mineralization, the structural location of mineralization and evidence for over pressured solutions involved in formation of mineralization.

Figure 3.2-1 Liziping Polymetallic Project — Mineralization Style Model



3.3 Geology

3.3.1 Regional Geology

The Liziping Project is located in the Lanping-Weixi region, which forms part of the eastern portion of the Alps-Himalaya orogenic belt. This region is dominated by the north south trending giant right-lateral strike-slip belt and has a significant influence on the regional structural setting and occurrences of mineralization concentrations. The Lanping-Weixi region is located inside the Tanggula-Changdu — Lanping-Simao fold system, which is a combination of a number of sub fold systems, these include the Dangdisi-Nianqingtanggula fold system in the west, the Zhongdian fold system in the east, and the Yangtze block and Southeast Yunnan fold systems in the south.

The Lanping Zn-Pb-Cu-Ag Polymetallic belt is tectonically located within the Lanping Basin, a large composite basin developed on the Changdu-Simao continental block and contains a number of the above mentioned fold system. The Lanping Basin has experienced a complex tectonic evolution beginning with the late Triassic intra-continental rifting, Jurassic-Cretaceous depression, early Tertiary foreland development, and finally incorporation as part of the Lanping-Simao Foreland Fold Belt. A number of Cenozoic basins were formed during of the pull, thrust and strike-slip of fault development. These basin formations are known as thrust-nappe systems and are a distinctive deformational style within the Lanping Fold Belt.

More than 100 base metals deposits and mineralized occurrences have been identified within the Lanping Basin. The most notable of which include, the Jinding Zn-Pb, Jiman Cu, Sanshan Zn-Pb-Cu-Ag, and Fulongchang Ag-Cu-Zn-Pb deposits (***Figure 3.3-1***).

Mineralization in the region can be classified into four belts, each of which display distinct structural controls on mineralization, host rock sequences and bulk metal composition. The Liziping Project is located within the Fulongchang Mineralization Belt, which is located in the frontal zone of the western thrust system. It is Cu-Ag dominant however local concentrations of Pb, Zn and Co are observed. The Stratigraphy of the belt has been subdivided into groups, which include (from youngest to oldest):

- *Quanternary (Q4):* Occurs in the river valleys and southeast portion of the region and is composed primarily of accumulated sand, gravel, clay and other components. This unit uncomformably overlies the underlying strata and has a total thickness ranging from 0 to 15 m.

- *Cretaceous (K):* This group is subdivided into two formations, the upper Nanxin formation, and the lower Jingxing formation. Both formations have a fault contact with the underlying Jurassic group.

  - *Nanxin formation(K2n):* Occurs in the southwest of Project area and is composed of silty mudstone, quartz sandstone, siltstone with quartz conglomerates and argillaceous dolomites. The formation has a strike of 250° and a total thickness of approximately 480 m.

  - *Jingxing formation(K2j):* Occurs in the west and eastern portions of the region and is composed of an upper segment of purple quartz siltstone, mudstone with thin sand layers and a lower segment containing quartz sandstone, siltstone, mudstone, quartz siltstone, shale and mica mudstone. The segments have a total thickness of 220 m and 950 m respectively.

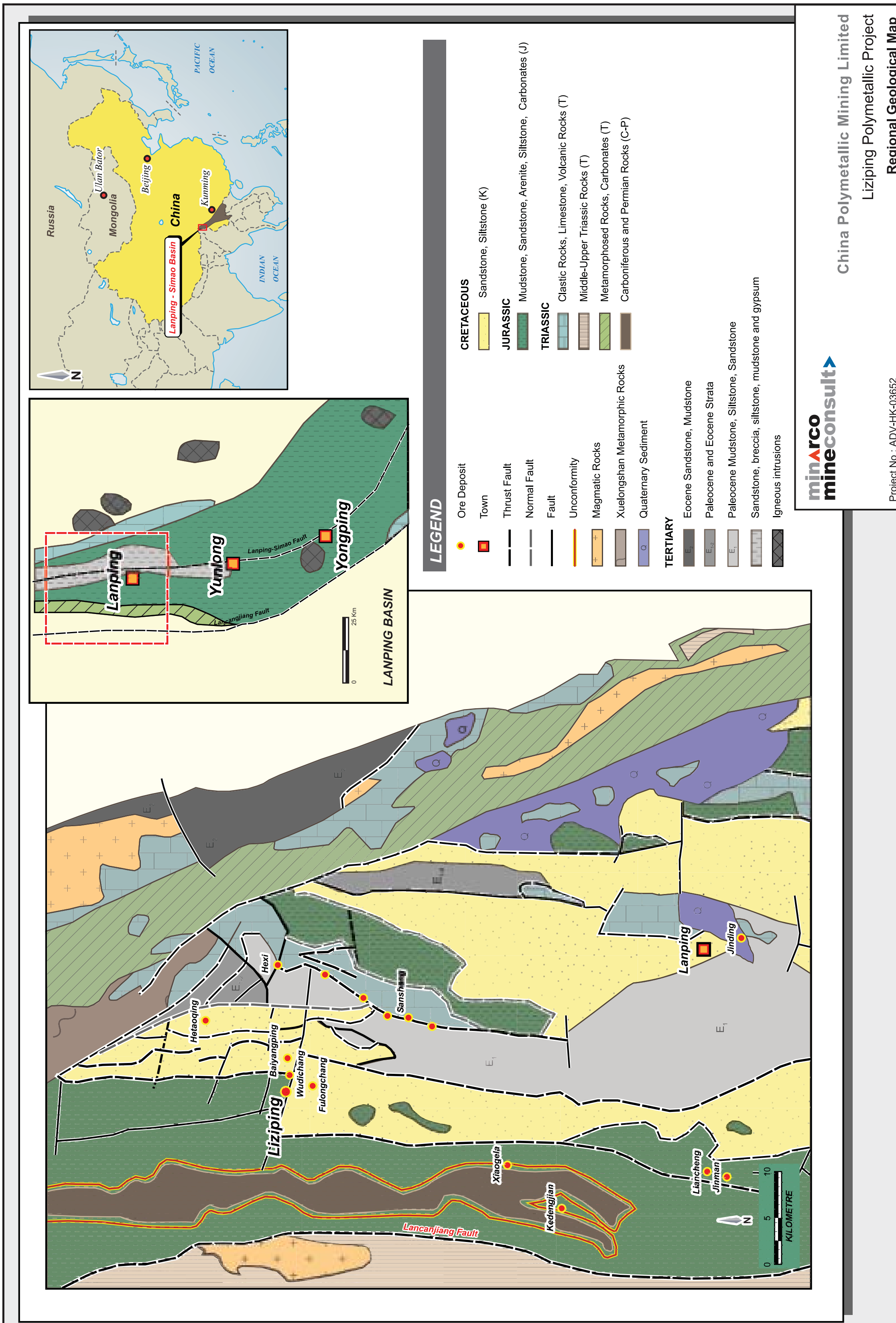
- Jurassic (J): Occurs primarily in the central portion of the region, and is composed of an upper and lower formation.

  - Upper Formation (J2h2): The Formation is composed of gray, gray-yellow, gray-green and purple silty mudstone, mudstone, limestone, thin-bedded bioclastic limestone, with copper, silver, lead, zinc mineralization. The formation has a total thickness ranging from 115 m to 370 m.

  - Lower Formation (J2h1). The Formation is composed of purple thin-bedded lithic sandstone, siltstone, shale and sandstone and has a total thickness of approximately 685 m.

Structurally the region is extremely completed, with dominant faults in the region generally trending north south (***Figure 3.3-5***). These faults include from west to east the Lanchangjiang Fault, the North Maoshan Fault, the Weixi-Qiaohou Fault and the Jinshajiang-Ailaoshan Fault.

Figure 3.3-1 Liziping Polymetallic Project — Regional Geology Map



3.3.2 Local Geology

The majority of the Project area is covered by fluvial/alluvial sediment of the quaternary group, while the stratigraphy is dominated by the sandstones, mudstones and limestones of the Jurassic and Cretaceous groups (***Figure 3.3-2***). The groups all tend to have north south orientation and are offset by the north south trending major faults and east west trending younger faults. The older north-south trending faults are steeply dipping to east (F13, F14 and F15), formed prior to the emplacement of the mineralization. The older faults have been subsequently offset by the younger northwest-southeast strike-slip faults (F16, F18 and F24). The intersection of these two fault sets have for a series of fracture and dome structures which host mineralization.

Mineralization within the area is hosted by a sequence consisting of permeable coarse-grained siliciclastics, pebbled sandstone, limestone breccias of the Devonian period. These host rocks are blanketed by two units consisting of mudstone and siltstone of the overlying strata,

3.3.3 Project Characteristics

The Pb-Zn-Ag mineralization is hosted within the finely laminated dolomitic and sandstone units of the upper Jurassic Period. Mineralization appears to be highly structurally controlled within these units and is associated with significant later stage, calcite fracture fill and veining. Both galena and sphalerite occurs as very fine grains, particularly galena which appears often to have a sheared fabric that overprints the primary crystal structure (***Figure 3.3-3***).

Four areas of considerable Pb-Zn-Ag mineralization have been identified through underground historical mining and surface outcrop. Although variable in orientation and geometry, the veins strike south of east (***Figure 3.3-2***) and generally dip steeply toward the south with variable thicknesses ranging up to several metres.

Three of the known Pb-Zn mineral occurrence (Area 2, 3 and 4) are emplaced in east west trending fault systems which are approximately parallel. This is typical of the thrust fault system which controls emplacement of the mineralization. These faults are typically deep-set systems with mineralization concentrating in dilation areas within the fault. This style of emplacement result's in discontinuous veins which pinch and swell at a local scale. Observations made in Area 1 indicate that mineralization is predominately Cu with minor Pb and Zn. Mineralization within this area is emplaced in a north south trending fault sets.

Currently the complex local structure is only partly understood and consists of numerous strike-slip faults that appear to off-set vein mineralization. The structurally complex zones provide a good host for mineralization and further understanding through closer spaced drilling will assist in further extensional exploration targets.

Figure 3.3-2 Liziping Polymetallic Project — Local Geology Map Showing Drill Hole Locations

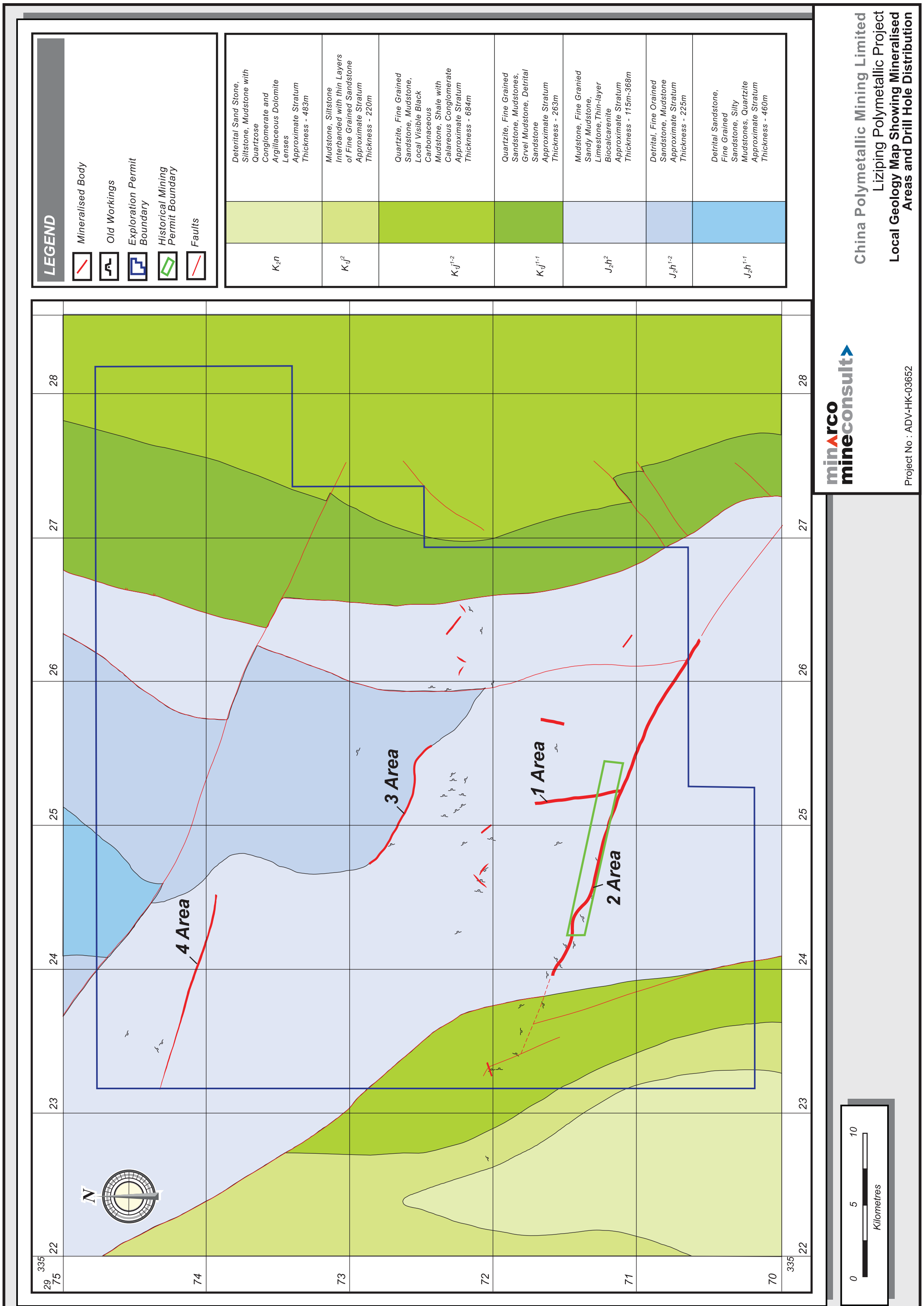


Figure 3.3-3 Liziping Polymetallic Project — Hand Specimen Showing Mineralization

minarco mineconsult

China Polymetallic Mining Limited

Liziping Polymetallic Project

Hand Specimens Showing Mineralisation

Project No : ADV-HK-03652

3.4 Recent and Planned Exploration

3.4.1 Recent Exploration

Recent exploration, which began in July, 2011 has primarily focused on establishing working infrastructure, rehabilitating and sampling the historical workings, and completing preliminary surface diamond drill holes. The preliminary works which have been completed have been aimed at confirming the geological interpretation to enable for a detailed exploration program to be planned in the next 6 to 12 months. Below is an outline of each method employed to date.

Rehabilitating and Sampling of Historical Workings.

An extensive amount of historical underground development has taken place within the Liziping Project. Recent works have focused on 2 main horizontal development levels within Area 2 (***Figure 3.3-3***). This area contains the main veins which were targeted during mining in the 1990's and 2000's. Following rehabilitation of the development drives to ensure a safe working environment, these drives were geologically mapped and channel sampled. The detailed geological mapping was completed to define and confirm the continuity of the base metal bearing veins and gain a detailed understanding of the lithologies and alteration assemblages which host the mineralization.

The channel sampling program is being conducted according to Chinese standard practices, which is considered appropriate for the style of mineralization and deposit geometry. Sampling is being completed every 5 m along the drive and perpendicular to the strike of the vein.

A total of 74 samples have been completed from 28 channels within the two levels. MMC notes this program is not completed and is ongoing with a significant number of channels yet to be completed. MMC considers that upon completion of the detailed mapping and sampling program the data will allow a detailed analysis of the controls of mineralization to be completed which will aid significantly with drill hole planning and further exploration works. This is particularly prevalent in the Liziping Project, given the early stage of exploration and long history of mining and exposures available within the underground development drives.

Surface Diamond Drilling

A total of 4 surface diamond holes have been completed since exploration began. These holes were drilled on a spacing of 160 m and were targeting the down dip extensions of mineralization beneath the historical workings in Area 2. During the site visit MMC noted the presence of very fined grained galena, within the target zone.

Drilling is ongoing within the Project, with drilling currently targeting Cu bearing veins within Area 1.

3.4.2 Planned Exploration

Short Term (2 to 3 months)

Short term planned exploration will continue to focus on Area 2, with the aim to confirm the down dip continuity of the mineralization. This will be undertaken by continuing the rehabilitation and sampling of the historical workings and commencing a significant underground drilling program.

Rehabilitating and Sampling of Historical Workings.

Sampling of the underground development levels will continue using the same procedures which are currently being utilized. This program will be expanded to incorporate more underground levels to gain a broader picture of the mineralization within the Project and the down dip continuity within the individual veins. This information will be analyzed to help plan the underground drilling program which is planned to commence in the next 2 months.

Underground Diamond Drilling

Due to the large amount of drilling required to target mineralization at depth, drilling will commence from underground within the newly rehabilitated development drives. Although the plan is yet to be finalized discussion with the Company and site personnel indicates this will be a significant program, aimed to define resources directly below the depleted mining area. This drilling will be completed by standard Chinese underground rigs form the bottom two levels within Area 2 of the Project.

MMC believes this is the correct approach given the geometry of the deposit and the current understanding of the controls of mineralization. The review completed by MMC indicates mineralization is likely to be continuous below the bottom level of the current working and should be a high priority.

Long Term (6 to 12 months)

Long term exploration will target both the deeper depth extensions of the main veins and the regional and near mine mineralization targets. This will be undertaken using a phased approach utilizing multiple methods including:

Geophysical Surveys

Due to the extensive cover thickness within the Liziping Project and potential contamination of the surface exposure by historical mining an extensive geophysical survey program is planned. An integrated approach to the investigation of the various geophysical responses of the geology and potentially mineralized structures will be completed using primarily with the Induced Polarization (IP) and Magnetotellurics (MT) geophysical methods. IP measures and maps an induced potential field in the ground in order to map the geological subsurface. From measurements of the induced potential field the chargeability and resistivity of the subsurface can be calculated. The IP method is particularly useful in areas hosting disseminated sulphides and massive sulphide mineralization as is the case at Liziping. Magnetotellurics (MT) is a surface geophysical method used to determine the electrical resistivity of the subsurface to greater depths than possible for the IP method. It is effective for mapping conductive zones, as well as deep-seated structures.

These surveys are planned to commence within the next 2 months and will be ongoing over the next 6 months. Initially the surveys will be targeting the area to the east of Area 1 where there has been indications of significant structural influence (fold and faulting) that are yet to be understood. Following completion of this survey the area will be expanded to cover Areas 3 and 4, and regional targets to the east of the Project.

In addition to the IP and MT surveys planned, the Company is also planning on completing a large TEM surface scan, MT control points, CSAMT profiles to supplement the results derived from IP. These methods will aim to locate anomalies caused by the presence of underground workings and search for local perturbations in the natural gravitational, magnetic, electrical and electromagnetic fields that may be caused by concealed geological features of economic or other interests. This local variation is known as a geophysical anomaly.

Surface Diamond Drilling

Upon completion of the geophysical surveys and analysis of the results, surface diamond drilling will be planned to evaluate any potential mineralization. This long term drilling (which is separate to the short term underground drilling) will be specifically targeting near surface Pb, Zn, Ag and Cu mineralization.

Regional Geological Mapping and Geochemical Sampling

Given the long history of mining and production and lack of insitu surface exposures within the region, geological mapping and geochemical sampling will enable only limited detailed interpretation of the controls of mineralization and establishment of additional mineralization targets. The Company believes any geochemical samplings will be biased by the contamination of historical mining spillages. MMC agrees with this interpretation and concludes geochemical sampling should be limited to regional areas, were contamination of the soil will unlikely have taken place.

Trench Sampling

Trench sampling has been employed during past exploration campaigns, however trenching will not form part of exploration works in the immediate future as the majority of focus will be based on more systematic surface drilling delineation of the already identified areas of mineralization. Surface trench sampling may be instituted in the relatively unexplored area within the east of the Project, where geological mapping and geophysical surveys are planned to be undertaken.

The Company plans to complete the exploration both short term and long term as described above by the third quarter of 2012, which MMC believes to be reasonable.

3.5 Exploration Results

MMC has completed a review of the currently available data against the recommendations of the JORC guidelines as set forth in Table 1 of the JORC Guidelines. MMC believes that the data to date meets the recommendations of the JORC Code for drilling and sampling methodology and that upon completion of successful external and internal quality control samples should meet the requirements for use as the basis for a JORC Mineral Resource estimate.

3.5.1 Sampling of Old Workings

Results from the recently completed underground channel sampling in Area 2 are presented in ***Table 3-5-1*** below.

Table 3.5-1 Liziping Polymetallic Project Results from Sampling of Old Workings

Sample_ID	Northing	Easting	Elevation	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)
KD118-11-H1	2,970,940	33,523,770	2,265.6	—	2.8	0.3	43
KD118-13-H3	2,970,919	33,523,785	2,265.6	—	3.2	0.1	57
KD118-9-HQ1	2,970,940	33,523,759	2,265.6	—	6.6	0.1	118
KD118-11-H3	2,970,941	33,523,772	2,265.6	—	10.3	4.8	341
PD118-1/-H3	2,970,900	33,523,794	2,266.6	—	11.9	12.3	247
PD118-5/-1-H1	2,971,165	33,523,846	2,200.6	—	15.9	8.8	313
PD118-1/-H8	2,970,924	33,523,801	2,266.6	—	20.2	1.3	488
PD118-4/-H2	2,971,197	33,523,805	2,200.6	—	21.1	8.5	478
PD118-1/-H7	2,970,919	33,523,800	2,266.6	—	23.3	1.9	365
PD118-5/-1-H3	2,971,166	33,523,848	2,200.6	—	24.4	2.4	458
KD117/-1-H6	2,971,003	33,523,912	2,370.0	—	26.3	4.7	547
PD118-1/-H9	2,970,929	33,523,803	2,266.6	—	27.1	4.8	522
KD117-20-H2	2,971,109	33,523,908	2,370.0	—	27.6	1.8	482
PD118-1/-H10	2,970,933	33,523,804	2,266.6	—	28.6	6.7	533
PD118-1/-H2	2,970,895	33,523,792	2,266.6	—	29.0	3.1	550
KD118-27-H2	2,971,127	33,523,905	2,265.6	—	29.8	5.1	494
PD118-5/-1-H2	2,971,166	33,523,847	2,200.6	—	30.0	8.4	653
PD118-2/-2-H2	2,970,947	33,523,809	2,266.6	—	30.1	1.9	723
KD117-20-H3	2,971,109	33,523,909	2,370.0	—	31.1	1.8	560
KD118-13-H1	2,970,918	33,523,783	2,265.6	—	31.4	3.7	654
PD118-5-H2	2,971,079	33,523,785	2,265.6	0.1	31.5	1.4	605
PD118-1/-H1	2,970,890	33,523,791	2,266.6	—	32.3	1.9	589
KD117-18-H2	2,971,129	33,523,961	2,370.0	—	32.9	3.0	629
KD118-27-H3	2,971,126	33,523,906	2,265.6	—	33.4	3.3	567
KD117/-1-H2	2,970,972	33,523,870	2,370.0	—	33.5	4.3	660
PD118-1/-H4	2,970,905	33,523,795	2,266.6	—	33.6	1.0	641
PD118-1/-H5	2,970,909	33,523,797	2,266.6	—	33.6	3.3	646
PD118-1/-H6	2,970,914	33,523,798	2,266.6	0.6	33.8	2.6	687
PD118-1/-H11	2,970,938	33,523,806	2,266.6	—	34.5	2.8	600
KD118-11-H2	2,970,941	33,523,771	2,265.6	—	34.7	3.4	698
KD117/-1-H3	2,970,972	33,523,871	2,370.0	—	35.8	8.2	720
KD118-13-H2	2,970,918	33,523,784	2,265.6	—	36.8	2.9	669
KD118-10-H2	2,970,940	33,523,765	2,265.6	0.4	43.3	1.5	746

3.6 Review of Exploration

Review of information supplied to MMC indicates that the exploration works including soil geochemical and geological surface mapping, as well as surface diamond drilling, underground channel sampling and trenching has been completed. Mineralization has been intersected during this work. A preliminary review indicates insufficient data is available at this time to support a Mineral Resource Statement, which is compliant with the recommended guidelines of the JORC Code, however, a strong exploration potential is indicated by the data.

The review of the drilling and sampling procedures indicate that international standard practices were used with only very minor or immaterial issues being noted during the review completed by MMC. MMC believes that upon completion of the currently planned exploration works and planned quality control sampling, it is likely that JORC Mineral Resources could be defined at both Projects, within the current Exploration Licences.

Below is an outline of the review of the data available and the Exploration Potential of the Liziping Project.

3.6.1 Geological interpretation

Limited systematic exploration has been completed to date within the Project area, the Company is planning on completing a substantial drilling and sampling program within Area 2. Area 2 is the main vein which has been identified within the Liziping Project area, and has been the location of the vast majority of the historical mining activities which have taken place over the past century. Recent exploration works have focused on this area, with drilling and sampling ongoing. Results from the recent exploration allows for several geological observations to be made, these include:

- Although results are not currently available, MMC did note mineralization and alteration within the drill core through the target zone.

- Recent resampling and detailed mapping of the underground development level has indicated that substantial mineralization remains within the historical mining limits.

- Observations indicate that mineralization is potentially remobilized in areas. This is likely the result of shearing or ductile deformation events. Although it is likely remobilization will not have a significant impact on the overall geometry or grade distribution, there is potential for localized concentration, which may result in some higher grade areas being formed.

- Cu mineralization has been identified within the Liziping Project area, which has previously not been the main focus of the region. Cu mineralization has been identified in surface outcrop within Area 1 and also in the underground workings. It is unclear what the relationship is between the Cu mineralization and Pb and Zn, however it is likely they are related. These styles of deposit commonly exhibit metal zonations which are related to fluid chemical chemistry and further work is required to understand this relationship.

3.6.2 Exploration Potential

Sampling within the lower levels of the underground workings indicates that remnant mineralization is still present and there are likely to be no structures or faults which offset mineralization directly below the lower levels. MMC notes that a significant underground drill program is planned to target the area directly below the mine workings on the main vein in Area 2 which is to commence in the next 2 months. MMC considers the likelihood of the definition of resources in the area directly below the mine workings to be high, however cannot comment on the depth to which these extensions are likely, as only limited information is available. However, MMC considers that the mineralization tenor and geometry observed is likely to be continuous below the mine workings.

Although no significant intercepts have been made in the recent drilling (pending results), these drill holes were targeting the potential host sequence well below any current mine workings (the closet target being over 300 m below the lowest mine workings). During its site visit MMC observed minor amounts of mineralization (Pb and Zn) in the available drill core, which indicates that at least the structure which contains the main vein of mineralization is potentially continuous at depth. These styles of deposits typically pinch and swell at a local scale and the veins of mineralization are generally continuous for only a few hundred metres. Given this, MMC considers the potential identification of the mineralized structures at depth to be encouraging for future exploration and the likelihood for discovery of significant mineralization at depth to be likely. MMC notes that detailed logging and review of the drill core is underway to enable further exploration to be planned.

Structures have a significant impact on the controls on mineralization within the Project and this is likely to be reflected both at a regional scale and a local scale. Repetitions of the structures which host the veins have already been discovered, as noted on ***Figure 3.3-3***, with multiple parallel veins being observed in Area 2, 3 and 4. MMC envisages this pattern of repetition is likely to occur on a regional scale as well and as a result, considers the likelihood of blind, veins, which do no outcrop at surface, to be high. The geophysical surveys planned by the Company will likely highlight potential areas for these blind veins.

4 RISKS

Mining is a relatively high risk business when compared to other industrial and commercial operations. Each mine has unique characteristics and responses during mining and processing, which can never be fully predicted. MMC's review of the assets indicate Project risk profiles typical of mining projects at similar levels of resource estimation, mine planning and Project development. During its review, MMC did not discover any critical or "fatal" Project flaws.

MMC has classified risks for the projects based on the general mining industry definition such as listed below. MMC notes that in most instances, it is likely that through provision of further documentation and additional technical studies, these risks will be mitigated.

Table 4.6-1-Yunnan Polymetallic Projects — Overall Risk Assessment

Likelihood of Risk (within 7 years)	Consequence of Risk		
	Minor	Moderate	Major
Likely	Moderate	High	High
Possible	Low	Moderate	High
Unlikely	Low	Low	Moderate

H — High Risk: This implies that there are key Project parameters as presented in the current documentation, which if uncorrected, will have a material effect (for example >15 % to 20%) on the Project cash flow and performance, and could possibly lead to Project failure.

M — Moderate Risk: This implies that there is a danger of failure of a critical Project parameter as presented in the current documentation, which if uncorrected, may have a material effect (for example 10% to 15%) on the Project cash flow and performance unless mitigated by some corrective action.

L — Low Risk: Implies that if some factors are uncorrected, they will have little or no effect (<10%) on Project production rates or Project economic performance.

Table 4.6-2- Yunnan Polymetallic Projects — Project Risk Summary for the Shizishan Project

Risk Ranking	Risk Description and Suggested Further Review	Mitigant	Area of Impact
M	**Ground Control:**		
	The Cut-and-Fill mining method requires workers to operate in active stope areas. Working in stopes increases a workers risk of exposure to rock falls. This risk will increase as mining progresses.	Undertake geotechnical testing program and develop and implement a Ground Control Management Plan. Monitor underground workings and manage as required.	Safety of Mine Personnel
M	**Geotechnical Assumptions:**		
	Detailed geotechnical information was not available for review. As such, MMC cannot comment on the ground conditions or stability of the underground workings. If the ground conditions are poor, dilution may be greater and recovery could be less than expected.	Undertake geotechnical testing program and develop and implement a Ground Control Management Plan. Monitor underground workings and manage as required.	Underground production rate, dilution rate, recovery rate and operating costs.
M	**Mineralization Style:**		
	Detailed understanding of the mineralization style and controls on mineralization in these types of deposit often rests with identification of the main controls of the high grade domains.	Review upon commencement of underground production and grade control activities.	Resource estimation.

Risk Ranking	Risk Description and Suggested Further Review	Mitigant	Area of Impact
L	**Mining Production:** New equipment, installations and operating systems will need to be installed and commissioned in a timely manner to ensure the planned increase in production rate can be successfully achieved.	Careful planning for a smooth ramping up period to ensure that the newly implemented systems are adequate to handle a higher production rate.	Underground and surface production rate and operating costs.
L	**Bulk Density:** Review of the data supplied indicates a correlation of bulk density with grade. As the distribution of the high grade is not fully understood there is potential to either under estimate or overestimate the bulk density, potentially resulting in an under or over estimation of resource tonnes respectively.	Complete further bulk density determination	Resource tonnage estimate
L	**Fault Offsets:** There is significant evidence that structures have offset mineralization however mapping is unavailable.	A detailed geotechnical review of the drill core and surface structures could potentially aid in defining additional exploration targets.	Geological Interpretation
L	**Flotation cell size:** Due to spatial limitations, a group of 8 cu.m flotation cells are to be used for all flotation duties although additional smaller sized flotation cells would be preferable in cleaner flotation duties. This may have a negative impact upon the final concentrate grades.	None	Saleable Concentrate
L	**Processing Feed Rates and Grades:** During the commissioning, optimization and project ramp up phase plant feed rates and grades may be variable. This may result in lower than forecast concentrate production.	The processing performance over the longer term is expected to meet the planned design levels.	Short term processing performance.

Risk Ranking	Risk Description and Suggested Further Review	Mitigant	Area of Impact
L	**Arsenic (As):**		
	Grades ranging up to 5% were identified in MMC's independent check sampling. Arsenic is a known penalty element and its distribution within the deposit, as well as propensity to upgrade through the concentration process, will need to be clearly analyzed during further metallurgical test work.	Complete further test work to identify the extent of As	Saleable Concentrate
L	**Down Hole Survey**		
	No down hole surveys have been completed on the drill holes. Drill holes commonly deviated from planned resulting in inaccurate positions	Complete down hole surveys	Mineral Resource

No material project risks arising from environmental, social, and health and safety issues were found to be present.

5 ANNEXURE A — QUALIFICATIONS AND EXPERIENCE

Philippe Baudry — General Manager — China and Mongolia, Bsc. Mineral Exploration and Mining Geology, Assoc Dip Geo science, Grad Cert Geostatistics, MAIG

Philippe is a geologist with over 14 years of experience. He has worked as a consultant geologist for over 6 years first with Resource Evaluations and subsequently with Runge after they acquired the ResEval group in 2008. During this time Philippe has worked extensively in Russia assisting with the development of two large scale copper porphyry projects from exploration to feasibility level, as well as carrying out due diligence studies on metalliferous projects throughout Russia. His work in Australia has included resource estimates for BHPB, St Barbara Mines and many other clients both in Australia and overseas on most styles of mineralization and metals. Philippe furthered his modelling and geostatistic skills in 2008 by completing a Post Graduate Certificate in Geostatistics at Edith Cowan University. Philippe relocated to China in 2008 and has since Project managed numerous Due Diligences and Independent Technical Reviews for private acquisitions and IPO listings purposes mostly in China and Mongolia.

Prior to working as a consultant Philippe spent 7 years working in the Western Australian Goldfields in various positions from mine geologist in a large scale open cut gold mine through to Senior Underground Geologist. Before this time Philippe worked as a contractor on early stage gold and metal exploration projects in central and northern Australia.

With relevant experience in a wide range of commodity and deposit types, Philippe meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Philippe is a member of the Australian Institute of Geoscientists

Dan Peel — Operations Manager — Beijing, Bachelor of Engineering, Mining — University of New South Wales, Unrestricted Quarry Manager (WA), Grad. Cert. Applied Finance — Kaplan, Diploma (Bus), Member of Australasian Institute of Mining and Metallurgy

Dan has worked as a mining engineering consultant with MMC for three years. Since joining MMC, Dan has completed a range of projects including technical valuations, life-of-mine designs and scheduling, pit optimization, development of economic models, mine reserves estimation and reporting.

Prior to joining MMC, Dan worked with an open cut mining contracting firm for five years where he gained significant open cut metal mining experience. During this period, Dan developed operational, engineering and Project management expertise. Dan's roles included Quarry Manager of the BHPB Jimblebar iron ore mine and Quarry Manager/Mining Superintendent of the Mt Gibson Koolan Island iron ore mine. Dan also worked at the Plutonic and Cuddingwarra gold mines and the Wodgina tantalum mine.

With relevant experience in a wide range of commodity and deposit types, Dan meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for both metalliferous and coal open cut Reserves. Dan is a member of the Australian Institute of Mining and Metallurgy.

Jeremy Clark — Senior Consultant Geologist — Beijing, Bsc. with Honours in Applied Geology, Grad Cert Geostatistics, MAIG

Jeremy has over 9 years of experience working in the mining industry. During this time he has been responsible for the planning, implementation and supervision of various exploration programs, open pit and underground production duties, detailed structural and geological mapping and logging and a wide range of experience in resource estimation techniques. Jeremy's wide range of experience within various mining operations in Australia and recent experience working in South and North America gives him an excellent practical and theoretical basis for resource estimation of various metalliferous deposits including iron ore and extensive experience in reporting resource under the recommendations of the NI-43-101 reporting code.

With relevant experience in a wide range of commodity and deposit types, Jeremy meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Jeremy is a member of the Australian Institute of Geoscientists.

Andrew Newell — BE, MEngSc, University of Melbourne, PhD, University of Cape Town. Member of the SME, CIMM, AusIMM& IEA as well as a Chartered Professional Engineer, Australasia

Over 30 years of broad experience in the fields of minerals processing, hydrometallurgy, plant design, process engineering (including equipment selection and design) and metallurgical testwork. Andrew has worked on five iron ore projects, one involving flotation, and is knowledgeable about iron ore processing techniques such as magnetic separation. The experience includes operating and management experience in base-metal concentrators, precious metal leaching facilities as well as diamond processing and base-metal smelting in several countries, including Chile, Peru, South Africa, USA and Australia. Responsible for the design of flotation equipment, concentrators and commissioning of flotation and precious metals leach plants. In addition, Andrew has had experience in process and process plant evaluations, due diligence audits, feasibility studies and metallurgical test work and program development.

Jim Jiang — Processing Consultant, Bachelor and Master of Mineral Processing Engineering

Jim's technical background is mineral engineering with laboratory research experience. He has site experience in China, working as processing engineer with China Gold Group Corporation. Since joining MMC in 2007, has been actively involved in many technical review projects, his working including analyzing and reviewing processing plants design and performance. He also has experience in metallurgy and process plant evaluations, pre-feasibility studies, metallurgical test work and flowsheet development in a wide range of commodity types.

Andrew Shepherd — Project Manager, Senior Mining Engineer — Bachelor of Engineering, Mining — Curtin University WASM, Graduate Diploma of Finance and Banking — Curtin University, MBA — Curtin University

Andrew is a mining engineer with over 14 years of experience in the Australian mining industry. With a strong background in economic evaluation, Andrew gained post graduate qualifications in finance and business administration, leading to a specialization in prefeasibility studies management.

In recent years Andrew has lead teams which were performing commercial and Government approvals negotiations, business analysis, strategic and long term mine planning. These roles included participation in several large mining and processing prefeasibility studies in the iron ore, nickel and uranium industries.

Michael Eckert — Senior Mining Engineer, BEng (Mining) — UQ, First Class Mine Manager's Certificate of Competency (underground metalliferous) — Qld, First Class Mine Manager's Certificate of Competency — WA, Member of the Australasian Institute of Mining and Metallurgy

Michael has 10 years experience working in the mining industry. During this time he has worked for several underground base metals (Cu, Zn and Pb polymetallic deposits) operations in Australia and Indonesia. He has a strong operational background having held various positions such as Underground Mine Manager, Senior Mining Engineer, Project Engineer, and various Production Engineering roles.

Michael has broad experience in the design, development, operation and management of underground metalliferous mines. This includes planning and operating experience in multiple mining methods such as open and sublevel open stoping, room and pillar, post pillar Cut-and-Fill, Avoca stoping, plus multiple filling methods.

With relevant experience in a wide range of commodity and deposit types, Michael meets the requirements for Competent Person ("CP") for JORC reporting for most underground metalliferous Ore Reserves. Michael is a member of the Australasian Institute of Mining and Metallurgy.

Peilin Guo — Mining Engineer — BM. (Mining Engineering), China University of Mining & Technology (Beijing)

Peilin has 7 years of experience working in the domestic and international mining industry, including underground coal operations, open pit nickel laterite operations, and as a consultant in a mining software company. Whilst consulting he performed geological modelling, resource estimation, mining design, scheduled plan and software training for coal, iron, gold, copper, limestone and nickel-cobalt projects. Peilin is an expert user of AUTOCAD, SURPAC and 3DMINE.

Alexander Arizanov — Consultant Geologist, PhD degree in Characteristics, genesis and development of the Chelopech volcanic structure; Master degree in Geology and Mineral Prospecting, both at the University of Mining and Geology in Sofia, Bulgaria.

Alex has had 21 years of experience as a metals geologist. He has been involved in numerous projects situated in Bulgaria, Siberia, Russia, Kazakhstan, China, etc.. Alex held positions of field geologist, mine geologist and chief geologist in Bulgaria where his work mainly included geophysical exploration, drilling programs and resource estimation. He also used Gemcom for resource modelling, cut-off grades, sampling, mapping and database. Alex worked as ore resources manager at Highland Gold Mining and Kazakhmys in Kazakhstan, where he was responsible for database setup, resource management for over 20 deposits and projects, resource auditing, assessing potential and geological aspects of all operations, weekly and monthly reporting standards, QA/AC implementation, Russian resource vs JORC evaluation systems, etc. Alex worked in Australia as a contract geologist for CSA Global. He was involved in a number of projects including the JInshan Gold project in China, in which he was responsible for QA/QC, sampling, drilling supervising, weekly and monthly reporting standards. He also worked on auditing the Kosmorume and Akbastau Resources project in Kazakhstan.

With relevant experience in a wide range of commodity and deposit types, Alex meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous projects. Alex is a member of the Australian Institute of Mining and Metallurgy.

Sheng Zhan — Consultant Geologist — China, PhD in Tectonics (Peking University and Universite d'Orleans, 2007), BSc in Geology (Peking University, 2002)

Sheng is a geologist with about 4 years of experience. He is experienced in data collaboration, geological modelling, resource estimation, and reports drafting. Commodity experience includes uranium, gold, Rare Earth Elements, coal, and Iron Ore. Country experience includes France, Canada, Mongolia, Namibia and DR Congo (stayed more than 3 months). He gets involved with a lot of mineral projects ranging from green field level to pre-production level, before join Runge he first worked as a project manager for China Uranium Corporation Ltd (CUC) and then as a department manager for Mongolia International Resources Ltd, he checked more than 120 uranium, gold, Rare Earth Elements and Iron Ore projects and successful invested 3 of them, they are (1) the JV between CUC and a Namibia local partner about the EPL3600 and EPL3602 licenses in 2007; (2) the JV between CUC and Zimbabwe government between Kanyemba uranium-vanadium project in 2008; (3) the acquisitions of Mongolia Gurvanbulag uranium deposit for $30M in 2009. He has good knowledge of the evaluation of mineral projects as well as the project management, also provided input to the CUC acquisitions of United Metals (02302.HK) for $78M in 2008.

Feng Wu — Graduate Geologist — China, BSc in Geology (The China University of Geosciences, 2000)

Feng is a geologist with 6 years field geological exploration work experience. He is experienced in geochemical/geophysical exploration, geological mapping, trench/pit/drilling project, geological modeling, resource estimate, and report drafting. Fields related gold, lateritic nickel, copper, lateritic bauxite, iron, limestone ore, petroleum. Commodity project experience: Petroleum drilling project in Xingjiang Province China (2004); Yangshan gold mine periphery prospecting project in Gansu province China (2005-2006); Lateritic nickel mine capital construction project in Papua New Ginuea (2007); Copper prospecting in Copperbelt Province Zambia (2008); Gold grass exploration project in Indonesia (2009); Lateritic bauxite drilling exploration project in LA Laos (2010). He chief wrote a geological exploration report of limestone ore in PNG (approved by the experts with China standard 2008).

Tanya Nayda — Mine Geologist, BSc. Geology / Economic Geology

Tanya has worked as a mine geologist and geological technician at BHP Billiton's Cannington Ag-Pb-Zn Mine since September 2007. As a production geologist Tanya was in charge of maintaining geological data sets, stockpile and grade reporting and management, production reconciliation and reporting, drilling hole design, supervision of underground diamond drilling programs, geological core logging, underground geological mapping and interpretation, face mapping and grade control, QAQC of assay data, wireframe modelling, geological assessment of underground development and stope design, etc.

Tanya is a native English speaker; she also has spoken and written skills in Mandarin Chinese and Portuguese.

Mark Burdett — Senior Consultant Geologist (China) - Bachelor of Science (Honours) - Geology, University of Melbourne

Mark is a geologist with over 10 years of experience in the Australian mining industry. After gaining experience in mine geology, Mark entered into various resource geologist roles.

In recent years Mark worked for Oz Minerals as the Senior Resource Geologist and was responsible for updating the Prominent Hill Resource (IOCG) including the management of infill and extensional drilling programs. Prior to this Mark worked as a resource geologist on various deposits including iron, gold and lead/zinc. Mark has also worked as a mine/project geologist for BHP (Pilbara) and Perilya (Broken Hill). Mark is proficient in Vulcan 3D software and is a member of the AUSIMM.

Jinping Xu — Consultant Geologist — B.S. East China Institute of Geology

Jinping Xu is a senior geologist with over 17 years of experience in the mining industry, He has been involved in many projects in China. Jinping has good knowledge of the China exploration standard and the system for resource estimation. Jinping did more than 10 national exploration project, worked in a gold mine for three years. Jinping took in charge of a lead-zinc project in Inner Mongolia an a gold project on Guangdong for Silvercorp Metals Inc. and he worked for Lafarge before joining Runge. In those work, Jinping got substantial experience in a wide range of commodity and deposit types, mining development. He understands the geophysical prospecting method, geochemical exploration method very well.

Company's Relevant Experience

Minarco-MineConsult, part of the Runge Group, is a premier international consulting and engineering firm. It provides a full range of services from pure technical consulting through to strategic corporate advice, undertaking assignments on mining projects covering a range of commodities and countries, serving clients in most of the countries on the West Pacific Rim.

Minarco-MineConsult maintains a full time staff of qualified specialists in the fields of mining engineering, geology, process and metallurgical engineering, environmental and geotechnical engineering, and environmental economics.

Minarco-MineConsult typically completes over 200 assignments per year and has over 300 professionals (through its parent Runge Group) available in disciplines including:

- Mining Engineering;
- Minerals Processing;
- Coal Handling and Preparation;
- Power Generation;
- Environmental Management;
- Geology;
- Contracts Management;
- Project Management;
- Finance;
- Commercial Negotiations.

The roots of Minarco-MineConsult were established in the Australian mining industry. Minarco-MineConsult is committed to compliance with the codes which regulate Australian corporations and consultants and has established an International business which has continued to give its clients and those that rely on its work the confidence that can be associated by the use of the relevant Australian codes.

These codes include:

- The Australian Corporation Law;
- The Australian Institute of Company Directors Code of Conduct;
- The Securities Institute of Australia Code of Ethics;
- The Australasian Institute of Mining and Metallurgy Code of Ethics;
- The Australasian Code for Reporting of Exploration Results, Mined Resources and Ore Reserves (The JORC Code).

Minarco-MineConsult has conducted numerous mining technical due diligence programs and reporting for IPO's and capital raisings over the past six years, with involvement in projects raising a total of over $US 10 billion of capital. This and other work is summarized in ***Table A1***.

Table A1 — Mining Related IPO and Capital Raising Due Diligence Experience

2011 China Precious Metals Holdings Co., Ltd; Luanling Project; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2011 HaoTian Resources Group Limited; Competent Persons Report of Coal Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support acquisition of and underground coal mines in Xinjiang Autonomous Region, China.

2011 King Stone Energy Group., Ltd; Competent Persons Report of Coal Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support acquisition of 2 underground coal mines in Shanxi Province, China.

2010 China Precious Metals Holdings Co., Ltd; Kangshan Gold Mine; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2010 Century Sunshine Group Holdings Limited; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKEx Circular to support the acquisition of a serpentinite mining asset in Jiangsu Province, China.

2010 Doxen Energy Group Limited; Independent Technical Review and estimation of Coal Resources under JORC for inclusion in a HKEx Circular to support the acquisition of a coal mining asset in Xinjiang Autonomous Region, China.

2010 KwongHing International Holdings (Bermuda) Limited; Independent Technical Review for inclusion in a HKEx Circular to support a Very Substantial Acquisition.

2009 Metallurgical Corporation Of China Ltd ("MCC"); Independent Technical Review for inclusion in a Prospectus to support a stock exchange listing on the Hong Kong Stock Exchange.

2009 Nubrands Group Holdings Limited, Guyi Coal Mine; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 China Blue Chemical Limited, Wangji and Dayukou Phosphate Mines: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 Kenfair International (Holdings) Limited, Shengping Coal Mine: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Railway Company Limited, African Copper/Cobalt Assets: Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 KoYo Ecological Agrotech (Group) Limited Sichuan Phosphate: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 Prosperity International Holdings Limited, Guilin Granite Project: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Primary Resources — Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by China Primary Resources.

2007 China Railway Company Limited, African Copper/Cobalt Assets: Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 Gloucester Coal Limited — Independent Technical Review for Australian Stock Exchange Scheme of Arrangement.

2007 Confidential Hong Kong Private Equity Partners — Independent Technical Review to support private equity capital raising to purchase lead/zinc mining assets in Tibet.

2007 Confidential International Investor — Independent Technical Review to support private equity capital raising to purchase iron ore assets in Hubei. Preparation of ITR.

2007 Whitehaven Coal Limited — Independent Technical Review for Australian Stock Exchange IPO.

2007 Confidential Privately Owned Coke Producer — Capital raising for purchase of Coal Mines and downstream coal washing, coke production and chemical production facilities. Preparation of Competent Persons Report for planned IPO on the HKEx.

2007 China Molybdenum Group — Capital raising for large scale Molybdenum mine on the Hong Kong Stock Exchange. Preparation of Competent Person Report for IPO on the HKEx.

2007 Confidential International Investor — Independent Technical Review to support purchase of Gold Mine In Hubei Province.

2006 Excel Mining — Independent Technical Review for Australian Stock Exchange Scheme of Arrangement.

2006 Celadon Mining Investment Group (UK) — Capital raising for coal mine purchase in China and planned subsequent listing on AIM.

2005 Yanzhou Coal Mining Company Limited — Independent Technical Review of coal projects to satisfy ongoing listing requirements of the HKEx and NYSE following IPO.

2004 Excel Mining — Independent Technical Review for Australian Stock Exchange IPO (current market capitalization over $US1billion).

2004 Excel Mining — Independent Market Review for Australian Stock Exchange IPO.

2003 New Hope — Independent Market Review for Australian Stock Exchange IPO.

2003 Confidential — Independent Market Review on 50 Mtpa operation in Kazakhstan for LSE listing (has not proceeded).

2003 Xstrata plc — Competent Person's Report for London Stock Exchange Chapter 19 Report for Acquisition of MIM Assets including mines, rail and port review ($US 2.5 billion).

2002 Xstrata plc — Competent Person's Report for London Stock Exchange IPO ($US2.3 billion).

2002 Kaltim Prima, Indonesia — Independent Technical Review for advising Project financiers to acquisition ($US445 million).

2001 Enex Resources — Independent Technical Review for Australian Stock Exchange IPO.

2001 Macarthur Coal Limited — Independent Technical Report and Market Review for Australian Stock Exchange IPO.

6 ANNEXURE B — GLOSSARY OF TERMS

The key terms used in this report include:

- **AIG** Australian Institute of Geoscientist
- **AUSIMM** stands for Australasian Institute of Mining and Metallurgy
- **Company** means China Polymetallic Mining Limited
- **Competent Person** stands for Competent Person under the recommendations of the JORC Code and or HKEx chapter 18 listing rules.
- **Cut-Off Grade ('cog')**

Resource cog: is the lowest grade of mineralized material that qualifies as having reasonable economic potential for eventual extraction and supports a geologically justifiable and continuous mineralization domain.

Economic/Reserve cog: is the lowest grade of mineralized material that qualifies as economically mineable and available in a given deposit after application of modifying factors and economic assessment at given commodity prices. It may be defined on the basis of economic evaluation, or on physical or chemical attributes that define an acceptable product specification.

- **g/t** stands for grams per tonne
- **HKEx** stands for Hong Kong Stock Exchange

- **ITR** stands for Independent Technical Review
- **JORC** stands for Joint Ore Reserves Committee
- **JORC Code** refers to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
- **km** stands for kilometre
- **kt** stands for 000's of tonnes
- **ktpa** stands for 000's tonne per annum
- **LOM plan** stands for Life of Mine Plan
- **m** stands for metres
- **mine production** is the total raw production from any particular mine
- **mining rights** means the rights to mine mineral resources and obtain mineral products in areas where mining activities are licenced
- **Ml** stands for mega litre which is equal to one million litres
- **MMC** refers to Minarco-MineConsult
- **Mt** stands for mega tonnes which is equal to one million tonnes
- **RMB** stands for Chinese Renminbi Currency Unit; 10^3 RMB means 1,000 RMB
- **ROM** stands for run-of-mine, being material as mined before beneficiation
- **t** stands for tonne
- **tonne** refers to metric tonne
- **tpd** stands for tonnes per day
- **tph** stands for tonnes per hour
- **VALMIN Code** refers to the code and guidelines for technical assessment and or valuation of mineral and petroleum assets and mineral and petroleum securities for independent expert reports
- **$** refers to United States dollar currency
- **¥** is the symbol for the Chinese Renminbi Currency Unit

Note: Where the terms Competent Person, Inferred Resources and Measured and Indicated Resources are used in this report, they have the same meaning as in the JORC Code.

7 ANNEXURE C — CHINESE AND OTHER INTERNATIONAL RESOURCE REPORTING STANDARDS

Chinese Resource Reporting Standards

In 1999, with a view to creating a standard that was comparable with international resource reporting standards, The Chinese National Land and Resource Department introduced its own national standard for the Classification of Resources/Reserves for Solid Fuels and Mineral Commodities (GB/T 17766-1999).

This code was to replace the previous code (China GB 13908-1992 — General rules for Geological Exploration of Solid Ore Resources) and was based upon the United Nations international code (UN Economic and Society Committee, UN document ENERGY/WP.1/R.70). Some elements of the American resource reporting standards were included and modifications made to suit Chinese conditions. All new resource estimates are reported under this new code and old estimates either re-estimated or converted to the new system.

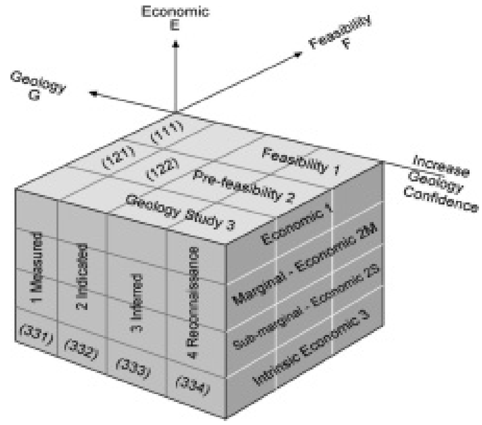
The previous Chinese standard (GB 13908-1992) divided resources into four categories (A, B, C and D) which were loosely comparable to the JORC — (December 2004) classifications of Measured Resource (A-B), Indicated Resource (B-C) and Inferred Resource (D). The old standard was more prescriptive than JORC in that it specified minimum borehole spacings (see ***Table C1***) for each category, along with implied levels of geological understanding.

Table C1 — Borehole Spacing Comparison (Chinese, UN and JORC Codes)

(Chinese Reserve Code)	Classification (Chinese Reserve Class)	UN Code	JORC(Dec 2004)	Minimum Borehole / Drill Line Spacing
A	111 – 121		Measured	<100 m
B	121 – 122	331	Measured	<=100 m x 100 m
C	122 – 2 M22	332	Indicated	<=200 m x 100 m
D	122	333	Inferred	>200 m

The old code was essentially a geological classification, taking little account of the deposits economics or the level of mining studies that had been carried out on it. The new code (see ***Figure C1***) attempts to address this by using a three component system (EFG) that considers the deposit economics (E), the level of mining feasibility studies that have been carried out (F) and the level of geological confidence (G) using a numerical ranking.

Figure C1 — New Chinese Resource/Reserve Classification Matrix (1999)



This system produces a three digit code for a deposit that reflects these three variables. For example a deposit classified as a 121 is economically viable (1), has had pre-feasibility studies carried out (2) and is well understood geologically (1). Various suffixes are used to distinguish Basic Reserves — essentially JORC Resources — (121b) from Extractable Reserves (121) and to identify the assumed economic viability (S or M). Certain categories are not allowed, for example pre-feasibility or feasibility level studies cannot be conducted on Inferred Resources, and so 123 and 113 are invalid classifications. Also Extractable Reserves are not estimated for marginally economic (or lesser) deposits so the (b) suffix is considered redundant. The term Intrinsically Economic indicates that while the deposit may be economic, insufficient studies have been carried out to clearly determine its status.

A tabulation of this concept is shown in ***Table C2***.

Table C2 — New Chinese Resource/Reserve Categories (1999)

Economic Viability	Geological Confidence			
	Identified Mineral Resource			Undiscovered Resource
	Measured (1)	Indicated (2)	Inferred (3)	Reconnaissance (4)
Economic (1)	Basic Reserve *[Resource]* - 111b			
	Proved Extractable Reserve - 111			
	Basic Reserve *[Resource]* 121b	Basic Reserve *[Resource]* - 122b		
	Probable Extractable Reserve - 121	Probable Extractable Reserve -122		
Marginally Economic (2 M)	Resource			
	2 m11			
	Resource	Resource		
	2 M21	2 M22		
Sub-marginally Economic (2S)	Resource			
	2S11			
	Resource	Resource		
	2S21	2S22		
Intrinsically Economic (3)	Resource 331	Resource 332	Resource 333	Resource 334

Note: First digit reflects Economic viability; 1= Economic; 2 m=Marginally Economic; 2S= Sub-marginally Economic; 3=Intrinsically Economic; 4=Economic interest undefined.

Second digit reflects Feasibility assessment stage, 1=Feasibility; 2=Pre-feasibility; 3=Geological study.

Third digit reflects Geological assurance, 1=Measured, 2=Indicated, 3=Inferred, 4=Reconnaissance.

b=Basic Reserve (prior to recovery factors, mining losses and dilution) — [JORC Resource].

Unlike the old code, the new code does not specify required borehole spacings for each category. In the case of copper Cobalt and Gold (and other metals), there is an accompanying Chinese Professional Standard (DZ/T 0214-2002) that lays out rules for determining the level of geological confidence.

International Standards and the JORC Code for Resources

Two main styles of resource reporting codes exist internationally. These are the American style (USA and much of South America) and the JORC style (Australia, South Africa, Canada, and UK). This is further complicated by the listing and reporting requirements of different stock exchanges. It is generally true that a resource estimation that complies with the JORC code (or one of its sister codes) will meet the standards of most international investors.

The new Chinese code is a blend of the old Chinese Code and the codes in current use today, including JORC and the current United Nations (UN) standard, with some additional local components added.

JORC is a non-prescriptive code, in that it does not lay out specific limits for resource classification in terms of such things as borehole spacing. Instead it emphasises the principles of transparency, materiality and the role of the Competent Person. Whilst some guidelines do exist (e.g. the Australian Guidelines for the Estimation of Coal Resources and Reserves) they are not mandatory and classification is left in the hands of the Competent Person. When combined with its Professional Standards (which are effectively mandatory), the Chinese code is much more prescriptive but does not include the role of the Competent Person.

An examination of the details of the Chinese code suggests that in terms of broad categorization, the levels of geological confidence ascribed to Measured and Indicated resources are quite similar in both the codes. The ranges of borehole spacings, thickness cut-offs and quality limitations that are enforced by the Chinese system would generally result in the same resource classification under the JORC Code.

The JORC Code uses the following definitions for Mineral Resources and Ore Reserves:

Measured Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **high** level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Indicated Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **reasonable** level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **low** level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Exploration Target/Results includes data and information generated by exploration programs that may be of use to investors. The reporting of such information is common in the **early** stages of exploration and is usually based on limited surface chip sampling, geochemical and geophysical surveys. Discussion of target size and type must be expressed so that it cannot be misrepresented as an estimate of Mineral Resources or Ore Reserves.

A '**Proved Ore Reserve'** is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A Proved Ore Reserve represents the highest confidence category of Ore Reserve estimates. This requires detailed exploration and quality data "points of observation" to provide high geological confidence.

A '**Probable Ore Reserve'** is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistic ally assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but has adequate reliability as the basis of mining studies.

8 ANNEXURE D — JORC ORE RESERVE CHECKLIST

Section	Comment
1. Is the Reserve derived from JORC compliant Resource Statement? Who are the competent persons?	The JORC compliant Ore Reserve Estimate is signed by Mr Michael Eckert (Runge Ltd, Senior Mining Engineer), and is derived from a JORC compliant Mineral Resource Estimate signed by Mr Jeremy Clark(Runge Ltd, Senior Geologist).
2. What is the current Project status?	The mine is in development. No ore has been produced to date. A life of mine plan has been scheduled. The mine is gradually ramping up from 48 kt of ore mined in 2011, 419 kt in 2012, to 660 kt in 2013 and thereafter.
3. What cut off parameters and physical limits have been applied in estimating the Reserves?	3.3% Pb Eq Minimum (Operational) COG and 4.3% Pb Eq Life-of-Mine (Industrial) grade. 5m sections were created and reported on 5m vertical intervals using Surpac and any diluted 5m interval below the Minimum cut-off grade was removed. Any level diluted stoping block below the Life-of-Mine cut-off grade was removed.

Section		Comment
4.	What mining and geotechnical assumptions have been made?	Mining dilution of 5.4% for primary transverse cut-and-fill stoping, 9.8% for secondary cut-and-fill stoping and 10.3% for longitudinal cut-and-fill stoping assuming a 10m stope width. These are based on 0.3m over-break in waste and ore, 0.5m backfill over-break and 0.3m back-fill over-muck applied to the proposed stope geometries. Recovery factors of 92.5% assumed for lodes with a dip greater than 45 degrees and 87.5% assumed for lodes with a dip less than 45 degrees.
5.	Is there a metallurgical process used and what is suitability to the type of operation?	Metals are recovered through a conventional and suitable flotation plant to produce a lead concentrate and zinc concentrate, both including silver.
6.	How have the Project capital, operating costs and royalties been derived?	Costs used were derived from the Feasibility Study. Total variable operating costs used for calculation of Minimum Cut-off Grade was 336 RMB/t. Total operating Cost used for calculation of the Life-of-Mine Cut-off Grade 435 RMB/t. While these costs are marginally differ from those quoted in Chapter 9, they are considered appropriate for the Ore Reserve Estimate.
7.	What is the market demand and supply of this commodity and what are the price and volume forecasts of the Reserves based upon?	Strong current and forecast demand.
8.	Any other factors that may potentially affect the viability of the Project and the status of titles and approvals required for the Project?	Consolidated mine planning is required. Approvals are ongoing.
9.	What is the basis for the classification of the Ore Reserves and proportion of Ore Reserves which have been derived from Measured Ore Resources?	Classification of Ore Reserves has been derived by considering the Indicated resources and the level of mine planning. Both Proved and Probable Reserves have been reported. Inferred resources have been excluded from the estimate.
10.	Results of audits or reviews of Reserves Statements.	As per findings in this review, plus internal reconciliation and peer review.
11.	Relative accuracy and confidence of the Reserves Estimate.	There is reasonably high confidence in the Ore Reserve. A more detailed knowledge of grade and orebody geometry variability would refine the modifying factors being applied.

9 ANNEXURE E — EQUIPMENT LISTS

Table E1 — Shizishan Polymetallic Project- Mining Equipment Inventory List

Equipment Type	Model	Qty
Single boom long hole Jumbo	Sandvik DL330-5	1
Single boom development Jumbo	Sandvik DD310-40	1
Hand Held Percussion Drill	YSP45	10
Hand Held Percussion Drill	7655	24
Hand Held Percussion Drill	YGZ90	2
Raise Bore	ZS — 150	1
Air Pick	G10	5
Diesel Carry-Scraper	ACY-2	4
	ACY-3	3
Truck	AJK15	7
Vibrating Ore-Drawing Machine	FZC-2.5/1.4-5.5	8
Multi-purpose Service Vehicle	ATY-5	3
Bridge Lift	LD10-8.5	1
Air Compressor	LGD300/077BK	4
Hydrocyclone	CZI150×10	2
Screw Conveyor	GX400-10	1

Source: Feasibility Study

Table E2- Shizishan Polymetallic Project — Processing Plant Equipment List

Equipment	Specification	Numbers	Weight (t)	Motor (kW)
Jaw Crusher	C100	1	20.1	110
Cone Crusher	GP100S	1	7.5	90
Cone Crusher	HP200	1	10.4	160
Feeder	GZT1550	1	9	
Overflow Ball Mill	QSZ 2700 * 4500	2	91.9	500
Hydrocyclone	WDS500B/2	2	6	
Conditioning Tank	CGJ	8	4.1	8
Flotation	BF-8	76	4.1	
Ceramic Filter	HTG-45	2	12.8	
Thickener	GZN-40	2	59.2	
Thickener	GZN-28	2	42.8	

Source: Based on information provided by the Company

10 ANNEXURE F — EXPLORATION RESULTS

Table F1 — Underground Channel Samples Locations and Grades for Liziping Project.

Sample_ID	Northing	Easting	Elevation	Cu (%)	Pb (%)	Zn (%)	Ag (g./t)
PD118-1/-H1	2970890.3	33523790.5	2266.6	0.0	32.3	1.9	589.0
PD118-1/-H2	2970895.1	33523792.0	2266.6	0.0	29.0	3.1	550.0
PD118-1/-H3	2970899.8	33523793.5	2266.6	0.0	11.9	12.3	247.0
PD118-1/-H4	2970904.6	33523795.0	2266.6	0.0	33.6	1.0	641.0
PD118-1/-H5	2970909.4	33523796.5	2266.6	0.0	33.6	3.3	646.0
PD118-1/-H6	2970914.2	33523798.0	2266.6	0.6	33.8	2.6	687.0
PD118-1/-H7	2970918.9	33523799.5	2266.6	0.0	23.3	1.9	365.0
PD118-1/-H8	2970923.7	33523801.0	2266.6	0.0	20.2	1.3	488.0
PD118-1/-H9	2970928.5	33523802.5	2266.6	0.0	27.1	4.8	522.0
PD118-1/-H10	2970933.2	33523804.0	2266.6	0.0	28.6	6.7	533.0
PD118-1/-H11	2970938.0	33523805.5	2266.6	0.0	34.5	2.8	600.0
PD118-5/-1-H1	2971165.1	33523846.1	2200.6	0.0	15.9	8.8	313.0
PD118-5/-1-H2	2971165.5	33523847.0	2200.6	0.0	30.0	8.4	653.0
PD118-5/-1-H3	2971165.8	33523848.0	2200.6	0.0	24.4	2.4	458.0
PD118-4/-H1	2971197.8	33523804.8	2200.6	0.0	0.1	0.0	4.8
PD118-4/-H2	2971196.8	33523805.1	2200.6	0.0	21.1	8.5	478.0
PD118-4/-H3	2971195.9	33523805.4	2200.6	0.0	0.6	0.1	26.6
PD118-2/-2-H1	2970946.3	33523808.1	2266.6	0.0	0.2	0.1	6.9
PD118-2/-2-H2	2970946.5	33523809.1	2266.6	0.0	30.1	1.9	723.0
PD118-2/-2-H3	2970946.8	33523810.1	2266.6	0.0	0.1	0.1	7.1
PD118-2/-2-H4	2970947.0	33523811.1	2266.6	0.0	0.2	0.0	11.9
PD118-2/-2-H5	2970954.3	33523840.2	2266.6	0.0	0.2	0.1	9.8
KD118-27-H1	2971126.9	33523903.9	2265.6	0.1	0.2	0.1	20.0
KD118-27-H2	2971126.5	33523904.8	2265.6	0.0	29.8	5.1	494.0
KD118-27-H3	2971126.2	33523905.7	2265.6	0.0	33.4	3.3	567.0
KD118-27-H4	2971125.8	33523906.7	2265.6	0.0	0.3	0.0	15.0
KD118-11-H1	2970940.4	33523769.9	2265.6	0.0	2.8	0.3	42.5
KD118-11-H2	2970940.6	33523770.9	2265.6	0.0	34.7	3.4	698.0
KD118-11-H3	2970940.7	33523771.9	2265.6	0.0	10.3	4.8	341.0
KD118-9-HQ1	2970940.2	33523759.0	2265.6	0.0	6.6	0.1	118.0
KD118-13-H1	2970918.3	33523782.7	2265.6	0.0	31.4	3.7	654.0
KD118-13-H2	2970918.4	33523783.7	2265.6	0.0	36.8	2.9	669.0
KD118-13-H3	2970918.5	33523784.7	2265.6	0.0	3.2	0.1	57.1
KD118-13-H4	2970918.6	33523785.7	2265.6	0.0	0.3	0.0	11.2
PD118-5-H1	2971078.2	33523783.9	2265.6	0.3	1.1	0.1	62.0
PD118-5-H2	2971078.5	33523784.8	2265.6	0.1	31.5	1.4	605.0
PD118-5-H3	2971078.9	33523785.7	2265.6	0.0	0.8	0.6	29.6
PD118-3-H1	2971098.5	33523795.7	2265.6	0.0	0.2	0.1	13.1
PD118-3-H3	2971099.2	33523797.6	2265.6	0.1	0.3	0.1	25.2
KD118-10-H1	2970939.7	33523764.0	2265.6	0.0	0.2	0.0	12.0
KD118-10-H2	2970939.6	33523765.0	2265.6	0.4	43.3	1.5	746.0
KD118-10-H3	2970939.5	33523766.0	2265.6	0.0	0.4	0.1	19.5
KD117-15-H1	2971209.2	33523972.0	2370.0	0.0	0.2	0.0	9.4
KD117-15-H2	2971208.2	33523972.0	2370.0	0.0	0.1	0.0	6.7
KD117-15-H3	2971207.2	33523972.0	2370.0	0.0	0.5	0.0	16.6
KD117-20-H1	2971108.5	33523907.4	2370.0	0.0	0.2	0.0	9.8
KD117-20-H2	2971108.5	33523908.4	2370.0	0.0	27.6	1.8	482.0
KD117-20-H3	2971108.5	33523909.4	2370.0	0.0	31.1	1.8	560.0
KD117-20-H4	2971108.5	33523910.4	2370.0	0.0	0.9	0.6	16.8
KD117-18-H1	2971128.0	33523960.3	2370.0	0.0	0.3	0.1	16.2
KD117-18-H2	2971128.6	33523961.1	2370.0	0.0	32.9	3.0	629.0
KD117-18-H3	2971129.3	33523961.9	2370.0	0.0	0.2	0.0	6.5
KD117/-1-H1	2970971.8	33523869.1	2370.0	0.0	0.1	0.1	6.0
KD117/-1-H2	2970971.8	33523870.1	2370.0	0.0	33.5	4.3	660.0
KD117/-1-H3	2970971.8	33523871.1	2370.0	0.0	35.8	8.2	720.0
KD117/-1-H4	2970971.8	33523872.1	2370.0	0.1	0.4	0.1	19.2
KD117/-1-H5	2971004.2	33523911.5	2370.0	0.0	0.2	0.0	9.6
KD117/-1-H6	2971003.2	33523911.7	2370.0	0.0	26.3	4.7	547.0
KD117/-1-H7	2971002.2	33523911.8	2370.0	0.0	0.2	0.1	10.0

CAYMAN ISLANDS TAXATION

Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands.

Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

PRC TAXATION

Enterprise income tax.

Prior to January 1, 2008, enterprises established in the PRC were generally subject to a 30% national and 3% local enterprise income tax rate. Various preferential tax treatments promulgated by national tax authorities were available to foreign-invested enterprises or high or new technology enterprises located in certain high-tech zones of China. In addition, some local tax authorities allowed certain enterprises registered in their tax jurisdictions to enjoy lower preferential tax treatment according to local policies.

On March 16, 2007, NPC promulgated the New Income Tax Law, which took effect on January 1, 2008. Under the New Income Tax Law, the PRC adopted a uniform enterprise income tax rate of 25% for all PRC enterprises (including foreign-invested enterprises) and significantly curtailed the tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, the New Income Tax Law also contemplates various transition periods and measures for previous preferential tax policies enjoyed by the enterprises. Enterprises which were established before the promulgation of the New Income Tax Law and were previously entitled to a lower income tax rate will be entitled to a grace period of five years, and enterprises which were entitled to the fixed-term preferential tax exemption or reduction will continue to enjoy such preferential treatment until the expiration of the specified terms, except that the relevant exemption or reduction shall start from January 2008 if the first profit-making year for commencing the relevant exemption or reduction is later than 2008.

Under the New Income Tax Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Pursuant to New Income Tax Law and its implementation rules, besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC enterprise income tax purposes and subject to the uniform 25% enterprise income tax rate for their global income. According to the implementation rules of the New Income Tax Law, "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. The SAT issued Notice on Certain Issues Relating to Identification of Resident Enterprise Status for Offshore Chinese-invested Controlling Enterprises on the Basis of a De Facto Management Body on April 22, 2009, or Circular 82, provides that certain foreign enterprises controlled by a PRC company or a

PRC company group will be classified as "resident enterprises" if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights.

Withholding tax

The New Income Tax Law removes the prior tax exemption and imposes a 10% withholding tax on dividends paid by foreign-invested enterprises to foreign investors. However, for foreign investors whose home countries or regions have signed bilateral tax agreements with China, the withholding tax rate may be reduced to as low as 5% depending on the terms of the applicable tax treaty.

In accordance with the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income signed on August 21, 2006, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that the recipient is a company that holds at least 25% of the interest of the PRC company, otherwise, the applicable withholding tax rate should be 10%. Further, pursuant to the Circular of the SAT on Printing and Issuing the Administrative Measures for Non-residents to Enjoy the Treatment under Tax Treaties, which became effective on October 1, 2009, the preferential tax rate under the relevant tax treaties does not automatically apply. Approvals from competent local tax authorities are required before a foreign investor can enjoy the treaty benefits relating to dividends under the relevant tax treaties. In addition, in accordance with the Notice on How to Understand and Determine the "Beneficial Owners" in the Relevant Tax Treaties issued by the SAT on October 27, 2009, the PRC tax authorities must evaluate whether an applicant (income recipient) can be qualifies as a "beneficial owner" under the relevant tax treaties on a case-by-case basis, and, in conducting such evaluation, the taxation authorities must examine the substance rather than the form of the relevant case. Further, pursuant to the Notice on the Issues concerning the Application of the Dividend Clauses of Tax Agreements issued by the SAT on February 20, 2009, the preferential tax rate under the relevant tax treaties shall only apply to a tax resident from the other side that directly holds at least 25% of the interest of a PRC company for a period of consecutive 12 months prior to receiving the dividends.

Value-added Tax

In accordance with the Amended Provisional Regulations on Value-added Taxes of the PRC which promulgated on December 13, 1993 and amended on November 10, 2008, and its implementation rules, enterprises selling commodities, providing processing, replacement and repair services must pay value-added tax. The value-added tax in China is calculated at the statutory rate of 17% of the total sales price for goods sold, or service charges collected (**"Output VAT"**) unless a favorable rate is provided by law otherwise. However, general VAT taxpayers are allowed to deduct the VAT they have paid to their suppliers on the price paid for the purchase of inputs (**"Input VAT"**) from their Output VAT.

Producers or trading companies which export their products are generally exempted from value-added tax. In addition, they may also be refunded a certain percentage of the Input VAT they have paid to their suppliers vis-à-vis the exported products.

Hong Kong Taxation

Dividends

Under the current practice of the Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the shares. Trading gains from the sale of shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are arising in or derived from Hong Kong, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment.

Gains from sales of the shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of shares registered on the Hong Kong register of member. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5.00. Where a sale or purchase of shares registered on the Hong Kong register of member is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

No stamp duty will be levied on the transfer of shares that are registered on a share register outside Hong Kong.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 30, 2009 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on November 24, 2011. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/ or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution — majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hand.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from December 8, 2009.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IX. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. *Incorporation*

We were incorporated in the Cayman Islands with limited liability under the Companies Law on November 30, 2009. We have established a place of business in Hong Kong at Unit 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong and registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance under the same address. Ms. Ho Siu Pik has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company to be served on the Company in Hong Kong. The Company has registered its Chinese name 中國多金屬礦業有限公司 with the Registrar of Companies of Cayman Islands on December 15, 2009.

As we are incorporated in the Cayman Islands, our corporate structure, and our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of the Companies Law are set out in Appendix VII to this Prospectus.

2. *Changes in share capital*

On the date of our incorporation on November 30, 2009, our authorized share capital was HK$380,000 divided into 3,800,000 shares of HK$0.10 each. The following sets out the changes in our share capital since the date of our incorporation:

- on November 30, 2009, one share of HK$0.10 was allotted and issued to the initial subscriber Codan Trust Company (Cayman) Limited for cash at par and such one share was transferred to Silver Lion on the same day;
- on February 3, 2010, 7,311 additional shares of HK$0.10 each were allotted and issued to Silver Lion;
- on February 8, 2010, 4,000 shares of HK$0.10 each were allotted and issued to Grow Brilliant;
- on December 23, 2010, the Company further allotted and issued 88,688 shares of HK$0.10 each to Silver Lion;
- On June 27, 2011, one additional share of HK$0.10 was allotted and issued to Silver Lion and 6,399 additional shares of HK$0.10 each were allotted and issued to Grow Brilliant;
- On November 10, 2011, our then shareholders and directors passed resolutions approving a sub-division in our share capital. Each ordinary share of nominal value HK$0.10 was sub-divided into 10,000 ordinary shares of nominal value of HK$0.00001 each. As a result of the sub-division, Silver Lion held 960,010,000 Shares and Grow Brilliant held 103,990,000 Shares. On the same day, Silver Lion and Grow Brilliant subscribed for further Shares on a pro-rata basis. Silver Lion subscribed for a further 393,387,556 Shares while Grow Brilliant subscribed for a further 42,612,444 Shares. The effective shareholding of Silver Lion and Grow Brilliant in the Company remain unchanged;
- assuming that the Global Offering becomes unconditional and the Offer Shares are issued, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the issued

share capital of our Company will be HK$20,000 divided into 2,000,000,000 Shares, all fully paid or credited as fully paid and 36,000,000,000 Shares will remain unissued.

Save as disclosed in this Prospectus, there has been no alteration in our share capital within the two years preceding the date of this Prospectus.

3. *Resolutions of our Shareholders*

Pursuant to the written resolutions passed by our Shareholders on November 24, 2011, among other matters:

(a) our Company conditionally approved and adopted the Memorandum of Association and Articles of Association which will take effect on the Listing Date;

(b) conditional upon the conditions for completion of the Global Offering being fulfilled:

(i) the Global Offering was approved and our directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;

(ii) the Over-allotment Option was approved and our Directors were authorized to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;

(ii) the rules of the Share Option Scheme were approved and adopted and our directors were authorized to implement the same, grant options to subscribe for shares thereunder and to allot, issue and deal with the shares pursuant to the exercise of the options which may be granted under the Share Option Scheme;

(c) a general unconditional mandate (the "Issuing Mandate") was given to our Directors to allot, issue and deal with (otherwise than pursuant to a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or upon the exercise of the options that may be granted under the Share Option Scheme or pursuant to the Global Offering) unissued Shares with an aggregate nominal value of not exceeding the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of such mandate by any ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(d) a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers for and on behalf of our Company to repurchase Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of such mandate by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(e) the Issuing Mandate was extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10% of the aggregate nominal value of the issued share capital of our Company immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issue pursuant to the exercise of the options that may be granted under the Share Option Scheme).

4. *Changes in share capital of the subsidiaries of our Group*

Our subsidiaries are referred to in the accountants' report as set out in Appendix I. The following alterations in the share capital (or registered capital, as the case may be) of our subsidiaries have taken place within the two years preceding the date of this Prospectus:

Gilberta

On November 3, 2009 , Gilberta was incorporated in the BVI as a limited liability company with an authorized share capital of US$50,000 divided into 50,000. On December 3, 2009, one share of US1.00 in the authorized share capital of Gilberta was allotted and issued to the Company.

Next Horizon

On November 3, 2009, Next Horizon was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On December 3, 2009, one share of HK$1.00 in the authorized share capital of Next Horizon was transferred from the initial subscriber to Gilberta.

Dehong Yinbang

On December 23, 2009, Dehong Yinbang was incorporated in the PRC with a registered and fully paid-up capital of US$12,000,000. On May 19, 2011, the registered and fully paid-up capital has increased to US$40,000,000.

Dehong Yinrun

On January 7, 2010, Dehong Yinrun was incorporated in the PRC with a registered and fully paid-up capital of RMB2,000,000. The registered and fully paid-up capital was increased to RMB10,000,000 on July 6, 2010.

Kunrun

On April 23, 2009, Kunrun was incorporated in the PRC with a registered capital of RMB13,000,000, among which RMB3,900,000 was fully paid up at its incorporation. Kunrun was owned as to 70% by Mr. Ran Xiaochuan and 30% by Mr. Ran Xiaoyun.

On November 9, 2009, Mr. Ran Xiaoyun transferred 20% equity interest in Kunrun to Mr. Ran Xiaochuan and 10% equity interest in Kunrun to Mr. Tao Jiazheng.

On January 10, 2010, Mr. Ran Xiaochuan and Tao Jiazheng signed the equity transfer agreement with Dehong Yinrun, in which Ran Xiaochuan will transfer 60% equity interests in Kunrun to Dehong Yinrun and Tao Jiazheng will transfer 10% equity interests in Kunrun to Dehong Yinrun.

On January 27, 2010, the paid-up capital was increased to RMB13,000,000 after Dehong Yinrun and Ran Xiaochuan injected RMB9,100,000.

On June 25, 2010 the registered and paid-up capital of Kunrun was increased to RMB56,000,000 after Dehong Yinrun subscribed and contributed RMB43,000,000.

On June 18, 2011, Mr. Ran Xiaochuan and Dehong Yinrun signed an equity transfer agreement whereby Mr. Ran Xiaochuan transferred 5.96% equity interests in Kunrun to Dehong Yinrun.

5. *Reorganization*

The companies comprising the Group and the companies at the shareholders level of the Company underwent a reorganization to rationalize the business and the structure of the Company in anticipation of the Global Offering. For information with regard to such corporate reorganization, see the section headed "History and Organization" in this Prospectus.

6. *Repurchases of our own securities*

(A) Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit a listed company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to the following restrictions:

Shareholder's approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction. Pursuant to a resolution passed by our Shareholders on November 24, 2011, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to our Board authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme).

Source of funds

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme). Without the prior approval of the Stock Exchange, our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Companies Law, unless prior to the repurchase, the directors of our Company resolve to hold the Shares repurchased by our Company as treasury shares, our Company's repurchased Shares shall be treated as cancelled and the amount of our Company's issued share capital shall be reduced by the aggregate par value of the repurchased Shares accordingly although the authorized share capital of our Company will not be reduced.

Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as at the date of this Prospectus, during the period of one month immediately preceding the earlier of:

- the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of our Shares on the Stock Exchange if our Company has breached the Listing Rules.

Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of the Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. Moreover, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of the Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

Connected parties

Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a "connected person" and a connected person shall not knowingly sell its securities to our Company on the Stock Exchange.

(B) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(C) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our current financial position as disclosed in this Prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this Prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of our Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 2,000,000,000 Shares in issue immediately after the Global Offering (and assuming that the Over-allotment Option is not exercised and none of the options that may be granted under the Share Option Scheme is exercised), could accordingly result in up to 200,000,000 Shares being repurchased by our Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to the held; or (iii) the revocation or variation of the purchase mandate by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first (the "Relevant Period"). If the Over-allotment Option is exercised in full, the exercise in full of the Repurchase Mandate on the basis of 2,075,000,000 Shares in issue immediately after the Global Offering could result in up to 207,500,000 Shares being repurchased by our Company during the Relevant Period.

(D) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Code on Takeovers and Mergers and Share Repurchase ("Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Hong Kong Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Hong Kong Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. No connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. *Summary of material contracts*

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that are or may be material:

(a) the First Kunrun Equity Transfer Agreement;

(b) the Second Kunrun Equity Transfer Agreement;

(c) the Round 1 Bond Deed;

(d) an equitable mortgage among Silver Lion, the Company and Challenger dated February 8, 2010, pursuant to which Silver Lion granted to Challenger certain security interest;

(e) an equitable mortgage among the Company, Gilberta and Challenger dated February 8, 2010, pursuant to which Company granted to Challenger certain security interest;

(f) a charge over shares between Gilberta and Challenger dated February 8, 2010, pursuant to which Gilberta granted to Challenger certain security interest;

(g) a security agreement between the Company and Challenger dated February 8, 2010, pursuant to which our Company granted to Challenger certain security interest;

(h) a security agreement between Gilberta and Challenger dated February 8, 2010, pursuant to which Gilberta granted to Challenger certain security interest;

(i) a debenture between Next Horizon and Challenger dated February 8, 2010, pursuant to which Next Horizon granted to Challenger certain security interest;

(j) an equitable mortgage among Silver Lion, the Company and Challenger dated December 23, 2010, pursuant to which Silver Lion granted to Challenger certain security interest;

(k) a deed of accession among Challenger, Shi Xiangdong, the Company, Silver Lion, Gilberta, Next Horizon, Dehong Yinbang, Dehong Yinrun, Kunrun, Ran Xiaochuan, Ran Chenghao, Hover Wealth, Diamond Century International Limited and Grow Brilliant dated December 24, 2010;

(l) a deed among Challenger, Shi Xiangdong, the Company, Silver Lion, Gilberta, Next Horizon, Dehong Yinbang, Dehong Yinrun, Kunrun, Ran Xiaochuan, Ran Chenghao and Hover Wealth dated April 21, 2011 to amend certain terms of the Round 1 Bond Deed;

(m) the Round 2 Subscription Agreement;

(n) an intercreditor agreement among Challenger, the Round 2 Bond Investors, the KR Lenders, Silver Lion, our Company, Dehong Yinbang, Dehong Yinrun, Gilberta, Hover Wealth, Next Horizon, Ran Xiaochuan, Ran Chenghao, Shi Xiangdong, Kunrun and DB Trustees (Hong Kong) Limited dated April 20, 2011;

(o) a deed of undertaking entered into among the Company, Dehong Yinbang, Dehong Yinrun, Gilberta, Hover Wealth, Silver Lion, Kunrun, Next Horizon, Ran Chenghao, Ran Xiaochuan, Shi Xiangdong, the Round 2 Bond Investors, and DB Trustees (Hong Kong) Limited dated April 20, 2011;

(p) the BVI Law Amendment Agreement;

(q) the Cayman Law Amendment Agreement;

(r) the Hong Kong Law Amendment Agreement;

(s) a second amendment deed among Challenger, Silver Lion, Shi Xiangdong, the Company, Gilberta, Next Horizon, Dehong Yinbang, Dehong Yinrun, Kunrun, Ran Xiaochuan, Ran Chenghao and Hover Wealth dated November 9, 2011 to amend certain terms of the Round 1 Bond Deed;

(t) a third amendment deed among Challenger, Silver Lion, Shi Xiangdong, the Company, Gilberta, Next Horizon, Dehong Yinbang, Dehong Yinrun, Kunrun, Ran Xiaochuan, Ran Chenghao, Hover Wealth, AL Stone, Magic Delight and Total Flourish dated November 15, 2011 to amend certain terms of the Round 1 Bond Deed;

(u) an equitable mortgage among AL Stone, the Company and DB Trustees (Hong Kong) Limited dated November 10, 2011, pursuant to which AL Stone granted to DB Trustees (Hong Kong) Limited certain security interest;

(v) an equitable mortgage among Total Flourish, the Company and DB Trustees (Hong Kong) Limited dated November 10, 2011, pursuant to which Total Flourish granted to DB Trustees (Hong Kong) Limited certain security interest;

(w) a deed of non-competition entered into among our Controlling Shareholders and the Company dated November 28, 2011;

(x) a deed of indemnity entered into among our Controlling Shareholders and the Company dated November 28, 2011; and

(y) the Hong Kong Underwriting Agreement.

2. *Intellectual property rights*

As of the Latest Practicable Date, our Group has registered/has applied for the registration of the following intellectual property rights.

(A) Trademarks

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks:

Trademarks	Application Number	Class	Name of Applicant	Place of Application	Date of Application
	9298548	1	Kunrun	PRC	2 April 2011
	9298522	6	Kunrun	PRC	2 April 2011
	9298487	7	Kunrun	PRC	2 April 2011
	9298425	35	Kunrun	PRC	2 April 2011
	9298458	36	Kunrun	PRC	2 April 2011

Trademarks	Application Number	Class	Name of Applicant	Place of Application	Date of Application
	9298383	37	Kunrun	PRC	2 April 2011
	9294159	40	Kunrun	PRC	1 April 2011
	9294092	42	Kunrun	PRC	1 April 2011
中国多金属矿业 CHINA POLYMETALLIC MINING 中国多金属矿业 CHINA POLYMETALLIC MINING	301905958	6,14,37,40	The Company	Hong Kong	4 May 2011
中国多金属矿业 CHINA POLYMETALLIC MINING 中国多金属矿业 CHINA POLYMETALLIC MINING	301905967	6,14,37,40	The Company	Hong Kong	4 May 2011
	301906010	6,14,37,40	The Company	Hong Kong	4 May 2011

(B) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names:

Registrant	Domain Name	Date of Registration (DD/MM/YY)	Expiry Date (DD/MM/YY)
Our Company	chinapolymetallic.com	18/12/09	17/12/13

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND STAFF

1. *Disclosure of Interests*

Immediately following completion of the Global Offering (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme), the interests of the Directors and Chief Executive of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed will be as follows[1]:

Name of Director	Nature of interest	Number and class of securities[2]	Approximate percentage of interest in our Company immediately after the Global Offering[3]
Zhu Xiaolin	Interest of controlled corporation (Grow Brilliant)	146,602,444 Shares (L)	7.33%
Shi Xiangdong	Interest of controlled corporation (AL Stone)	113,100,000 Shares (L)	5.65%
Keith Wayne Abell	Beneficial owner	2,604,000 Shares (L)	0.13%

Notes:

(1) Pursuant to the Share Option Scheme and the independent non-executive Director appointment letter, each of the independent non-executive Directors shall upon listing of the Company be granted options to purchase such number of the Company's shares as have an aggregate value of US$2 million with the exercise price being the Offer Price, which shall vest, and upon vesting become exercisable for a period of five (5) years in four (4) equal tranches on the first, second, third and fourth anniversary of the Listing Date. Upon exercise of such share option, our Company will issue new shares to the respective independent non-executive Directors in exchange for exercise price payable. Each of the independent non-executive Directors undertakes that he and his associates, directly or indirectly, will not accumulatively hold 1% or more in our Company's issued share capital during his term as an independent non-executive Director at all times.

(2) The letters "L" denote the person's long position.

(3) Assuming the Over-allotment Option and the Share Option Scheme is not exercised.

2. *Substantial shareholders*

So far as our Directors are aware, immediately following completion of the Global Offering (without taking into account any shares which may be allotted issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme and assuming that the Exchangeable Bond will be fully converted with no Mandatory Redemption), the following persons (who is neither our Director nor chief executive) will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Long/Short Position	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding(%)[1]
The Ran Family Trust[2]	Long Position	Interest in a controlled corporation	706,848,061	35.34
Magic Delight	Long Position	Interest in a controlled corporation	706,848,061	35.34
Trustee	Long Position	Trustee	706,848,061	35.34
Ran Chenghao[2]	Long Position	Settlor of the Ran Family Trust	706,848,061	35.34
		Interest in a controlled corporation	98,550,000	4.93
Hover Wealth	Long Position	Interest in a controlled corporation	706,848,061	35.34
Silver Lion	Long Position	Registered owner	706,848,061	35.34

Notes:

(1) Without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

(2) The Ran Family Trust is a discretionary trust established by Ran Chenghao as settlor and the Trustee as trustee. The beneficiaries of The Ran Family Trust include Ran Chenghao and family members of Ran Chenghao. Ran Chenghao is deemed to be interested in 706,848,061 Shares held by The Ran Family Trust.

3. *Particulars of service contracts*

Each of our executive Directors, has entered into a service contract with our Company on November 30, 2011 for a term of three years commencing from the Listing Date, subject to termination before expiry by either party giving not less than three months' notice in writing to the other. Under these service contracts, each of Ran Xiaochuan, Zhu Xiaolin, Huang Wei, Wang Fahai, Wu Wei and Zhao Shaohua will receive an annual salary (including any director's fees) of RMB1,500,000, RMB1,500,000, RMB300,000, RMB300,000, RMB500,000 and RMB500,000, respectively (such annual salary is subject to annual review by our board and the remuneration committee) and a discretionary bonus as may be decided by our board and the remuneration committee at their discretion, having regard to the performance of the relevant executive director. Such executive director shall abstain from voting, and not be counted in the quorum, in respect of any resolution of our board approving the determination of the salary, bonus and other benefits payable to him or her.

Our non-executive Director, has entered into a letter of appointment with our Company on November 30, 2011. Each letter of appointment is for an initial term of three years commencing from the Listing Date, unless terminated by either party giving at least three months' notice in writing. Under the service contract with our non-executive director, Mr. Shi Xiangdong will receive an annual salary (including any director's fees) of RMB1,500,000 (such annual salary is subject to annual review by our board and the remuneration committee) and a discretionary bonus as may be decided by our board and the remuneration committee at their discretion, having regard to the performance of the relevant non-executive director. Such non-executive director shall abstain from voting, and not be counted in the quorum, in respect of any resolution of our board approving the determination of the salary, bonus and other benefits payable to him or her.

Each of our independent non-executive Directors, has entered into a letter of appointment with our Company on November 24, 2011. Each letter of appointment is for an initial term of three years commencing from the Listing Date, and shall continue thereafter subject to a maximum of three years unless terminated by either party giving at least three months' notice in writing. The annual fee for each independent non-executive director is US$100,000.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

4. *Directors' remuneration*

The aggregate salaries, allowances and benefits in kind granted to one of our Directors by us and our subsidiaries was approximately RMB1,494,000 for the year ended December 31, 2010. We have not paid any Directors' remuneration from April 23 to December 31, 2009. Save as above, we have not paid any other Directors during the Track Record Period. Details of our Directors' remuneration are also set out in Note 7 to the Accountants' Report in Appendix I to this Prospectus.

It is estimated that remuneration and benefits in kind, excluding any discretionary bonus payable to the directors, that is equivalent to approximately 7,129,000 in the aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2011 under arrangements in force at the date of this Prospectus.

5. *Fees or commissions received*

Save as disclosed in this Prospectus, none of the directors or any of the persons whose names are listed in the paragraph headed "Consents" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue of sale of any capital of any member of our Group from our Group within the two years preceding the date of this Prospectus.

6. *Related party transactions*

During the two years preceding the date of this Prospectus, we were engaged in related party transactions as described under note 25 of the accountants' report set out in Appendix I to this Prospectus.

D. DISCLAIMERS

Save as disclosed in this Prospectus:

- none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed;

- none of our directors nor any of the parties listed in the paragraph headed "Consents" in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- none of our directors nor any of the parties listed in the paragraph headed "Consents" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

- none of the persons whose names are listed in the paragraph headed "Consents" under the section headed "Other Information" in this Appendix VIII has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

- none of the Directors are interested in any business apart from any Group's business, which competes or is likely to compete, directly or indirectly, with the business of our Group.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of the Shareholders passed on November 24, 2011 and the written resolutions of the Directors passed on November 24, 2011:

1. *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of our Company and the Shares for the benefit of our Shareholders and to retain and attract calibres and working partners whose contributions are or may be beneficial to the growth and development of our Group.

2. *Participants of the Share Option Scheme and the basis of determining the eligibility of the participants*

The board of directors of our Company (the "Board") may at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its Subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the absolute discretion of the Board has contributed or will contribute to our Group (collectively "Qualified Participants").

3. *Status of the Share Option Scheme*

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional upon: (i) the commencement of dealing in the shares on the Stock Exchange; (ii) the passing of the necessary resolutions to adopt the Share Option Scheme by our Shareholders and the Board; (iii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Sole Global Coordinator) (acting for and on behalf of the Underwriter) and not being terminated in accordance with their terms or otherwise; and (iv) the Listing Committee approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme (the "Conditions").

(b) *Life of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for 10 years from the Listing Date (the "Scheme Period"), after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

4. *Grant of options*

(a) Making of offer

An offer of the grant of an option shall be made to a Qualified Participant by an offer document ("Offer Letter") in such form as the Board may from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules made under the Share Option Scheme). The offer shall remain open for acceptance for a period of 14 business days from the date on which it is made PROVIDED THAT no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the Share Option Scheme. Unless otherwise determined by the Board and stated in the Offer Letter, there shall be no general performance target for the vesting or exercise of options.

(b) Acceptance of an offer

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Qualified Participant (the "Grantee") and to have taken effect upon the issue of an option certificate after the duplicate offer letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance set out in paragraph 4(a) above. The remittance is not in any circumstances refundable and shall be deemed as part payment of the exercise price. Once accepted, the option is granted as from the date on which it was offered to the relevant Grantee.

(c) Restrictions on time of grant

(i) No grant of options shall be made after a price sensitive event in relation to the securities of our Company has occurred or a price sensitive matter in relation to the securities of our Company has been the subject of a decision, until the price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) For so long as the shares are listed on the Stock Exchange:

(1) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(2) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all the independent non-executive directors (excluding any independent non-executive director who is also a proposed Grantee of the options, the vote of such independent non-executive director shall not be counted for the purposes of approving the grant).

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by our Shareholders in general meeting if the shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of such grant:

(i) would represent in aggregate more than 0.1 per cent, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares then in issue; and

(ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under paragraph (d), all connected persons of our Company must abstain from voting unless intending to vote against the proposed grant. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Listing Rules.

(g) Performance target

Our Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Share Option Scheme and our Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

5. *Subscription price*

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "Subscription Price") shall, subject to any adjustment pursuant to paragraph 7 below, be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered (the "Offer Date");

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of the Shares;

except that for the purposes of calculating the Subscription Price under paragraph 5(ii) above for an option offered within five Business Days of the Listing Date, the price at which the Shares are to be offered for subscription pursuant to the Global Offering shall be used as the closing price for any Business Day falling within the period before the Listing Date.

6. *Maximum number of Shares available for subscription*

(a) Scheme Mandate

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as of the Listing Date (excluding Shares which may be allotted and issued under the Over-allotment Option) ("Scheme Mandate") which is expected to be 200,000,000 Shares. For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of Scheme Mandate

Our Company may seek approval by our Shareholders in general meeting for renewing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as at the date of the shareholders' approval. Options previously granted under the Share Option Scheme and any other share option schemes of our Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

(c) Grant of Options beyond Scheme Mandate

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) Maximum number of Shares issued pursuant to Options

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12 month period exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his associates abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Participant must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

(f) Adjustment

The number of Shares subject to the options and to the Share Option Scheme may be adjusted in such manner as our Company's independent financial advisor or auditor (acting as expert and not as arbitrator) shall certify in writing to the Board to be in its opinion fair and reasonable in accordance with sub-paragraph 7(b) below.

7. *Reorganization of capital structure*

(a) Adjustment of options

In the event of any alteration in the capital structure of our Company whilst any option becomes or remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), the Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) in:

(i) the number of Shares subject to any option so far as such option remains unexercised;

(ii) the Subscription Price; or

(iii) the number of Shares subject to the Share Option Scheme;

that are required to give each Grantee the same proportion of the share capital as that to which the Grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Subscription Price and number of Shares should be made to the advantage of the Qualified Participants without specific prior approval of our Shareholders.

(b) Auditors/independent financial advisor confirmation

On any capital reorganization other than a capitalization issue, the auditor or an independent financial advisor shall certify in writing to the Board that the adjustments made by the Board pursuant to sub-paragraph 7(a) above is in its opinion fair and reasonable.

8. *Cancellation of options*

Subject to the consent from the relevant Grantee, the Board may at its discretion cancel options previously granted to and yet to be exercised by a Grantee for the purpose of re-issuing new options to that Grantee provided that there are sufficient available unissued options under the Scheme Mandate as renewed from time to time (excluding such cancelled options) in accordance with the terms of the Share Option Scheme.

9. *Assignment of options*

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt to do so (except that the Grantee may nominate a nominee, of which the Grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the Grantee and the nominee has been provided to the satisfaction of, and on terms acceptable by, the Board).

10. *Rights attached to the Shares*

The Shares to be allotted upon exercise of an option will be subject to all the provisions of our bye-laws and will rank pari passu with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company (the "**Registration Date**"). Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

Unless otherwise regulated by applicable law, a Grantee, shall have no rights as a Shareholder with respect to any Shares covered by an option before such Grantee exercises the option.

11. *Exercise of options*

(a) General

There is no general requirement that an option must be held for any minimum period before it can be exercised. The period during which an option may be exercised in accordance with the terms of the Share Option Scheme ("Option Period") shall be the period of time to be notified by our Board to each Grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date.

(b) Rights on a takeover

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the option granted to them, our Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in exercise of the option at any time before the expiry of the period of ten business days following the date on which the offer becomes or is declared unconditional.

(c) Rights on a voluntary winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each of our Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this subparagraph 11(c)). Upon receipt of such notice, each Grantee (or where permitted, his or her legal personal representative(s)) shall be entitled to exercise all or any of the option (to the extent which has become exercisable and not already exercised) at any time not later than two (2) business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by our Company, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(d) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to the Grantee on the same day as it gives notice of the meeting to its shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

(i) the date two calendar months thereafter; and

(ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise the option (to the extent not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Our Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

12. ***Lapse of options***

An option whether vested or unvested shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (d) above;

(iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in sub-paragraph 11(c);

(iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;

(v) in respect of a Grantee (being an Eligible Employee) who ceases to be engaged by the Group or the Invested Entity by reasons other than termination of employment on grounds under sub-paragraph 12(vi) below, the last date on which such Grantee was at work with the Group or the Invested Entity (whether salary is paid in lieu of notice or not);

(vi) the date on which the Board or board of the relevant member of our Group or the board of the Invested Entity resolves that Grantee (being Eligible Employee) ceases to be a Qualified Participant by reason of the termination of his employment on any one or more of the following grounds:

(a) that he has been guilty of misconduct; or

(b) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally; or

(c) that he has been convicted of a criminal offense involving his integrity or honesty; or

(d) any misconduct based on the sole and absolute option of our Company;

and a resolution of the Board or the board of directors of the relevant subsidiary of our Company or of the Interested Entity to that effect shall be conclusive;

(vii) in the event of a Grantee other than an Eligible Employee, the date on which the Board resolves that such Grantee ceases to be qualified as a Qualified Participant by reason of termination of its business relation with the relevant member of our Group or by reason of its failure to comply with the provisions of the relevant contracts or agreements and/or its breaches of its fiduciary duties under common law or otherwise on other grounds as the Board considers appropriate;

(viii) the date on which a Grantee commits a breach of paragraph 9 above;

(ix) if an option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitation; and

(x) the occurrence of such event or expiry of such period as may have been specifically provided for in the offer letter, if any.

13. ***Amendment of the Share Option Scheme***

(a) Amendments requiring Board approval

Any amendment to the Share Option Scheme other than those set out in subparagraph 13(b) below must be approved by the majority of the Board or the scheme administrator.

(b) Amendments requiring shareholder approval

Subject to sub-paragraphs 13(c) and (d), the following matters require the prior sanction of a resolution of the Shareholders in general meeting:

(i) any change to the provisions relating to:

(1) the purpose of the Share Option Scheme;

(2) the definitions of "Grantee", "Option Period", "Qualified Participant" and "Scheme Period" contained in the Share Option Scheme;

(3) the provisions relating the Scheme Period, the basis of eligibility for options, the making of offer, the contents of offer letter, the acceptance of an option, the Subscription Price, the granting of options to connected persons, substantial shareholders and independent non-executive directors, the exercise of options, the lapse of options, the maximum number of shares available for subscription, cancellation of options, reorganization of capital structure and termination of the Share Option Scheme; which operates to the advantage of Qualified Participants or Grantees;

(ii) any change to the authority of the Board or the scheme administrator;

(iii) any amendment to the terms and conditions of the Share Option Scheme which are of a material nature except where such amendment takes effect automatically under the existing terms of the Share Option Scheme; and

(iv) any amendment to the terms of options granted except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(c) Amendments requiring the super majority consent from the Grantees

Notwithstanding any approval obtained pursuant to sub-paragraphs 13(b) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(d) Amendments requiring the approval of the Stock Exchange

Any amendment to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

14. *Termination*

Our Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise or may be required in accordance with the provisions of the Share Option Scheme. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

As of the Latest Practicable Date, no option has been granted by our Company under the Share Option Scheme.

F. OTHER INFORMATION

1. *Estate Duty*

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, BVI, the PRC and other jurisdictions in which the companies comprising our Group are incorporated.

2. *Tax and other indemnity*

Each of our Controlling Shareholders (together, the "Indemnifiers") has entered into a deed of indemnity in favor of our Group (being a material contract referred to in the paragraph headed "Summary of material contracts" of this Appendix) to provide the following indemnities in favor of our Group. Our directors have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries.

Under the deed of indemnity, amongst others, the Indemnifiers will jointly and severally indemnify each of the members of our Group against (a) taxation falling on any member of our Group resulting from or by reference to any income, profits or gains accrued or received (or deemed to be so earned, accrued or received) on or before the date when the Global Offering becomes unconditional; (b) any costs, expenses and operating and business losses arising from the relocation of the business or assets from any property leased, rented, occupied in the event any member of our Group is not permitted to use or occupy or is being evicted from such property due to the relevant leases not being legal or enforceable. The Indemnifiers further jointly and severally undertake to indemnify each of the members of our Group on demand against any losses, damages, costs or expenses which may be suffered or incurred in connection with any form of taxation or taxation claim or any foregoing property related loss or claim.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of our Group; and (b) the taxation arises or is incurred as a result of a retrospective change in law or regulation or the interpretation thereof or practice by the relevant tax authority coming into force after the date on which the Global Offering becomes unconditional or to the extent that the taxation arises or is increased by an increase in rates of taxation as a result of a change in law or regulation or interpretation thereof or practice by the relevant tax authority after the date on which the Global Offering becomes unconditional with retrospective effect.

In the event the Indemnifiers have indemnified the Group of any tax liability and payment arising from any additional assessment by any tax authority pursuant to the deed of indemnity referred to above, the Company shall disclose such fact and relevant details by way of an announcement to the public immediately after the payment of indemnification by the Indemnifiers.

3. *Litigation*

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings pending or threatened against us or any of our directors that could have a material adverse effect on our financial condition or results of operation.

4. *Sole Sponsor*

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as set out in this prospectus.

5. *Preliminary expenses*

Our estimated preliminary expenses are approximately US$6,000 and have been paid by our Company.

6. *Promoter*

The Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus.

7. *Qualifications of experts*

The qualifications of the experts (as defined under the Listing Rules and the Hong Kong Companies Ordinance) who have given their opinions or advice in this Prospectus are as follows:

Name	Qualifications
Citigroup Global Markets Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automatic trading services) regulated activities under the SFO
Ernst & Young	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Property valuers
Commerce & Finance Law Offices	PRC legal advisor
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Minarco-MineConsult	Competent Person

8. *Consents*

Each of the experts has given and has not withdrawn its respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/

or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. *Binding effect*

This Prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

10. *Compliance Advisor*

Our Company will appoint Guotai Junan Capital Limited as our compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules.

11. *Shares will be eligible for CCASS*

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme).

All necessary arrangements have been made enabling our Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

12. *Bilingual Prospectus*

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice 2001.

13. *Miscellaneous*

Save as disclosed in this Prospectus, within the two years immediately preceding the date of this prospectus:

(a) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and

(d) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.

Save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in the Company or any of its subsidiaries and no amount or benefit had been paid or given within the two immediately preceding years or is intended to be paid or given to any promoter.

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2011 (being the date to which the latest audited consolidated financial statements of the Group were made up).

There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Prospectus.

There is no arrangement under which future dividends are waived or agreed to be waived.

The register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with any registered by the Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

No company within the Group is presently listed on any stock exchange or traded on any trading system.

The Directors have been advised that, under the Companies Law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by the Company in conjunction with its English name does not contravene the Companies Law.

The English text of this Prospectus shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** application forms; (ii) copies of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further information about our business — 1. Summary of material contracts" in Appendix VIII to this Prospectus; (iii) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 8. Consents" in Appendix VIII to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of O'Melveny & Myers at 31/F, AIA Central, 1 Connaught Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) our Memorandum of Association and Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the texts of which are set out in Appendix I to this Prospectus and the audited financial statements of companies comprising the Group during the Track Record Period, where applicable;

(c) the audited financial statements of companies comprising our Group for the period from April 23, 2009 to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011;

(d) the report in relation to unaudited pro forma financial information, the texts of which are set out in Appendix II to this Prospectus;

(e) the letters from Ernst & Young and the Sole Sponsor in relation to loss forecast, the texts of which are set out in Appendix III to this Prospectus;

(f) the letters, summary of values and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this Prospectus and the full valuation report prepared by Jones Lang LaSalle Sallmanns Limited in English;

(g) the PRC legal opinion issued by Commerce & Finance Law Offices, our legal adviser on PRC law, in respect of, among other things, general matters, property interests and taxation matters of the Group;

(h) the report prepared by the Competent Person, Minarco-MineConsult, the text which is set out in the section headed "Competent Person's Report" in Appendix V to this Prospectus;

(i) the letter prepared by Conyers Dill & Pearman, our legal adviser on the Cayman Islands laws, summarizing certain aspects of the Cayman Islands company law referred to in Appendix VII to this Prospectus;

(j) the material contracts referred to in the section headed "Statutory and General Information — B. Further information about our business — 1. Summary of material contracts" in Appendix VIII to this Prospectus;

(k) the service agreements or letters of appointment (as the case may be) referred to in the section headed "Statutory and General Information — C. Further Information About Directors, Management and Staff — 3. Particulars of services contracts" in Appendix VIII to this Prospectus; and

(l) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 8. Consents" in Appendix VIII to this Prospectus; and

(m) the rules of the Share Option Scheme; and

(o) the Cayman Islands Companies Law.

中国多金属矿业
CHINA POLYMETALLIC MINING

China Polymetallic Mining Limited
中國多金屬礦業有限公司