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

2012 Annual Report

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China Polymetallic Mining Limited
2012 Annual Report

Corporate Profile

China Polymetallic Mining Limited was incorporated in the Cayman Islands under the Companies Law on 30 November 2009 and was listed on the main board of the Hong Kong Stock Exchange on 14 December 2011.

The Company is one of the leading silver, lead and zinc mining companies in China. The Company was the first non-ferrous metal Pure Mining Company listed on the Hong Kong Stock Exchange. With a quality portfolio of assets in ramp-up, development and exploration stages, the Company controls a growing resource base with large and high-grade reserves. With all its current operations in Yunnan Province, we own and operate the Shizishan Mine, a producing large-scale and high-grade lead-zinc-silver mine and the Dakuangshan Mine, a lead-zinc-silver polymetallic mine. The Company is developing the Liziping Mine, a lead-zinc-silver polymetallic mine and the Menghu Mine, a lead-zinc polymetallic mine. The Company also owns an exploration permit to the lead-zinc-silver Dazhupeng Mine and has secured exclusive long-term, low-cost polymetallic raw ore supply from the Lushan Mine, a tungsten-tin mine. We will leverage our unique position as a leading Chinese mining company and close proximity to our key customers to meet the demand for silver, lead and zinc while maximizing returns for shareholders.

Corporate Information

As at 22 March 2013

Directors

Executive Directors

Mr. Ran Xiaochuan *(Chairman)*
Mr. Huang Wei *(Head of Geology and Exploration)*
Mr. Wang Fahai *(Head of Mining)*
Mr. Wu Wei *(Co-head of Ore Processing and Head of Safety)*
Mr. Zhao Shaohua *(Co-head of Ore Processing)*

Non-Executive Directors

Mr. Shi Xiangdong
Mr. Lee Kenneth Jue

Independent Non-Executive Directors

Mr. Keith Wayne Abell
Mr. Christopher Michael Casey
Mr. Richard Wingate Edward Charlton
Mr. William Beckwith Hayden
Mr. Maarten Albert Kelder
Mr. Miu Edward Kwok Chi

Audit Committee

Mr. Christopher Michael Casey *(Chairman)*
Mr. Keith Wayne Abell
Mr. Miu Edward Kwok Chi
Mr. Shi Xiangdong

Nomination and Remuneration Committee*

Mr. Maarten Albert Kelder *(Chairman)*
Mr. Ran Xiaochuan
Mr. Keith Wayne Abell
Mr. Richard Wingate Edward Charlton
Mr. William Beckwith Hayden

Strategy Committee

Mr. Richard Wingate Edward Charlton *(Chairman)*
Mr. Ran Xiaochuan
Mr. Huang Wei
Mr. Shi Xiangdong
Mr. William Beckwith Hayden
Mr. Miu Edward Kwok Chi

Company Secretary

Ms. Ho Siu Pik *(FCIS, FCS(PE))*

Authorised Representatives

Ms. Ho Siu Pik
Mr. Shi Xiangdong

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

* The Nomination Committee and Remuneration Committee, which were established on 24 November 2011, were consolidated into a single committee, the Nomination and Remuneration Committee on 20 March 2012.

Corporate Information

As at 22 March 2013

Principal Place of Business in Hong Kong

Unit 4712, 47/F
The Center
99 Queen's Road Central
Hong Kong

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

Auditors

Ernst & Young

Legal Advisers

As to Hong Kong Law

O'Melveny & Myers

As to PRC Law

Commerce & Finance Law Offices

Investor Relations Contact

Tel: +852 2180 7577
Unit 4712, 47/F
The Center
99 Queen's Road Central
Hong Kong

Principal Bankers

Agricultural Bank of China
The Bank of China
Citi Bank

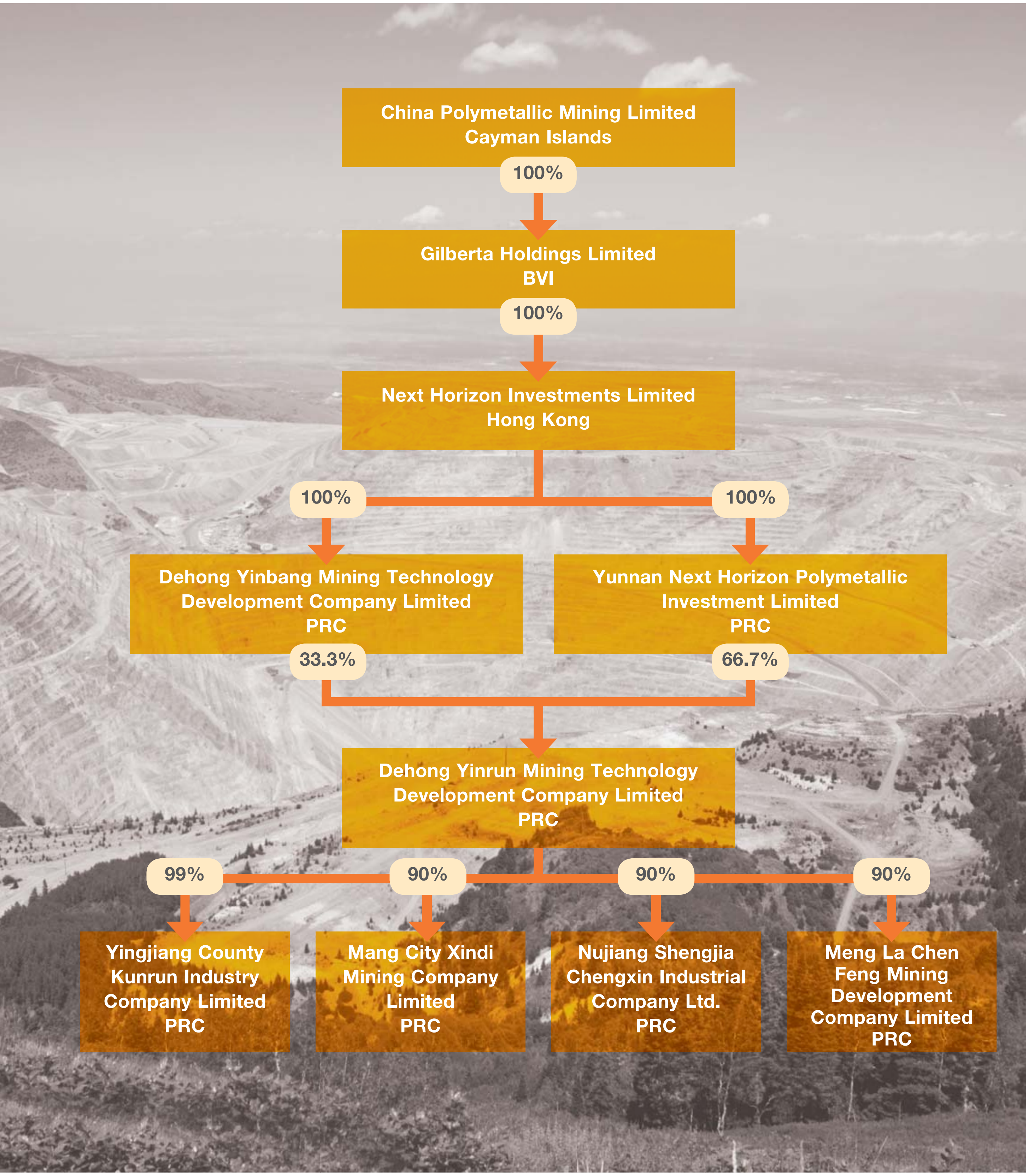
Stock Code

2133

Website Address

www.chinapolymetallic.com

Corporate Structure



Financial Highlights

The Group's summary of published results for the period from 23 April 2009 (date of the business combination of our Group under common control) to 31 December 2009 and the years ended 31 December 2010, 2011 and 2012 and the figures of assets, liabilities and non-controlling interests as at 31 December 2009, 2010, 2011 and 2012 are set forth as follows:

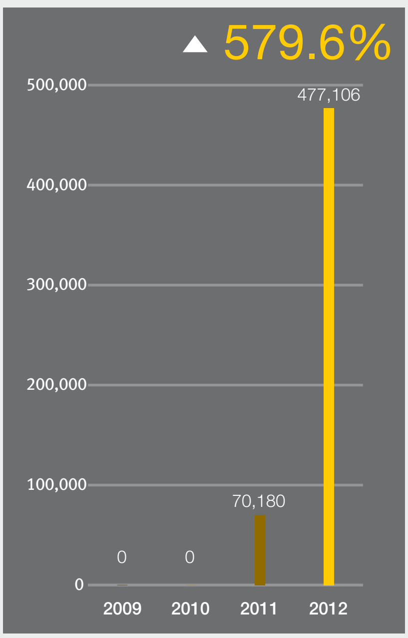
Results

	For the year ended 31 December			Period from 23 April 2009 to 31 December
	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**477,106**	70,180	—	—
Cost of sales	**(86,912)**	(16,214)	—	—
Gross profit	**390,194**	53,966	—	—
Other income and gains	**3,534**	2,760	5,576	—
Selling and distribution costs	**(1,010)**	(7)	—	—
Administrative expenses	**(120,780)**	(54,457)	(11,987)	(1,939)
Recognition of equity-settled share-based payment	**—**	(233,000)	—	—
Other expenses	**(3,793)**	(2,855)	(235)	—
Financing costs	**(5,047)**	(382)	—	—
Profit/(loss) before tax	**263,098**	(233,975)	(6,646)	(1,939)
Income tax credit/(expenses)	**(84,236)**	(10,272)	1,586	435
Profit/(loss) for the year/period and total comprehensive income/(loss) for the year/period	**178,862**	(244,247)	(5,060)	(1,504)
Attributable to:				
The owners of the Company	**176,984**	(244,268)	(4,840)	(1,178)
Non-controlling interests	**1,878**	21	(220)	(326)
	178,862	(244,247)	(5,060)	(1,504)
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB) — Basic and diluted	**0.09**	(0.21)	N/A	N/A

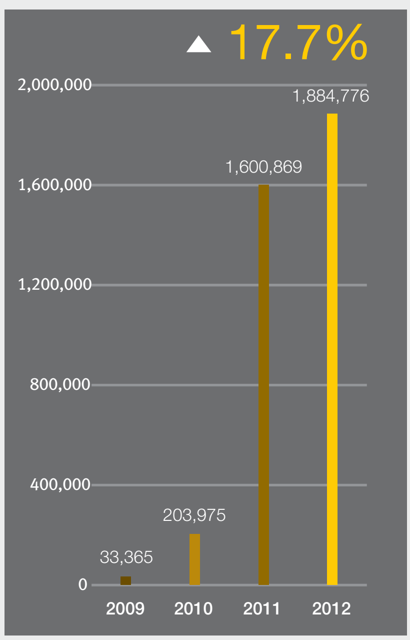
Assets, liabilities and non-controlling interests

	As at 31 December			
	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,223,924**	662,890	128,723	7,815
Current assets	**660,852**	937,979	75,252	25,550
Current liabilities	**245,468**	127,706	206,279	30,969
Non-current liabilities	**74,903**	132,178	351	—
Total equity/(deficit)	**1,564,405**	1,340,985	(2,655)	2,396
Non-controlling interests	**45,799**	1,330	7,469	260
Equity/(deficit) attributable to the owners of the Company	**1,518,606**	1,339,655	(10,124)	2,136

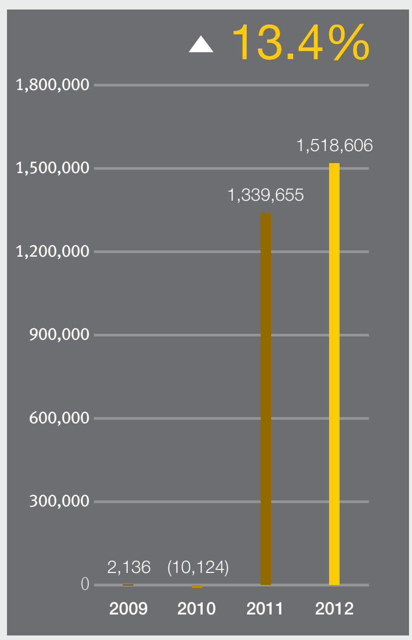
RMB'000
Revenue
2010–2012 Compound Annual Growth Rate



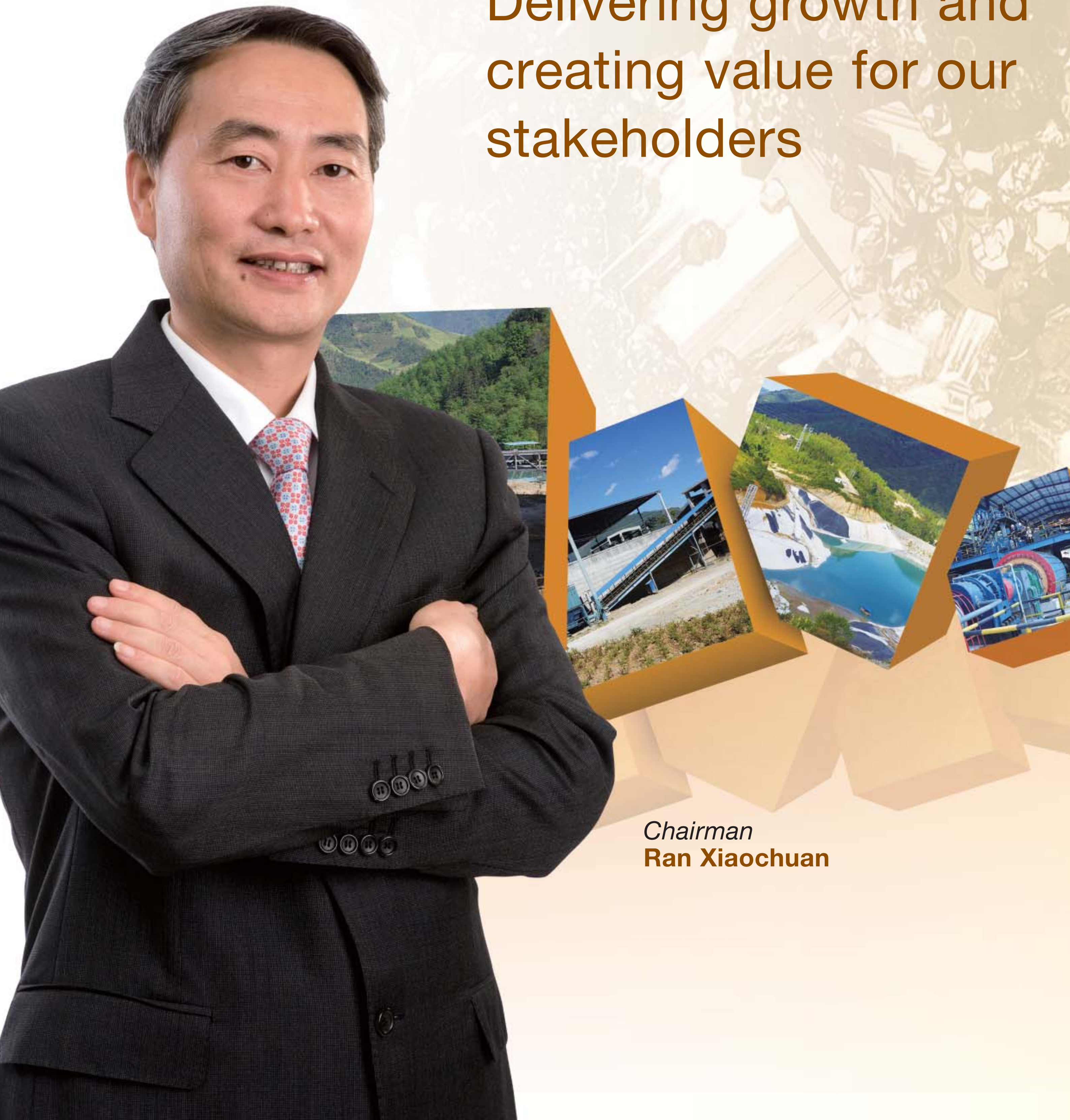
RMB'000
Total assets
2010–2012 Compound Annual Growth Rate



RMB'000
Equity/(deficit) attributable to the owners of the Company
2010–2012 Compound Annual Growth Rate



Delivering growth and creating value for our stakeholders



Chairman
Ran Xiaochuan

Dear Shareholders,

On behalf of the Board of China Polymetallic Mining Limited, I am pleased to present our annual report for the year ended 31 December 2012.

During the year ended 31 December 2012, the global economy was adversely affected by the European debt crisis and the slow economic recovery of the United States. China's domestic economy also showed a downward trend. During 2012, domestic demand for non-ferrous metals remained sluggish and prices varied in line with fluctuations in the global economy, which had an impact on the domestic non-ferrous metals industry. However, the policies implemented by the Chinese government to promote stable growth became effective during the latter part of the year. This resulted in a pick up in the growth of the domestic economy, together with increased investment in the construction, electricity and transportation sectors. This fed into increased demand for non-ferrous metals. In November 2012, the State Reserve Bureau of the PRC (中國國家物資儲備局) had started to build an inventory of non-ferrous metals which in turn, provided a certain degree of support for non-ferrous metal prices.

As part of our commitment to the strategy and targets outlined at the time of the Group's listing, China Polymetallic Mining overcame the negative impact of external factors on production levels, despite a somewhat uncertain and turbulent macro-economic climate and the relatively weak performance of the non-ferrous metals industry. The Group's Shizishan Mine successfully met its production targets during the year ended 31 December 2012. Additionally, the Dakuangshan Mine commenced commercial production during 2012, which drove further operational efficiencies and provided growth in production volumes. The strength of the Group's management was demonstrated during the year ended 31 December 2012 as it continued to focus on effectively managing its cost base and maintaining its position on the global cost curve as a leading low cost producer. Maintaining strong margins through low cost production is a key focus for the Group as it looks to ensure profitability in a weak pricing environment and capture additional value when commodity prices strengthen. The Group's innovative sales and marketing strategy enabled it to achieve steady sales volumes and provided a strong foundation to implement its stated strategy, focused on developing the Group's mineral resources and enhancing and expanding production during the year ended 31 December 2012.

For the year ended 31 December 2012, the Group recorded revenue of approximately RMB477.1 million and gross profit of RMB390.2 million, representing a gross profit margin of 82%. The profit and comprehensive income attributable to the shareholders of the Company amounted to RMB177.0 million.

Chairman's Statement

During the year ended 31 December 2012, the Group leveraged its position as a mandated consolidator of Yunnan's mining industry via the acquisition of the Menghu Mine, the Dakuangshan Mine and the Liziping Mine. This significantly increased the Group's resource and reserve base in Yunnan Province and further strengthened its potential to generate strong returns. The Shizishan Mine, the Company's flagship mine, successfully achieved ramp-up in the fourth quarter of 2012, while its current mining and processing capacity also met its production target of 2,000 tpd with an expected mine life of over 15 years. This marked a major milestone for the Group. The Dakuangshan Mine officially commenced commercial production in December 2012. Following the Shizishan Mine, a lead-zinc-silver polymetallic mine, the Dakuangshan Mine was the Group's second mine that moved into commercial production. The rapid expansion of production capacity at these two mines enabled the Group to boost supplies to customers in the lead, zinc and silver markets, capitalize on economies of scale to manage costs more effectively, and increase sales to maximize cash flows in an uncertain pricing environment.

The Group endeavours to improve its mining and processing capacity by upgrading technologies, optimizing existing facilities and technical standards, and further improving on operational efficiencies and production volumes. During the year ended 31 December 2012, our total production of lead-zinc-silver concentrates was 71.5 kt, and the average daily production increased from 840.0 tpd in December 2011 to 1,733 tpd in December 2012, rising by 106.3%.

Going forward, under the "2012 China Industrial Economy Operating Report" promulgated by the Ministry of Industry and Information Technology of the PRC, the demand for non-ferrous metals products is expected to grow rapidly as a result of increased investment in infrastructure such as high-speed rail, the national strategic development plan of emerging industry stated in the "Twelfth Five-Year Plan", and the introduction of energy-saving products and projects beneficial to the public. Meanwhile, the Chinese government is committed to facilitating the development of the country's resource base, particularly in the western region, by focusing on the exploration of non-ferrous metal resources in Yunnan, Xinjiang, Gansu, Qinghai, Tibet, Inner Mongolia and Heilongjiang. This provides significant potential opportunities for the future development of the Group, and we are therefore optimistic about the development of the non-ferrous metal industry in China in 2013.

As one of our core strategic focuses, we will continue to assess and evaluate potential opportunities within the region to further grow and develop our resource base and production capabilities. Capitalising on our position as a regional industry leader, the Group will actively seek to develop its mineral resource base and explore value-generating opportunities. Sound business practices and favourable policies will support the Group's goal of creating further value for shareholders through the development of new projects. In January 2013, the Group was the sole premium sponsor of the 2nd Annual Myanmar Mining Summit (第二屆緬甸礦業年度峰會), organized by the Myanmar Ministry of Mines (緬甸礦業部). With the New Foreign Investment Law of Myanmar taking effective from 2013, and encouraged by the implementation of a more appropriate regulatory framework governing the exploitation of the country's mineral resources, the Group will actively and prudently assess and seek mineral development opportunities in Myanmar.

The Group is focusing on maintaining the strong momentum generated during the year ended 31 December 2012 and will continue to capitalize on opportunities to further accelerate the growth of the business through both organic and acquisitive means. Leveraging our leading position as a consolidation vehicle for the non-ferrous metal market in Yunnan Province and a leading and growing producer in the PRC, we will also continue to seek potential acquisition opportunities in both internal and external markets that will support the expansion of the Group's resource, reserve and production capacity. In addition, the Group will continue to realize value from our high quality asset base through optimizing existing facilities and technical standards by upgrading technologies to further improve our operational efficiencies and production volumes.

I would like to express my deepest thanks and appreciation to each of our shareholders, business partners and employees for their support during the year ended 31 December 2012, particularly in such a challenging environment for the global mining industry, and for their contribution to making the year one of transformation and achievement for the Company. Looking forward, we are committed to building on our success to emerge as a leading non-ferrous Pure Mining Company in the PRC, focusing on delivering substantial returns to our shareholders.

By order of the Board
China Polymetallic Mining Limited
Ran Xiaochuan
Chairman

Hong Kong, 22 March 2013

Corporate Milestone

April 2012

On 20 April 2012, the Group exercised an option to purchase 90% equity interest in the Dakuangshan Company, which owns a lead-zinc-silver polymetallic mine located approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. and is valid for eight years, from 9 March 2012 until 9 March 2020. As at 31 December 2012, it has estimated indicated and inferred metal resources in accordance with the Chinese Standard of lead of 118.1 kt, zinc of 228.5 kt and silver of 216.4 t, respectively.

For details, please refer to page 18 of this annual report.

May 2012

On 18 May 2012, the Company exercised an option to purchase 90% equity interest in the Liziping Company, which owns a lead-zinc-silver polymetallic mine located approximately 700 km away from the Shizishan Mine. The exploration permit covers an area of 18.29 sq. km. It has estimated indicated and inferred metal resources in accordance with the Chinese Standard of lead of 96.6 kt, zinc of 141.3 kt and silver of 397.3 t, respectively.

For details, please refer to page 21 of this annual report.

August 2012

On 16 August 2012, the Company completed the acquisition of 90% equity interest in the Menghu Company, which owns a lead-zinc mine located in Meng La County, Yunnan Province. The mining permit of the Menghu Mine covers an area of 0.4 sq. km. and is valid for five years, from 2 February 2010 until 2 May 2015. It has estimated indicated and inferred metal resources in accordance with the Chinese Standard of lead of 32.2 kt and zinc of 18.5 kt, respectively.

For details, please refer to page 22 of this annual report.

December 2012

On 1 December 2012, the Dakuangshan Mine commenced commercial production. By the end of December 2012, the Shizishan Mine had been ramped-up to full production capacity of 2,000 tpd.

For details, please refer to page 16 to page 20 of this annual report.

Management Discussion and Analysis

Market Review

In 2012, global growth remained muted as the European debt crisis continued and the recovery of the United States economy stuttered. The austerity measures implemented by various countries also had an impact on emerging economies, which experienced a degree of slow-down. China's growth rate trended down for the first three quarters of the year, though there was a slight pick-up in the fourth quarter.

Global demand conditions saw the prices of non-ferrous metals remain volatile throughout 2012. In the first quarter, driven by obvious signs of recovery in the United States, prices rose sharply. In the second quarter, prices dropped under pressure from high inventory levels and reduced demand. The third quarter saw prices rebound with the rollout of QE3, but the prices dropped again in the fourth quarter as growth slowed down. However, factors such as relatively low inventory levels saw the prices of lead, zinc and silver maintain relative stability in comparison with the majority of the base metals. Over the year lead recorded a small weakening in price by 3.28%, whereas the prices of zinc and silver recorded increases of 3.75% and 4.7% respectively. (Source: "2012 Economic Data Report on Commodities in China", prepared by China Commodity Research Centre.)

Looking forward, the PRC government has implemented a variety of policies in succession aiming at stablising growth. These policies include the promotion of new construction in relation to urbanisation, the acceleration of investment in infrastructure like high-speed rail, fostering the development of new energy vehicles, wind and solar power and the re-launching of nuclear energy projects. All of these initiatives support demand for non-ferrous metals, and consequently will provide support for non-ferrous metal prices. Meanwhile, when compared to other major industrial metals, demand for lead and zinc is more highly correlated with consumption, which enables these metals to benefit directly from changing consumption patterns and the continued growth in income in China. It is expected that lead and zinc prices will gain further support in 2013.

During the year ended 31 December 2012, the Ministry of Industry and Information Technology of the PRC duly promulgated the "Twelfth Five-Year Development Plan for the Nonferrous Metal Industry" with a view to proceeding to upgrade and transform the industry through structural adjustment. Among the initiatives, the target growth rate of the production volume of lead and zinc per year is set at 5.2% and 6.9% respectively. During the year ended 31 December 2012, the government of Yunnan Province issued a purchase and storage policy, covering non-ferrous metal products such as copper, aluminum and zinc. To promote the local development of the non-ferrous metal industry, it is anticipated that the Company, as the regional industry leader, will take advantage of the aforesaid policies to further expand its business.

Operating Mine — Shizishan Mine

Mineral resources and reserves of the Shizishan Mine

The Shizishan Mine is a large-scale, high-grade lead-zinc-silver underground polymetallic mine in the Yinjiang County of Yunnan Province, and is in a period of significant production growth. Based on the results of the resources and reserves for the Shizishan Mine as at 25 October 2011 disclosed in the Competent Person's Report as set out in appendix V to the Prospectus, our Group estimated the results of resources and reserves under the JORC Code as at 31 December 2012 as follows:

The Shizishan Mine — JORC Mineral Resources as at 31 December 2012
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	2,041,590	10.9	6.6	271.0	237,219	138,548	644
Indicated	6,398,000	9.0	5.9	250.0	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247.0	39,600	24,500	100
Total	8,955,590	9.4	6.0	256	852,019	541,548	2,344

The Shizishan Mine — JORC Ore Reserve Estimate as at 31 December 2012

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	1,921,590	10.0	6.1	251.0	204,819	118,948	544
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	7,634,590	9.3	6.0	250.0	719,319	455,848	1,944

Note: Figures reported are rounded up which may result in small tabulation errors.

Operation results of the Shizishan Mine

The following table summarises the mining and processing results for the years ended 31 December 2012 and 2011 of the Shizishan Mine operated by the Group:

	Items	Unit	For the year ended 31 December 2012	2011
ROM ore	Mined	kt	344.3	69.9
	Processed	kt	342.7	68.3
Feed grade	Lead	%	6.8	5.6
	Zinc	%	5.6	4.8
	Silver	g/t	145	98
Recovery	Lead	%	86.6	82.9
	Zinc	%	86.8	85.6
	Silver in lead concentrate	%	77.9	77.4
	Silver in zinc concentrate	%	8.4	6.9
Concentrate grade	Lead	%	54	55
	Zinc	%	49	50
	Silver in lead concentrate	g/t	1,027	896
	Silver in zinc concentrate	g/t	122	82
Concentrate tonnes	Lead-silver concentrate	kt	37.6	5.8
	Zinc-silver concentrate	kt	33.8	5.7
Metal contained in concentrate	Lead	t	20,282	3,190
	Zinc	t	16,546	2,819
	Silver in lead concentrate	kg	38,659	5,197
	Silver in zinc concentrate	kg	4,142	463

Our Group commenced commercial production in October 2011, thus for the year ended 31 December 2011 the total raw ore mined was only 69.9 kt. With the expansion of our mining capacity, the total raw ore mined for the year ended 31 December 2012 significantly increased by 274.4 kt to 344.3 kt. Correspondingly, the production of lead, zinc and silver also increased to 20.3 kt, 16.5 kt and 42.8 kg respectively for the year ended 31 December 2012. Meanwhile, by the end of December 2012, the Shizishan Mine had attained the planned full mining capacity of 2,000 tpd. The full processing capacity of 2,000 tpd was attained in July 2011.

According to the development plan for the Shizishan Mine, mining has initially been concentrated in low-grade areas on the upper part of the ore body. Based on the plan, mining of the central ore body will commence in the second half of 2013. This area has higher grades than the upper sections. As the proportion of high-grade ore mined gradually increases, the feed grade at the Shizishan Mine will see significant improvement. This will further decrease concentrate production costs and bring better economic benefits to the future operation of the Shizishan Mine.


Production costs at the Shizishan Mine

In line with the growth of mining capacity at the Shizishan Mine, unit production costs decreased compared to 2011. The comparison is set out in the following table:

	For the year ended 31 December		
	2012 RMB	2011 RMB	Variance RMB
Total cash cost per tonne of ore processed	239	410	(171)
Total production cost per tonne of ore processed	308	508	(200)
Total cash cost per tonne of concentrate	1,145	2,442	(1,297)
Total production cost per tonne of concentrate	1,478	3,025	(1,547)

Capital expenditure of the Shizishan Mine

Capital expenditure of the Shizishan Mine for the periods is indicated below (RMB million):

	23 April 2009 to 31 December 2009	For the year ended 31 December 2010	2011	2012	Total
Mining	6.0	34.7	64.7	106.8	212.2
Mining Infrastructure	0.3	0.3	30.1	105.9	136.6
Mining Right and Exploration	5.7	34.4	34.6	0.9	75.6
Processing	1.3	48.7	92.2	52.1	194.3
Processing Factory and Equipment	0.3	40.0	77.5	42.5	160.3
Tailing Storage Facilities	1.0	8.7	14.7	9.6	34.0
Prepaid Land Lease Payment and Buildings	–	7.2	22.4	0.8	30.4
Total	**7.3**	**90.6**	**179.3**	**159.7**	**436.9**

Operating Mine — Dakuangshan Mine

On 20 April 2012, the Company exercised the option to purchase 90% equity interest in the Dakuangshan Company. The consideration for the acquisition was RMB145 million, based on the estimated resources of lead and zinc metals of the mine. The Dakuangshan Mine is a lead-zinc-silver polymetallic mine located approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. and is valid for eight years, from 9 March 2012 to 9 March 2020. Please refer to the Company's announcement on 20 April 2012 for more details.

Update of Dakuangshan Mine's reserve

Based on the geologist report issued by the Sichuan Province Geological Group dated 11 April 2012 in accordance with the Chinese Standard, the estimated indicated and inferred lead-zinc resources of the Dakuangshan Mine as at 31 December 2012 are as follows:

The Dakuangshan Mine – Chinese Standard Mineral Resources as at 31 December 2012

	Metal Resources			Grade		
	Lead (kt)	Zinc (kt)	Silver (t)	Lead (%)	Zinc (%)	Silver (g/t)
Indicated+Inferred	118.1	228.5	216.4	2.69	5.2	54.16

Operational results for the Dakuangshan Mine

In December 2012, the Dakuangshan Mine commenced commercial production. The designed mining and processing capacity is 600 tpd each. However, at this stage the Dakuangshan Mine cannot be operated at full production primarily due to the construction of power network infrastructure by the local government. Current electric power supply is capable of supporting only one processing production line with a capacity of 300 tpd. According to the local government's construction schedule, construction work will be completed by the end of the third quarter of 2013, at which time the Dakuangshan Mine will be operated at its full production capacity.

Given the above reasons, in December 2012 the volume of the raw ore mined and processed was approximately 5.3 kt and 5.1 kt respectively, and the average daily volume of raw ore mined and processed was only approximately 212 t and 203 t respectively. The below table summarises the mining and processing results in December 2012 of the Dakuangshan Mine:

	Items	Unit	2012 December
ROM ore	Mined	kt	5.3
	Processed	kt	5.1
Feed grade	Lead	%	1.4
	Zinc	%	2.6
	Silver	g/t	23
Recovery	Lead	%	80.3
	Zinc	%	80.2
	Silver in lead concentrate	%	70.9
	Silver in zinc concentrate	%	9.8
Concentrate Grade	Lead	%	56
	Zinc	%	45
	Silver in lead concentrate	g/t	788
	Silver in zinc concentrate	g/t	49
Concentrate Tonnes	Lead-silver concentrate	t	103.4
	Zinc-silver concentrate	t	231.0
Metal contained in Concentrate	Lead	t	58.4
	Zinc	t	104.4
	Silver in lead concentrate	kg	81.6
	Silver in zinc concentrate	kg	11.3

Capital expenditure of the Dakuangshan Mine

As at 31 December 2012, the Group has invested a total of RMB94.9 million in the Dakuangshan Mine, including (i) the capital expenditure of RMB13.4 million incurred for the exploration activities with a total of 21 drill holes of approximately 12.2 km completed; (ii) the capital expenditure of RMB56.9 million on the construction of mining infrastructure, such as four exploration tunnels of approximately 41.0 km in total, which were also used to exploit the mine; (iii) the capital expenditure of RMB16.5 million on the processing plant and tailing storage facilities; and (iv) capital expenditure of RMB8.1 million related to prepaid land lease payment for the processing plant at the Dakuangshan Mine. The Group plans to spend a further RMB85.8 million on exploration and development activities at the Dakuangshan Mine.

Other Mines

Liziping Mine

On 18 May 2012, the Company acquired 90% equity interest in the Liziping Company for a total consideration of RMB152.8 million. The Liziping Mine is a lead-zinc-silver polymetallic mine located approximately 700 km away from the Shizishan Mine. The exploration permit covers an area of 18.29 sq. km. and has a validity term from 29 December 2010 to 29 December 2012. Exploration activities covering an area of approximately 4 sq. km. were completed in May 2012. The Liziping Company is in the process of renewing the exploration permit, which is expected to be obtained in the second quarter of 2013. After that, the Liziping Company will apply for a mining permit for the first mining area of approximately 4 sq. km.

The Liziping Company engaged the Northwest Sichuan Geological Survey Team of the Sichuan Bureau of Geological 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 at the Liziping Mine in July 2011. Prior to the acquisition, an area of approximately 4 sq. km had been explored and a geologist report based on such exploration activities was issued on 12 May 2012. A summary of the estimated resources in accordance with the Chinese Standard in the aforesaid report is as follows:

	Metal Resources				Grade			
	Lead (kt)	Zinc (kt)	Copper (kt)	Silver (t)	Lead (%)	Zinc (%)	Copper (%)	Silver (g/t)
Indicated	23.1	41.5	7.7	120.56	3.81	4.83	0.99	123.4
Inferred	73.5	99.8	18.5	276.7	12.45	2.9	0.78	278.78

The above resources represent an area of 4 sq. km. out of a total of 18.29 sq. km. under the exploration permit. Based on the technical due diligence performed by the Group's experts, we believe that there is potential for a large resource base, therefore we continued exploration activities after the acquisition. For the year ended 31 December 2012, a total of 24 drill holes of approximately 13.1 km of drilling and four exploration tunnels of approximately 2.2 km were completed and capital expenditure RMB39.6 million was incurred. The Group estimates that a further capital expenditure of RMB50.4 million will be incurred for exploration of the remaining area. Please refer to the Company's announcement on 18 May 2012 for more details.

Menghu Mine

On 2 March 2012, the Group entered into a share transfer agreement to acquire 90% equity interest in the Menghu Company for a total consideration of RMB85.5 million. The transaction was completed on 16 August 2012. Menghu Mine is a lead-zinc polymetallic mine located in Meng La County, Yunnan Province. The mining permit of the Menghu Mine covers an area of 0.4 sq. km. and is valid for five years, from 2 February 2010 until 2 May 2015.

The Menghu Company engaged the Regional Geologic Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局區域地質調查隊), an independent third party exploration entity, to conduct exploration at the Menghu Mine in March 2012. A geologist report for the Menghu Mine was issued on 30 November 2012. A summary of the estimated resources in accordance with the Chinese Standard in the aforesaid report is as follows:

	Metal Resources		**Grade**	
	Lead (kt)	**Zinc (kt)**	**Lead (%)**	**Zinc (%)**
Indicated + Inferred	32.2	18.5	13.8	7.8

Up to 31 December 2012, the Menghu Company had spent RMB6.4 million on the exploration activities with 27 drilling holes of a total of approximately 3.2 km completed and RMB3.6 million on the construction of mining infrastructure.

Dazhupeng Mine

The Dazhupeng Mine, owned by our Group, is a lead-zinc-silver polymetallic mine with an exploration permit valid for three years until April 2014. In line with the Group's exploration plan, preliminary exploration has been completed, including a general survey of the mine site through geophysical and geochemical exploration activities and identification of the potential vein deposit area via remote sensing anomaly characteristics of the ore. The exploration drilling activities at the Dazhupeng Mine will commence in the first quarter of 2013. The total estimated exploration expenditure for the Dazhupeng Mine is RMB30.1 million.

Lushan Mine

The Lushan Mine, owned by Xiangcaopo Mining (an independent third party), is a tungsten-tin polymetallic mine. We entered into an exclusive ore supply agreement with Xiangcaopo Mining and its owner, Mr. Li Jincheng, on 31 December 2010. Under the current agreement, Xiangcaopo Mining will start providing polymetallic tungsten-tin raw ore in the third quarter of 2013, and we are planning to build a new gravity-selection processing line with a daily processing capacity of 1,000 tpd to process the ore from the Lushan Mine. It will be constructed in two phases, each with processing capacity of 500 tpd. The construction work for the first phase of the new gravity-selection processing line will be completed by the third quarter of 2013, and the construction of the second phase is planned to be completed by the first quarter of 2014. Up to 31 December 2012, a total capital expenditure of RMB14.4 million had been incurred in relation to the processing line and we estimate that total expenditure for the processing line will be RMB30.0 million.

Financial Review

Revenue

For the year ended 31 December 2012, revenue was approximately RMB477.1 million, arising from the sales of lead-silver concentrates and zinc-silver concentrates, and the sales volume of lead-silver concentrates and zinc-silver concentrates were 36,443 t and 32,911 t respectively. As compared to approximately RMB70.2 million for the year ended 31 December 2011, the revenue increased by approximately RMB406.9 million or approximately 579.6%, which was primarily due to the continuing increase in mining and processing output of the Group in 2012 and the fact that the commercial production for 2011 only started in October 2011. Our Shizishan Mine achieved the full planned mining capacity of 2,000 tpd by the end of 2012.

Cost of sales

For the year ended 31 December 2012, cost of sales was approximately RMB86.9 million, mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization and resource taxes. As compared to the cost of sales of RMB16.2 million for the year ended 31 December 2011, the cost of sales increased by RMB70.7 million or 436.4%, which was in line with the increase in our revenue and sales volume.

Gross profit and gross profit margin

As a result of the aforementioned, gross profit for the year ended 31 December 2012 increased by 622.6% to approximately RMB390.2 million from approximately RMB54.0 million for the year ended 31 December 2011. The gross profit margin increased from 77% for the year ended 31 December 2011 to 82% for the year ended 31 December 2012. The increase in gross profit margin was as a result of the decrease in average unit cost of sales of lead-silver concentrates and zinc-silver concentrates that outweighed the decrease in average unit selling price of zinc-silver concentrates.

Other income and gains

For the year ended 31 December 2012, other income was approximately RMB3.5 million, compared to approximately RMB2.8 million for the year ended 31 December 2011, representing an increase in other income and gains of approximately RMB0.7 million or approximately 25%. This was primarily due to increase in the bank interest income of RMB2.7 million, which was partially offset by one-off government grants of RMB2.0 million from the Department of Finance of Yunnan (雲南省財政廳) in 2011.

Administrative expenses

For the year ended 31 December 2012, administrative expenses were approximately RMB120.8 million, primarily comprising managerial staff costs, equity-settled share option expenses, professional consulting fees, depreciation, office administrative fees and other expenses, compared to approximately RMB54.5 million for the year ended 31 December 2011, representing an increase in administrative expenses of approximately RMB66.3 million or approximately 121.7%. This was primarily due to (i) the increased professional fees of RMB49.2 million largely in relation to the annual legal services, audit fees, printing and road show services fees; (ii) an increase in staff costs of RMB15.7 million as a result of the increase in the average number of administrative staff due to the ramped up operations of the Group; (iii) equity-settled share option expense of RMB8.0 million incurred in respect of share options granted to the independent non-executive Directors of the Company on 14 December 2011; and (iv) an increase in miscellaneous expenses of RMB22.1 million, such as travelling expenses, office charges, depreciation and operating lease rentals. The increase was partially offset by the decrease of expenses in listing fees of RMB28.7 million.

Recognition of equity-settled share-based payment

No one-time equity-settled share-based payments were incurred for the year ended 31 December 2012.

Other expenses

For the year ended 31 December 2012, other operating expenses were approximately RMB3.8 million, compared to approximately RMB2.9 million for the year ended 31 December 2011, representing an increase in other operating expenses of approximately RMB0.9 million or approximately 31.0%. This was primarily due to foreign exchange losses of RMB2.3 million arising from bank balances denominated in HK$ and US$ and as a result of the appreciation of RMB against HK$ and US$.

Financing costs

For the year ended 31 December 2012, financing cost was approximately RMB5.0 million, compared to approximately RMB0.4 million for the year ended 31 December 2011, representing an increase of approximately RMB4.6 million. This was primarily due to (i) interest expenses of RMB4.0 million arising from the interest-bearing bank loan granted by the Agricultural Bank of China for the development of the Shizishan Mine, which ceased to be capitalised by the Group due to the substantial completion of part of the construction works for their respective intended use at the Shizishan Mine; and (ii) increase in the incremental interest expenses on the unwinding of discount for the provision for rehabilitation of RMB0.6 million due to the passage of time.

Income tax expenses

For the year ended 31 December 2012, income tax expenses were approximately RMB84.2 million, compared to the income tax expense of approximately RMB10.3 million for the year ended 31 December 2011, representing an increase in income tax expenses of approximately RMB73.9 million or approximately 717.5%, which was in line with the increase in the revenue and the taxable profit generated by PRC subsidiaries of the Group.

Total comprehensive income/loss for the year

As a result of the above, total comprehensive income for the year ended 31 December 2012 was approximately RMB178.9 million, compared to a total comprehensive loss of approximately RMB244.2 million for the year ended 31 December 2011.

Total comprehensive income/loss attributable to the owners of the Company

Total comprehensive income attributable to the owners of the Company for the year ended 31 December 2012 was approximately RMB177.0 million, compared to a total comprehensive loss attributable to the owners of the Company of approximately RMB244.3 million for the year ended 31 December 2011.

Final dividend

The Board does not recommend paying a final dividend for the year ended 31 December 2012 in order to continue to invest in operations and expansion of the Group's business, primarily through production ramp-up and selective acquisitions.

Liquidity and capital resources

The following sets forth the information in relation to our Group's consolidated cash flow statement for the years ended 31 December 2012 and 2011:

	For the year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Net cash flow used in operating activities	**(6,474)**	(84,155)
Net cash flow used in investing activities	**(568,389)**	(359,988)
Net cash flow (used in)/from financing activities	**(26,097)**	1,300,503
Net (decrease)/increase in cash and cash equivalents	**(600,960)**	856,360

Net cash flow used in operating activities

Net cash flow used in operating activities decreased by 92.3% from approximately RMB84.2 million for the year ended 31 December 2011 to approximately RMB6.5 million for the year ended 31 December 2012, which primarily included (i) profit before tax of RMB263.1 million for the year ended 31 December 2012; (ii) an increase in trade payables and other payables totaling RMB46.8 million; and (iii) an increase in certain non-cash expenses such as depreciation and amortization, equity-settled share option expense and foreign exchange loss aggregating to RMB40.0 million, which was primarily offset by (i) an increase in trade receivables of RMB258.7 million; (ii) income tax paid of RMB29.5 million; and (iii) an increase in prepayment, deposit and other receivables of RMB68.3 million mainly due to the interest free loans of RMB63.7 million to Mr. Li Jincheng in relation to the exploration activities at the Lushan Mine.

Net cash flow used in investing activities

Net cash flow used in investing activities grew by 57.9% from approximately RMB360.0 million for the year ended 31 December 2011 to approximately RMB568.4 million for the year ended 31 December 2012, which primarily included (i) payment in relation to acquisition of the Liziping Company, the Dakuangshan Company and the Menghu Company aggregating to RMB219.4 million, (ii) an increase in the purchase of property, plant and equipment of RMB208.2 million in connection with the construction of mining and processing facilities at the Shizishan Mine and the Dakuangshan Mine and mining facilities at the Menghu Mine, (iii) an increase in expenditures on exploration and evaluation assets of the Dakuangshan Mine and the Liziping Mine aggregating to RMB72.7 million, (iv) an increase in payments in advance in respect of prepaid land lease payments related to the processing plant at the Dakuangshan Mine of RMB8.1 million, and (v) an increase in time deposits with original maturity of six months of RMB60.0 million.

Net cash flow from financing activities

Net cash flow used in financing activities for the year ended 31 December 2012 was approximately RMB26.1 million, compared to the net cash flow from financing activities for the year ended 31 December 2011 of approximately RMB1,300.5 million. The net cash flow used in financing activities for the year ended 31 December 2012 primarily included (i) the repayment of bank loans from the Agricultural Bank of China of RMB10.0 million, (ii) interest paid for the bank loans mentioned above of RMB10.1 million, and (iii) payments in respect of the repurchase of shares of the Company amounting to RMB6.0 million.

Analysis of Inventories

Inventories increased by 172.3% from approximately RMB4.7 million as at 31 December 2011 to approximately RMB12.8 million as at 31 December 2012, primarily due to the increase in raw materials and finished goods as the Shizishan Mine achieved its full planned mining capacity of 2,000 tpd by the end of 2012.

Analysis of trade receivables

Trade receivables increased from approximately RMB20.3 million as at 31 December 2011 to approximately RMB279.0 million as at 31 December 2012, primarily due to the significant increase in revenue in 2012.

Analysis of trade and other payables

Trade and other payables increased by RMB4.9 million, from approximately RMB106.1 million as at 31 December 2011 to approximately RMB111.0 million as at 31 December 2012, primarily due to (i) an increase in payables for the purchase of ancillary materials of RMB9.2 million as the Shizishan Mine achieving its planned full mining capacity of 2,000 tpd in December 2012; (ii) an increase in payables for value added tax and mining resource compensation fees as a result of the increase in sales in 2012 aggregating to RMB42.2 million; (iii) payable to the non-controlling shareholder of the Dakuangshan Company of RMB4.4 million; and (iv) an increase in payables in relation to exploration activities at the Dakuangshan Mine, the Menghu Mine and the Liziping Mine aggregating to RMB25.7 million. The increase was partially offset by (i) the decrease in payables related to property, plant, and equipment of RMB72.3 million in connection with the construction of mining site and processing facilities at the Shizishan Mine; and (ii) the decrease in professional fees with respect to the Group's listing of RMB5.5 million in 2011.

Analysis of net current assets position

The Group's net current assets position decreased by RMB415.4 million from approximately RMB810.3 million as at 31 December 2011 to approximately RMB394.9 million as at 31 December 2012, primarily due to the acquisition of the Dakuangshan Company, the Liziping Company and the Menghu Company in 2012, and the increase of current liabilities.

Borrowings

The borrowings decreased from approximately RMB130.0 million as at 31 December 2011 to approximately RMB120.0 million as at 31 December 2012, primarily due to the principal repayment made by the Group according to the repayment schedule of the bank loan agreement entered into with the Agricultural Bank of China. The mining right of the Shizishan Mine was mortgaged by the Group to secure such loans with an annual interest rate of 7.98%.

Contingent liabilities

As at 31 December 2011 and 2012, we did not have any material contingent liabilities or guarantees.

Pledge of assets

As at 31 December 2012, other than the mortgage over the mining rights of the Shizishan Mine, we did not have any pledges or charges on assets.

Foreign currency risk

Our 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 a small portion of the net proceeds from listing which are denominated in HK$ and US$.

As Renminbi is not freely convertible, we are subject to the risk of possible actions taken by the Chinese government. Such actions may have material adverse effect on our net assets, gains and any dividends declared (if such dividends shall be converted to foreign currency). In addition, we did not carry out any activities to hedge the foreign currency risk in 2012.

Interest rate risk

Our revenue and operating cash flow shall not be affected significantly by the interest rate in the market. Other than cash and cash equivalents, we do not have any material interest-bearing assets. We manage the interest rate exposure arising from our interest-bearing loans through the use of fixed interest rates. We have not used any interest rate swaps to hedge our exposure to interest rate risk.

Contractual obligations

As at 31 December 2012, our contractual obligations amounted to approximately RMB51.6 million, and decreased by RMB405.9 million as compared to approximately RMB457.5 million as at 31 December 2011, primarily due to the completion of the acquisition of the Dakuangshan Company, the Liziping Company and the Menghu Company.

Capital expenditure

The particulars of our capital expenditure for the year ended 31 December 2012 are set forth as follows:

	For the year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Property, plant and equipment	**208,175**	156,136
Intangible assets	**72,698**	193,784
Prepaid land lease payment	**8,098**	10,068
Acquisition of subsidiaries	**219,418**	—
Total	**508,389**	359,988

For the year ended 31 December 2012, our total capital expenditure was RMB508.4 million, representing an increase of RMB148.4 million or 41.2% as compared to the total capital expenditure for the year ended 31 December 2011, among which included (i) expenditure of RMB168.3 million in connection with the construction of mining and tailing storage facilities at the Shizishan Mine, (ii) expenditure of RMB32.0 million for the purchase of the exploration right to the Liziping Mine, (iii) expenditure for the purchase of the mining rights to the Dakuangshan Mine and the Menghu Mine aggregating to RMB187.4 million; (iv) expenditures in respect of the prepaid land lease payment related to the processing plant at the Dakuangshan Mine of RMB8.1 million; and (v) expenditure in respect of the exploration and mine construction costs for the Dakuangshan Mine, the Liziping Mine, the Dazhupeng Mine and the Menghu Mine of RMB62.6 million, RMB39.6 million, RMB0.4 million and RMB10.0 million respectively.

Financial instruments

For the years ended 31 December 2011 and 2012, we did not have any outstanding hedge contract or financial derivative instrument.

Gearing ratio

Gearing ratio is calculated by net debt divided by total equity plus net debt. Net debt is defined as interest-bearing bank loans, net of cash and bank balances and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 31 December 2012, our cash and cash equivalents exceeded the total interest-bearing bank loans. As such, no gearing ratio as at 31 December 2012 was presented.

Material acquisitions and disposals of subsidiaries and associated companies

During the year ended 31 December 2012, the Group acquired three subsidiaries, namely the Dakuangshan Company, the Liziping Company and the Menghu Company on 20 April 2012, 18 May 2012 and 16 August 2012 respectively. Details of the acquisitions can be referred to in the above section of the management discussion and analysis. We did not have any disposals of subsidiaries and associated companies during the year ended 31 December 2012.

Use of net proceeds from the initial public offering

Use of proceeds	Net proceeds from the IPO **Available to utilise** **RMB million**	 Utilised (up to 31 December 2012) RMB million
Financing activities relating to investments in acquired mines	**485.4**	357.7
Financing ramp-up of the mining capacity and expansion of tailing storage facility of the Shizishan Mine	**145.6**	145.6
Financing activities relating to the Dazhupeng Mine and the Lushan Mine	**178.1**	14.7
Total	**809.1**	518.0

Employee and remuneration policy

As at 31 December 2012, the Group had a total of 396 full time employees (31 December 2011: 253 employees), including 84 management and administrative staff, 203 production staff and 109 operations support staff. For the year ended 31 December 2012, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB41.7 million representing a decrease of RMB203.3 million or 83.0% as compared to the staff cost of RMB245.0 million for the year ended 31 December 2011 which was primarily due to a one-off equity-settled share-based payment amounting to RMB233.0 million.

Based on individual performance, a competitive remuneration package is offered to retain elite employees which includes: salaries, medical insurance, discretionary bonuses, other benefits as well as state-managed retirement benefit schemes for employees in the PRC. The Group has also adopted a share option scheme for its Directors and employees, providing incentives and rewards to eligible participants with reference to their contribution.

Occupational Health and Safety

Our Group is 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 we seek to implement leading international industry standards across our operations. We have established a dedicated production safety department that is responsible for occupational health and safety at our mines and operations, and focus on areas such as establishing and adopting a comprehensive set of internal occupational health and safety policies, conducting staff training, reviewing internal safety procedures, carrying out regular on-site safety inspections and continuously monitoring 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. All of our equipment operators and safety management staff must hold requisite licenses. We also require 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 year ended 31 December 2012 and as at the date of this annual report 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 year ended 31 December 2012 and as at the date of this annual report.

Environmental Protection and Land Rehabilitation

Environmental protection

The Group took numerous environmental protection measures to minimise the impact on the environment arising from production. For recycling and reusing of water, we developed a zero discharge operation for mining processes and most waste water from the processing and tailings storage facility is recycled. For managing waste rock and tailings, the waste rock from underground development is and will continue to be used for stope back fills and construction purposes, in particular the construction of the tailings dam. All tailings produced from processing are stored in the tailings dam or the waste rock storage area. To reduce dust, the ore processing facility was designed to be environmentally friendly. Dust collectors and exhaust fans fitted with filters have been, and will continue to be, installed at the processing facilities, and water is regularly sprayed to reduce dust. For the treatment of noise, we have adopted various measures to reduce noise generated from the mining and processing operations and the effect of it, such as using less noisy mining and processing equipment, building sound-proof operation units, and requiring workers to wear ear protection 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 and not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the year ended 31 December 2012 and as at the date of this annual report.

Land rehabilitation

In accordance with the relevant PRC laws and regulations, we have developed a rehabilitation and re-planting programme for the mined and disturbed areas of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine, pursuant to which we will rehabilitate our tailings storage facilities and waste rock storage areas upon mine closure and plant vegetation to stabilize the ground and to prevent erosion. Such programmes are in compliance with PRC legislative requirements and they incorporate recognized international industry practices. As at 31 December 2012, we have accrued RMB13.2 million, RMB0.8 million and RMB0.9 million respectively for the rehabilitation of the Shizishan Mine, the Dakuangshan Mine and the Menghu Mine.

Strategies and outlook

We aim to become a leading non-ferrous Pure Mining Company in the PRC through acquisitions and integrations, and the Company plans to achieve this objective by implementing the following strategies:

Expand our resources and reserves through selective acquisition and further exploration

Our strategic location in Yunnan Province presents significant opportunities for our expansion and long-term sustainable growth as we leverage our status as a mandated consolidator of mineral resources in the province. With the support of different levels of government authorities in Yunnan Province, the Group acquired 90% equity interest in the Dakuangshan Company, the Liziping Company and the Menghu Company on 20 April, 18 May and 16 August 2012 respectively, all of them are lead-zinc mines located respectively in Mang City, Nanping and Meng La County. Pursuant to the published resources data, the metal resources of the Company increased by 247.1 kt of lead, 388.6 kt of zinc, 613.7 t of silver and 26.2 kt of copper respectively. To further complement our resources and reserves, we will also actively seek acquisition opportunities for mineral resources of non-ferrous metals in Yunnan Province and other regions of the PRC.

With a strong operational base and the steady growth of our regional business in the PRC, we continue to seek and evaluate investment opportunities in South East Asian nations which lie in close geographical proximity to the PRC. The conditions for the formation of deposits in adjacent South East Asian countries, a region with great development potential in metals, are similar to those of Yunnan Province. By leveraging our excellent mining and processing capabilities, and our extensive understanding of the regional geology and social environment in South East Asian countries, we are positive about the potential for acquisitions and the successful development of mining projects in the region.

We note that the new Foreign Investment Law of Myanmar will take effect from 2013, and Myanmar is undertaking reforms with the goal of accelerating the opening-up of its economy. The proposed new Foreign Investment Law aims to increase foreign direct investment into Myanmar. The proposed law allows foreign investors to own entire equity interests in mining projects without government intervention and the term of lease could be up to 50 years. In specific cases, taxes could be waived for the first five years and it is guaranteed that all enterprises are protected against nationalization within the contracted period. Accordingly, the Company is actively exploring ways in which the Group could participate in large-scale development projects in the mining industry in Myanmar as the mining sector becomes increasingly regulated and supportive of foreign investment. From 21 January to 24 January 2013, the 2nd Annual Myanmar Mining Summit (第二屆緬甸礦業年度峰會), officially organized by the Myanmar Ministry of Mines (緬甸礦業部), was held in Yangon, Myanmar. The Company supported this summit as the sole premium sponsor and the management of the Company met with senior officials from the Myanmar Ministry of Mines. The parties enjoyed productive discussions and reached a positive position in respect of the participation of the Company in the development of mining projects in Myanmar.

We have a dedicated team, which consists of experienced geological, mining, processing and finance and legal personnel, to identify and evaluate high-quality mineral resources for potential acquisition. The targets we focus on are non-ferrous metal mines that satisfy our assessment criteria which include, but are not limited to, the following attributes: (i) significant mineral resources and reserves and mining life; (ii) grade and other quality indicators of the ores; (iii) investment cost and estimated return on investment; (iv) favorable conditions for development of mining projects, including but not limited to water, electricity, roads and cooperation from the residents from surrounding areas; (v) specific risks related to the locations of the projects such as political risk, legal risk and foreign currency risk; and (vi) implementation of safe operating conditions and environmental standards.

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 businesses and that increasing our resources and reserves by exploration is the most cost-efficient way to add value for our shareholders. We plan to take full advantage of the significant exploration potential of existing mines to increase our resources and reserves. The Dazhupeng Mine and the Liziping Mine are currently undertaking exploration activities. At the Dazhupeng Mine, the Company intends to complete a general survey for the mining area of 15.19 sq. km in 2013 and initiate detailed exploration work in 2014 based on the findings of the general survey. At the Liziping Mine, the Company plans to complete the application procedures for a mining permit covering the first mining area, being approximately 4 sq. km. and commence detailed exploration work for the remaining areas, being approximately 14.29 sq. km. in 2013. In addition, with the presence of molybdenum mine identified in the course of exploration of the Dakuangshan Mine, the Company plans to complete the delimitation of the molybdenum mine and confirm its reserves during 2013. Meanwhile, the Company also made an application to the Ministry of Land and Resources to establish new exploration rights covering the proximity areas of approximately 23 sq. km. of the Dakuangshan Mine. Furthermore, as part of our exclusive raw ore supply agreement with the Lushan Mine, we will also provide assistance to Xiangcaopo Mining for exploration of the Lushan Mine.

Ramp-up our mining and processing capacity

The operations at the Shizishan Mine reached planned mining capacity of approximately 2,000 tpd as at 31 December 2012. The technical improvement project at the Dakuangshan Mine under which the original mining and processing capacity was raised respectively from 500 tpd to 600 tpd and from 100 tpd to 600 tpd was put into commercial production in early December 2012. Currently, subject to limited power supply, only a production line with a capacity of 300 tpd has been put into operation for the Dakuangshan Mine. It is expected that the Dakuangshan Mine will attain its planned full capacity of 600 tpd by the end of the third quarter of 2013, when the electricity grid upgrades around the Dakuangshan Mine are scheduled to be completed.

According to the Group's plans, the construction of the mining and processing facilities of the Liziping Mine will commence in early 2014 after the Company obtained the mining and production permits for the first mining area of approximately 4 sq. km. The planned processing capacity is preliminarily set at 1,000 tpd. During the construction process, we created space for capacity expansion of up to 2,000 tpd. It is anticipated that the Group's mining and processing capacity will be improved significantly by then. We believe that as demand for non-ferrous metals continues to rise as a result of the urbanization taking place in the PRC, a ramp-up of our mining and processing capacity will give the Group a competitive advantage helping it to capitalise on growing market opportunities.

Pursue technological innovation to improve operational efficiency, production 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 utilise information technology to assist in the continuous monitoring and optimization of our operations. We plan to focus our research and development efforts in the following areas:

- enhancing our geological research and exploration capabilities (including technologies for deep drilling) to maximise the potential of our existing mines and assist in identifying and exploring new mines with significant potential;

- improving our mining methods and technologies to minimise mining dilution and loss, lower mining costs and enhance mining safety and environmental protection; and

- optimizing our processing technologies to improve recovery of processed ores, lower processing cost and enhance product quality.

Strengthen relationships with customers and expand customer base

We sell our concentrate products to concentrate traders who resell them to refineries, and we intend to maintain and strengthen our relationships with refineries and concentrate traders. Although demand for non-ferrous metal concentrates in Yunnan Province generally tends to be greater than supply, our close relationships with customers provide a significant degree of stability and visibility in demand for our products. This allows 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 seek to improve credit terms and reduce credit risk, and we focus on expanding the geographical reach of our customer base beyond Yunnan Province.

Directors and Senior Management's Profile

As at 22 March 2013

Executive Directors

Mr. Ran Xiaochuan, Executive Director, Chairman

Mr. Ran Xiaochuan, aged 48, is the Chairman of the Company and was appointed as an Executive Director on 8 June 2011. Mr. Ran has been a director of Gilberta Holdings Limited and Next Horizon Investments Limited, our subsidiaries since June 2011. Mr. Ran has years of mining and exploration experience, and over 20 years of experience in general corporate management. 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 product to overseas purchasers. Between 1988 and 1997, Mr. Ran worked for Zhuhai Haiyuan Trading Company (珠海海元經貿公司) as its general manager and was responsible for sales and marketing. Between 1998 to 2004, Mr. Ran worked as a general manager, and was responsible for marketing, daily operations and management at Chongqing Jianxing Company Limited (重慶建興有限公司), which is principally engaged in residential and commercial real estate development, highways and tunnel construction and management. Between 2005 and 2008, Mr. Ran worked at Sichuan Henglu Industrial Company Limited (四川恒路實業有限公司), a company principally engaged in the construction and consulting industries, 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. Huang Wei, Executive Director, head of geology and exploration

Mr. Huang Wei, aged 54, is our head of geology and exploration and was appointed as an Executive Director on 24 November 2011, primarily taking in charge of all exploration activities for the Group. He has over 30 years of experience in geology, specifically the exploration of metallic and nonmetallic mineral resources. Mr. Huang graduated from Chengdu University of Technology (成都理工大學) with an engineering degree in 1981 and 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) in 2003. Between 1982 and 2004, Mr. Huang worked for 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), thereafter he 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) as the technical supervisor, project director and chief engineer, and was the general manager of Tibet Zangdong Mining Co., Ltd. (西藏藏東礦業有限責任公司). 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. Between 2006 and 2007, Mr. Huang worked as the chief engineer for Tibet Autonomous Region Project Surveying and Construction (Group) Co., Ltd. (西藏工程勘察施工集團公司), and worked as a technical consultant for various mining companies from 2007 to 2010.

Mr. Wang Fahai, Executive Director, head of mining

Mr. Wang Fahai, aged 57, is our head of mining and was appointed as an Executive Director on 24 November 2011, and 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 30 years of experience in mining and production management. Between 1982 and 2002, Mr. Wang held various positions with Angang Iron and Steel Group Corporation and its subsidiaries, including: director of the production department, mining engineer, chief of the technical and production department, assistant to the head of mines as well as the external operations manager. 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). Mr. Wang worked as the chief engineer for the Taiping Project Division of Wenjian Construction Group Co., Ltd. (溫建集團公司) in Anhui Province from 2009 to 2011.

Mr. Wu Wei, Executive Director, co-head of ore processing and head of safety

Mr. Wu Wei, aged 52, is our co-head of ore processing and head of safety and was appointed as an Executive Director on 24 November 2011, and is primarily responsible for the Group's overall mining management, and the development of our mining production facilities at the Shizishan Mine as well as the formulation and implementation of our safety production policies. Mr. Wu has over 30 years of experience in mining and ore processing. 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 1982. Mr. Wu was certified as a Senior Engineer (高級工程師) by Panzhihua Iron & Steel (Group) Company (攀枝花鋼鐵(集團)公司) ("PIS Group") in April 1994, and is a member of China Metals Association. Between 1982 and 2009, Mr. Wu worked at the PIS Group and its associates as well as its subsidiaries as their engineer in the technical department of the ore processing plant, and was the deputy production director and senior engineer of the Panzhihua Scientific Research Titanium Concentrator (攀枝花市科研選鈦廠), the manager and senior engineer for the Xingfa Branch of Panzhihua Fengtai Industrial and Trading Company (攀枝花市豐鈦工貿公司興發分公司), a director and senior engineer at Pangang Yunnan Wuding Titanium Concentrator (攀鋼雲南武定選鈦廠) and a senior engineer at Pangang Titanium Company Titanium Concentrator (攀鋼鈦業公司). From 2009 to April 2010, he was an Independent Non-executive Director for China Vanadium Titano-Magnetite Mining Company Limited, a company listed on the Hong Kong Stock Exchange (HKSE code: 00893).

Mr. Zhao Shaohua, Executive Director, co-head of ore processing

Mr. Zhao Shaohua, aged 48, is our co-head of ore processing and was appointed as an Executive Director on 24 November 2011, primarily taking charge of the general management and operation of the processing plant at the Shizishan Mine. Mr. Zhao is currently the deputy general manager of Kunrun. Mr. Zhao has over 25 years of experience in developing concentrating technology and managing ore processing facilities. Mr. Zhao graduated from the mineral engineering department of Central South University of Technology (中南工業大學) with a Bachelor's degree in Engineering in July 1986. Mr. Zhao held various senior positions at Jinchuan Group Company (金川集團有限公司) ("Jinchuan") from 1986 to 2010, such as a director of the processing workshop's laboratory, a director at the technical department, a deputy director of Jinchuan's first processing plant, a director of the second processing plant and a director of Jinchuan's research and development technology department, where he was responsible for the technological aspects of all Jinchuan's processing plants, including setting standards and implementing systems management.

Non-Executive Directors

Mr. Shi Xiangdong, Non-Executive Director

Mr. Shi Xiangdong, aged 48, was appointed as a Non-Executive Director on 30 November 2009 and has an advisory role within the Group with a focus on strategic development. Mr. Shi has been a director of Gilberta Holdings Limited and Next Horizon Investments Limited, our subsidiaries, since December 2009. Mr. Shi has over 15 years of experience in the capital markets, mostly in risk management and capital operation. From 1994 to 1997, Mr. Shi worked at Union Bank of Switzerland as an associate and was responsible for the design of the Bank's global market risk model. From 1997 to 2000, Mr. Shi worked in Barclays Bank as an associate director in the trading of US treasury bonds. From 2000 to 2003, Mr. Shi worked at Merrill Lynch as director and was responsible for the risk management of US and Latin American equity derivative and convertible bond trading. From 2003 to 2010, Mr. Shi worked for Citigroup Global Market Inc. as director and was responsible for risk management of the equity business in the Americas, including risk management of the US equity division's private investment portfolio. Mr. Shi received a Bachelor degree in Nuclear Engineering from Tsinghua University in Beijing in 1985 and graduated from the University of Pennsylvania in 1992 with a Doctorate Degree in Physics.

Mr. Lee Kenneth Jue, Non-Executive Director

Mr. Lee Kenneth Jue, aged 45, was appointed as a Non-Executive Director with effect from 15 April 2012. Mr. Lee is a Partner at SAIF Partners, which is one of the largest and most successful growth venture capital funds focused on China. Mr. Lee has more than 15 years of experience across private equity investment, corporate finance, and business development in China. Before joining SAIF Partners in 2007, Mr. Lee served as the chief financial officer of Topsec Holdings Limited from 2006 to 2007. From 2004 to 2005, he worked as a principal at RimAsia Capital Partners. Prior to RimAsia Capital Partners, Mr. Lee served in various positions at Delta Associates, the exclusive advisor to Asia Equity Infrastructure Fund, CNK Telecommunications Limited, H&Q Asia Pacific, and Salomon Brothers Inc. in New York. Currently, Mr. Lee is a non-executive director on the boards of Sinovac Biotech Ltd. (NASDAQ-GM: SVA), Yayi International Inc. (OTC: YYIN) and China Hanking Holdings Limited (HKSE: 03788). Mr. Lee graduated from Amherst College in Massachusetts, USA in 1990 and obtained a Bachelor of Arts degree in Philosophy.

Independent Non-Executive Directors

Mr. Keith Wayne Abell, Independent Non-Executive Director

Mr. Keith Wayne Abell, aged 55, was appointed as an Independent Non-Executive Director on 24 November 2011. Mr. Abell has over 20 years in corporate finance and investment strategies in Asia. Mr. Abell received a BA in Semiotics with honours from Brown University in June 1979. 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, and was a Fellow of The Joseph H. Lauder Institute of Management and International Studies, specializing in China. Mr. Abell currently serves as Treasurer and a Member of the board of directors of the National Committee on United States-China Relations. He is also a member of the Council on Foreign Relations. Mr. Abell served as a Vice President at Goldman Sachs & Co. where he worked from 1986 to 1990, and as a Managing Director at The Blackstone Group, where he worked from 1990–1994. He also co-founded GSC Group in 1994 and served as Vice Chairman of GSC Group, and Co-Chairman of Tishman Speyer GSC China Fund, until his departure in February 2007. Since 2009, Mr. Abell has been the Co-founder and Managing Director of Sungate Properties, a real estate investment company that specializes in the acquisition of trophy properties in the United States on behalf of Chinese investors.

Mr. Christopher Michael Casey, Independent Non-Executive Director

Mr. Christopher Michael Casey, aged 58, was appointed as an Independent Non-Executive Directors on 24 November 2011. Mr. Casey has over 30 years of experience in public practice as an auditor and more latterly as a consultant advising companies on acquisitions, disposals and refinancing. Mr. Casey obtained a Bachelor of Arts degree in Politics, Philosophy and Economics from Oxford University in November 1977, and has been a fellow of the Institute of Chartered Accountants in England and Wales since January 1992. 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, and was admitted to the partnership of KPMG in 1992 and practiced as an Audit Partner. Mr. Casey retired from KPMG in 2010 and is currently a senior advisor to Alvarez & Marsal, a non-executive Director of TR European Growth Trust PLC and the Chairman of their Audit Committee, a non-executive director of Blackrock North American Income Trust PLC and Chairman of their Audit Committee, as well as being a freelance consultant to some private company boards.

Mr. Richard Wingate Edward Charlton, Independent Non-Executive Director

Mr. Richard Wingate Edward Charlton, aged 64, was appointed as an Independent Non-Executive Director on 24 November 2011. Mr. Charlton has over 30 years experience in the banking industry and has served on the board of directors of various companies in the past. He is a solicitor of the Supreme Court of England and Wales. After qualifying as a lawyer he joined Hambros Bank, based in London. From 1981 to 1988 Mr. Charlton was an Executive Director of Banque Paribas in London and from 1988 to 2002 he served as the Managing Director and Chief Executive of Banque Internationale a Luxembourg's London branch ("BIL"). From 2002 to 2005 Mr. Charlton was a Special Advisor to the DEXIA Group, a Franco-Belgian banking group who acquired and integrated the business of BIL. From 2005 to 2010 Mr. Charlton served as one of the Executive Directors of HSBC Private Bank (UK) Ltd. based in London, and from 2010 to 2012 he served as a Senior Advisor to Citibank International plc. He is currently a Non-Executive Director and Senior Independent Director of Williams Grand Prix Holdings plc, Chairman of Strabens Hall Ltd, and a Non-Executive Director of Ocean Sport Management Ltd. and Sportfolio Trading Ltd.

Mr. William Beckwith Hayden, Independent Non-Executive Director

Mr. William Beckwith Hayden, aged 61, was appointed as an Independent Non-Executive Director on 24 November 2011. Mr. Hayden has over 35 years of experience in the mineral exploration industry. Mr. Hayden obtained an Associate of Arts degree from the 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, majoring in geology. 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.TO) and Condoto Platinum NL (ASX listed, stock code: CPD.AX), all of which are companies involved in mineral exploration. Apart from the above directorships, Mr. Hayden is also a director of Ivanplats Limited (TSX listed, stock code: IVP.TO), 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. Maarten Albert Kelder, Independent Non-Executive Director

Mr. Maarten Albert Kelder, aged 49, was appointed as an Independent Non-Executive Director on 24 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 obtained both a Bachelor and a Master of Science degree in Mining and Petroleum Engineering from the University of Technology in Delft, the Netherlands, as well as 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. Kelder is currently the Managing Partner of Monitor Group in Asia Pacific, which is a global strategy consulting and merchant banking firm, and is responsible for overseeing the activities of Monitor in the Asia Pacific region. He is a member of the firm's Global Management Team, and a member of the board of directors of Monitor Company Group L.P. from 2007-2010. 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 between 1986 and 1988; and he was a member of Morgan Stanley's corporate finance team in New York in 1989.

Mr. Miu Edward Kwok Chi, Independent Non-Executive Director

Mr. Miu Edward Kwok Chi, aged 61, was appointed as an Independent Non-Executive Director on 24 November 2011. Mr. Miu has more than 30 years of experience in managing diverse finance, operational and business development activities in North America, Asia Pacific and Europe. 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 a MBA in Finance and International Business from New York University in New York in May 1979. Mr. Miu has held various positions related to financial and operation management in different listed companies, including 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, the former Chief Financial Officer of Sino Gold Mining Limited from January 2009 until December 2009 when it was acquired by Eldorado Gold Corp. 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 U.S. Europe, and Asia Pacific for 25 years prior to joining Alcoa Inc in a variety of industries including automotive, electronic, aerospace, information services, and manufacturing.

Senior Management

Li Tao, Chief Financial Officer and Acting Chief Executive Officer

Mr. Li Tao, aged 38, is the Chief Financial Officer and Acting Chief Executive Officer of the Company, primarily responsible for the overall financial management and administration of the Company. 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 has over five years of experience as financial officer in various PRC and listed companies. Mr. Li worked as the group's financial analyst, management accounting manager and director of the finance office at Sichuan Chuanwei Group Co., Ltd (四川川威集團有限公司) ("Chuan Wei") from 2006 to 2008, where he was responsible for financial analysis, tax planning, and the construction of internal control systems for finance. Mr. Li also assisted Chuan Wei in various financing projects. Mr. Li worked as the Chief Financial Officer of China Vanadium Titano-Magnetite Mining Company Limited, a company listed on the Hong Kong Stock Exchange (HKSE code: 00893) from 2008 to 2009.

Guo Zhonglin, Chief Technical Officer

Mr. Guo Zhonglin, aged 50, has been the technical advisor of the lead-zinc-silver mine of the Shizishan Mine in Yinjiang County since 2010 and was appointed as the Chief Technical Officer of the Group in 2011. Since his appointment as Chief Technical Officer, Mr. Guo has been responsible for the technical guidance, technical supervision and technical management in respect of the mining and safety of each mine owned by the Group. Mr. Guo graduated from Kunming University of Science and Technology (昆明理工大學) with a master degree in mining engineering in 1986. He has over 25 years of working experience in mining and the safety of mines. Prior to joining the Group, he was a professor in the Faculty of Land Resource Engineering in Kunming University of Science and Technology from 1986 to 2000, and had served in various positions such as the head of teaching research office, head of department and chairman of the Labour Union. In that period of time he was responsible for the teaching and administration of two programmes, namely Mining Engineering and Safety Engineering, as well as the guiding of postgraduates and served as a lecturer of both major professional courses for undergraduates and professional courses for postgraduates. Between 2000 and 2009, he was a professor of the Research Institute of Energy Conservation and Safety Technology of Mines at Kunming University of Science and Technology where he engaged in technical research of the mining of metal and non-metal mines and safety engineering, and had completed over 20 research programmes. Meanwhile, he was the chief project engineer for Ruixinyuan Mining Company Limited in Binchuan County, Dali Prefecture, Yunnan Province in respect of the iron-gold mine at its Baixiang plant where he was responsible for the guidance and management of underground mining production and technology.

He Min, Chief Administration Officer

Mr. He Min, aged 36, is the Chief Administration Officer of the Company, primarily responsible for the overall administration work within the Group. Mr. He received a bachelor's degree from 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. He has over 10 years of experience in administrative work for PRC companies. Between 1999 and 2002, Mr. He was the vice manager and editor of Chongqing Publishing Company (重慶出版發行公司). 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.

Lei Dejun, Chief Operating Officer

Mr. Lei Dejun, aged 35, was appointed as the Chief Operating Officer of the Group since April 2012. Mr. Lei has since been responsible for the overall production and development of polymetallic projects and the monitoring of the development of Dakuangshan project. Mr. Lei graduated with an associate's degree from Kunming Metallurgy College in 1998 and he is now a part-time student pursuing a Master of Business Administration degree from Kunming University of Science and Technology. Mr. Lei has about 15 years of experience in the production management and operation of mines. Prior to joining the Group, Mr. Lei worked as a technician, deputy director of the production department and technical section chief of factory at Huize Lead-Zinc Mine of Yunnan Chihong Zinc&Germanium Co., Ltd. (雲南馳宏鋅鍺股份有限公司) from July 1998 to July 2004 where he was responsible for factory production, costing, human resources, technique and equipment management. From August 2004 to May 2009, Mr. Lei worked as the director of the production department and deputy factory director for Yunnan Chihong Zinc&Germanium Co., Ltd. where he was responsible for the management of large scale metallurgical production and operation of factories. From May 2009 to March 2012, Mr. Lei worked for Yunnan Chihong Zinc&Germanium Co., Ltd. as the Deputy Director of the production management department and supervising engineer responsible for planning statistics, production process and technological projects. Mr. Lei completed research on lead-zinc vulcanized minerals and large scale oxidized minerals flotation processes (鉛鋅硫化礦物夾帶大比例氧化礦物浮選技術研究) with a leading role. Mr. Lei completed trial research on extracting copper sulphate through the direct leaching of copper slag (銅渣直接浸出生產硫酸銅試驗研究).

Shen Yang, Chief Investment Officer

Mr. Shen Yang, aged 37, is the Chief Investment Officer of the Company and is primarily responsible for investment projects. Mr. Shen was previously responsible for the overall legal and regulatory compliance matters of our Group. Mr. Shen has extensive legal knowledge in relation to the mining industry with over 10 years of experience. Mr. Shen graduated from the Department of Economic Law of Southwest University of Political Science and Law in June 1997, and received a master's degree in Southwest Financial University (西南財經大學) majoring in law in January 2011. Between 1998 and 2006, he worked as the vice director of Sichuan Tiantian Law Firm (四川天天律師事務所) and the legal advisor for a variety of enterprises and institutions such as Sichuan State-owned Assets Operation and Investment Management Company Limited (四川省國有資產經營投資管理有限公司), Sichuan Quanxing Group (四川全興集團) and Sichuan Swellfun Co., Ltd. (Shanghai Stock Exchange listed, stock code: 600779.SH). Between 1999 and 2006, Mr. Shen was the deputy manager of various entities, including, among others, Sichuan Shuguang System Engineering Company Limited (四川曙光系統工程有限公司) and Chengdu Shuguang Modern Logistics Investment Company Limited (成都曙光現代物流投資有限公司).

Li Yifan, Deputy Finance Officer

Mr. Li Yifan, CICPA, aged 33, is the Deputy Finance Director of the Company, mainly responsible for the accounting and financial management of the Group. Mr. Li received a master's degree in Finance from the University of Stirling in January 2005 and graduated from the Southwestern Financial University (西南財經大學) with a bachelor's degree in accounting in July 2002. Mr. Li has over eight years of experience in accounting and financial management. Prior to joining the Company, Mr. Li worked as a senior accountant in Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合伙)) Chengdu Branch between 2005 and 2011, and primarily focused on PRC and Hong Kong pre-listing or listed companies' audit projects.

Nina (Xiaoxiao) Zhan, Board Secretary, Investor Relations Director

Ms. Nina Zhan, aged 32, is the Board Secretary and Investor Relations Director of the Company. She is responsible for the overall coordination and communication work of the Board and the management of the Company's investor relations programme. Ms. Zhan received her bachelor's degree from Peking University in 2003, majoring in International Relations and double majoring in Economics. She received her master's degree from the University of Pennsylvania in 2005, majoring in International Political Economy. Prior to joining the Group, Ms. Zhan worked in the Investment Banking Division at Bear Stearns' New York office and Lehman Brothers' Hong Kong office, advising on corporate finance and mergers and acquisitions. From 2009 to March 2012, she worked at Brunswick Group in Hong Kong, advising Hong Kong and US listed companies on investor relations and financial media relations.

Company secretary

Ms. Ho Siu Pik, FCIS, FCS (PE), aged 49, is the Company Secretary of the Company. Ms Ho is a director of the 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 Charted Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. Ms. Ho is currently the joint company secretary of SITC International Holdings Company Limited (HKSE code: 1308), China Molybdenum Co., Ltd. (HKSE code: 3993) and Yashili International Holdings Ltd (HKSE code: 1230), the company secretary of Sun Art Retail Group Limited (HKSE code: 6808) and was the joint company secretary of Sands China Ltd. (HKSE code: 1928) from 14 October 2009 to 13 April 2011.

Report of Directors

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

Principal Activities

The Company is an investment holding company. The activities of its major subsidiaries are focused on the exploration, pure mining and primary processing of non-ferrous metal mineral resources, mainly including lead, zinc and silver, as well as the sales of non-ferrous metal concentrates in China.

There is no change in the principal activities of the Group for the year ended 31 December 2012.

Details of the major subsidiaries of the Company as at 31 December 2012 are set out in note 16 to the consolidated financial statements in this annual report.

Results and Profit Distribution

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 83 of this annual report.

The Directors do not recommend the payment of a final dividend but propose that the profit generated from the Group's PRC subsidiaries for the year ended 31 December 2012 should be retained for financing our ramp-up plan and capital expenditures on business expansion.

Property, Plant, and Equipment

Addition to the property, plant and equipment of the companies under the Group was approximately RMB118.8 million for the year ended 31 December 2012. Details of the movements during the year in the Group's property, plant and equipment are set out in note 12 to the consolidated financial statements in this annual report.

Share Capital

Details of the movements in the issued share capital of the Company for the year ended 31 December 2012 are set out in note 26 to the consolidated financial statements in this annual report.

Reserves

Details of the movements in the reserves of the Group for the year ended 31 December 2012 are set out in the consolidated statement of changes in equity on page 86 of this annual report.

Distributable Reserves

As at 31 December 2012, according to the Articles of Association, the reserves of the Company distributable to the shareholders were RMB1,354.8 million.

Under the Companies Law of the Cayman Islands and subject to the provisions of the Articles of Association, the share premium account is distributable to the shareholders, provided that immediately following the proposed distribution of a dividend, the Company can pay its debts as they fall due in the ordinary course of business. The share premium account can also be distributed by paid-up bonus shares.

The distributable dividend of the Company is limited by its distributable reserves presented in the Chinese statutory financial statement prepared in accordance with the Generally Accepted Accounting Principles of the PRC. Such distributable profits are different from those presented in the financial statement prepared by the Company in accordance with IFRSs.

Use of the Proceeds from IPO

Details of use of proceeds are set out in the management discussion and analysis on page 30 of this annual report.

Financial Highlights

A summary of the results for the period from 23 April 2009 to 31 December 2009 and the years ended 31 December 2010 to 2012 and the assets, liabilities and non-controlling interests of the Group as at 31 December 2009, 2010, 2011 and 2012 are set out from page 6 to page 7 of this annual report.

Loans and Borrowings

Details of the loans and borrowings of the Group are set out in note 24 to the consolidated financial statements in this annual report.

Charitable Donations

The total charitable donations of the Group for the year ended 31 December 2012 were RMB0.5 million.

Tax

For the year ended 31 December 2012, the Company's PRC subsidiaries are liable to PRC corporate income tax at the rate of 25% on the taxable profits in accordance with the PRC income tax rules and regulations. The relevant details are set out in note 9 to the consolidated financial statements in this annual report.

Major Customers and Suppliers

The Group started commercial production in October 2011, therefore the sales of 2011 were only made to three customers, with the largest customer accounting for 82.1% of the Group's total revenue. For the year ended 31 December 2012, the Group sold to five customers, with the largest customer accounting for 47.1% of the Group's total revenue.

For the years ended 31 December 2012 and 2011, the purchases attributable to the Group's five largest suppliers were 78.8% and 92.6% of the Group's total purchases, with the purchases from the largest supplier accounting for 38.0% and 85.1%, respectively.

To the best knowledge of the Directors, none of the Directors or any of their associates (as defined in the Listing Rules) or shareholders that owned more than 5% of the Company's share capital, had any direct or indirect interest in the five largest customers or suppliers of the Group during the year ended 31 December 2012.

Directors

The Directors up to the date of this Directors' report are as follows:

Executive Directors

Mr. Ran Xiaochuan *(Chairman)*
Mr. Huang Wei
Mr. Wang Fahai
Mr. Wu Wei
Mr. Zhao Shaohua

Non-Executive Directors

Mr. Shi Xiangdong
Mr. Lee Kenneth Jue (appointed on 15 April 2012)

Independent Non-Executive Directors

Mr. Keith Wayne Abell
Mr. Christopher Michael Casey
Mr. Richard Wingate Edward Charlton
Mr. William Beckwith Hayden
Mr. Maarten Albert Kelder
Mr. Miu Edward Kwok Chi

In accordance with the Articles of Association, five Directors will retire at the forthcoming annual general meeting ("AGM"), and being eligible, have offered themselves to be re-elected and re-appointed at the AGM.

The Biography of the Directors and the Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the Directors and senior management's profile from page 35 to page 44 of this annual report.

Service Contracts of the Directors

In accordance with the requirements of the Articles of Association, each executive and non-executive Director of the Company has entered into a service contract with the Company with an initial term of three years commencing from the Listing Date except Mr. Lee Kenneth Jue whose service contract has a term of one year, subject to renewal, commencing on 15 April 2012. Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years from the Listing Date. All Directors, at the expiry of their service, can be re-appointed or re-elected. None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Remuneration of the Directors and the Senior Management

The remuneration of the Directors and the senior management is based on their position, responsibility and performance and the results of the Group.

Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements in this annual report. The remuneration of the senior management whose profiles are included in the Directors and Senior Management's Profile section of this annual report fell within the following bands:

	Number of Individual(s)	
Remuneration band (RMB)	**2012**	2011
Below 1,000,000	**6**	6
1,000,000 — 2,000,000	**1**	—

Remuneration Policy

The remuneration policy of the Group is based on the performance, experience and competence of its staff and market comparables. The remuneration package includes salaries, a housing allowance, a pension scheme contribution and discretionary bonuses in connection with the performance of the Group.

The remuneration package of the Directors and the senior management is based on their contribution to the performance of the Group. The Company has adopted a share option scheme in which the Directors and senior management are eligible participants. The remuneration policy of the executive Directors and the senior management is supervised by the Nomination and Remuneration Committee of the Company.

Details of the share option scheme are set out under the section "Share Options Scheme" in this annual report and note 27 to the consolidated financial statements.

Independence of the Independent Non-Executive Directors

Each of the independent non-executive Directors has presented an annual confirmation letter to confirm their compliance with the independence requirement under Rule 3.13 of the Listing Rules. The Company believes that all the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(i) Long positions in shares

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Ran Xiaochuan *(note 1)*	Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	659,962,108	33.08
Zhu Xiaolin *(note 1)* (resigned in September 2012)	Interest of corporation controlled by the director and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	659,962,108	33.08
Shi Xiangdong *(note 1)*	Interest of corporation controlled by the director and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	659,962,108	33.08
Keith Wayne Abell	Beneficial owner and others	2,617,000	0.13
Maarten Albert Kelder	Beneficial owner and others	400,000	0.02

(ii) Long positions in share options granted by the Company

Number of share options held by the Directors of the Company as at 31 December 2012:

Name of Director	Number of options held	Number of underlying Shares
Keith Wayne Abell	7,027,027	7,027,027
Christopher Michael Casey	7,027,027	7,027,027
Richard Wingate Edward Charlton	7,027,027	7,027,027
William Beckwith Hayden	7,027,027	7,027,027
Maarten Albert Kelder	7,027,027	7,027,027
Miu Edward Kwok Chi	7,027,027	7,027,027

The details of share options held by the Directors and chief executive of the Company are disclosed under the section headed "Share Option Scheme" of this annual report.

Note:

1. Ran Chenghao, Ran Xiaochuan, Shi Xiangdong, Zhu Xiaolin, Hover Wealth Limited, Silver Lion, Total Flourish Limited, Grow Brilliant Limited and AL Stone Holdings Limited are the controlling shareholders which have the meaning ascribed to it under the Listing Rules.

Save as disclosed above, as at 31 December 2012, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Share Option Scheme

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 24 November 2011 which came into operation on the Listing Date.

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 the Company and the shares for the benefit of shareholders of the Company and to retain and attract working partners whose contributions are beneficial to the growth and development of the 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 suppliers, customers, consultants, agents and advisers who, at the absolute discretion of the Board, have contributed or will contribute to the Group (collectively "Qualified Participants").

The Share Option Scheme is valid and effective for a period of 10 years from 14 December 2011, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of shares in respect of which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 200,000,000, being 10% of the shares of the Company in issue immediately after the IPO on the Listing Date which is the effective date of such scheme. As at the date of this annual report, all 200,000,000 shares which may be issued upon exercise of the options under the Share Option Scheme have been granted already.

The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person under the Share Option Scheme shall not in any 12-month period up to the date of grant exceed 1% of the issued share capital of the Company from time to time. Any further grant of share options in excess of this limit is subject to the issue of a circular and shareholders' approval in a general meeting. The period within which an option may be exercised under the Share Option Scheme will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years from the date of grant of the particular option. Under the Share Option Scheme, the exercise price in relation to each option shall be determined by the Board at its absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of such option; (ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of such option; and (iii) the nominal value of a share on the date of grant of such option.

Any grant of options to a Director, chief executive or a substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding the independent non-executive Directors who are the grantees of the options). Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of all options granted and to be granted to such person in the 12-month period up to and including the date of the offer of such grant: (1) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the offer; and (2) having an aggregate value in excess of HK$5 million, based on the closing price of the shares of the Company as quoted on the Hong Kong Stock Exchange at the date of grant, any further grant of options are subject to our shareholders' approval in general meeting at which all connected persons of the Company shall abstain from voting in favour at such meeting and comply with other requirements prescribed under the Listing Rules from time to time.

Pursuant to the Share Option Scheme, each independent non-executive Director was granted options ("Options") to purchase such number of the Company's shares having an aggregate value of US$2 million with the exercise price being the offer price of HK$2.22 per share, which is the offer price of the Company's IPO, which shall vest, and upon vesting become exercisable in four equal tranches on the first, second, third and fourth anniversary of the Listing Date. The Options were approved by the Company's shareholders on 14 December 2011 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Save as disclosed above, during the year ended 31 December 2012, neither the Company nor any of its subsidiaries is a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

During the year ended 31 December 2012, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme. Details of the Share Option Scheme of the Company as at 31 December 2012 are set out in note 27 to the consolidated financial statements in this annual report.

157,837,838 shares options were granted to certain grantees on 16 January 2013 (the "2013 Granted Options") under the Share Option Scheme, among which 41,600,000 share options were granted to executive Directors and the Acting Chief Executive Officer of the Company. Please refer to the Company's announcement dated 16 January 2013 for further details and the details of the 2013 Granted Option is set out in note 36 to the consolidated financial statements in this annual report.

Director's Interests in Competitive Businesses

The Directors are of the view that none of the Directors has competed, or are likely to compete, either directly or indirectly, with our businesses, nor have they caused any harm to any interests owned by the Company during the year ended 31 December 2012.

Interests of Substantial Shareholders and Other Persons in Shares and Underlying Shares

As at 31 December 2012, the following persons (other than the Directors and chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
SAIF Partners IV L.P.	Beneficial owner	105,243,000(L)	5.28
Yan Andrew Y.	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.28
SAIF IV GP LP	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.28
SAIF IV GP Capital Ltd.	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.28
Challenger Mining 8 Limited	Beneficial owner	263,077,703(L)	13.19
Salamanca Group Holdings Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.33

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Blue Andiamo GP Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.33
Kedar Sharon Rahamin	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.19
Bellamy Martin James	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.19
Deutsche Bank Aktiengesellschaft	Beneficial owner and custodian corporation/approved lending agent	294,747,027(L)	14.78
Magic Delight Limited *(note 3)*	Interest of corporation controlled by the substantial shareholder	302,460,664(L)	15.16
Cititrust (Singapore) Limited	Trustee	302,460,664(L)	15.16
Total Flourish Limited *(note 2)*	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	659,962,108(L)	33.08
Silver Lion *(notes 2 and 3)*	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	659,962,108(L)	33.08

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Ran Chenghao *(note 2)*	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	659,962,108(L)	33.08
Hover Wealth Limited *(notes 2 and 3)*	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	659,962,108(L)	33.08
Grow Brilliant Limited *(note 2)*	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	659,962,108(L)	33.08
AL Stone Holdings Limited *(note 2)*	Beneficial owner and interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s.317(1)(a) and s.318	659,962,108(L)	33.08

Notes:

1. The letter "L" denotes the person's long position in such shares.

2. Ran Chenghao, Ran Xiaochuan, Shi Xiangdong, Zhu Xiaolin, Hover Wealth Limited, Silver Lion, Total Flourish Limited, Grow Brilliant Limited and AL Stone Holdings Limited are the controlling shareholders of the Company which have the meaning ascribed to it under the Listing Rules.

3. The entire issued share capital of Silver Lion is held by Hover Wealth Limited and Magic Delight Limited which are in turn ultimately held by the Cititrust (Singapore) Limited as the trustee of The Ran Family Trust. The Ran Family Trust is a discretionary trust established by Mr. Ran Chenghao as settlor and the Cititrust (Singapore) Limited as trustee on 18 October 2011. The beneficiaries of The Ran Family Trust including family members of Mr. Ran Chenghao are deemed to be interested in the 7,068,484,061 shares held by The Ran Family Trust, Silver Lion, Hover Wealth Limited and Magic Delight Limited pursuant to Part XV of the Securities and Futures Ordinance and their respective interests duplicate the interests held by The Ran Family, Silver Lion, Hover Wealth Limited and Magic Delight Limited.

Other than as disclosed above, as at 31 December 2012, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Management Contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

Contracts of Significance

No contract of significance to which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, or in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2012 or at any time during the year ended 31 December 2012.

Non-exempt Continuing Connected Transactions

So far as the Directors and chief executive are aware, no non-exempt continuing connected transactions were entered into by the Group during the year ended 31 December 2012.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. The Company, having made specific enquiries to all Directors, has confirmed that all the Directors have complied with the required standards of dealings as set out in the Model Code throughout the period from the Listing Date of the Company to the date of this annual report.

Closure of Register of Members

To determine the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 8 June 2013 to 11 June 2013 (both days inclusive), during which period no share transfers of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 7 June 2013.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2012, the Company repurchased a total of 5,206,000 ordinary shares of the Company at an aggregate purchase price of HK$7,412,197 on the Hong Kong Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate consideration paid (excluding expenses)
		Highest (HK$)	Lowest (HK$)	(HK$)
September 2012	1,713,000	1.28	1.17	2,116,387
October 2012	467,000	1.5	1.48	699,580
November 2012	2,262,000	1.6	1.45	3,415,990
December 2012	764,000	1.55	1.48	1,180,240

All the repurchased ordinary shares were cancelled before 31 December 2012 except the 100,000 shares repurchased on 24 December 2012, which were cancelled in January 2013. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year 2012.

Connected Transactions

For the year ended 31 December 2012, there was no connected transaction conducted by the Group.

Sufficiency of the Public Float

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has always maintained sufficient public float since the listing of the Company's shares.

Auditors

The Company has appointed Ernst & Young as the auditors of the Company for the year ended 31 December 2012. A resolution will be proposed for approval by shareholders at the forthcoming AGM to re-appoint Ernst & Young as the auditors of the Company.

On behalf of the Board
Ran Xiaochuan
Chairman

Hong Kong, 22 March 2013

Corporate Governance Report

Chairman's Introduction

Dear Shareholders,

I am pleased to present the Company's Corporate Governance report on behalf of our Board. The report deals with how the Board and its committees discharged their governance duties, which I hope provides you with a clear and meaningful explanation of how we apply the principles of good governance enshrined in the CG Code.

The Board is committed to maintaining very high standards of corporate governance and ensuring values and behaviours are consistent across the business. We have sought to manage the affairs of the Company not by merely following regimented rules, but by promoting open and transparent discussion, fostering a constructive approach to embracing challenges across the Group. I continue to be pleased with the progress the Company has made. We continually seek to ensure best practice is maintained, and effective governance is integral to our strategy and decision-making processes for the benefit of our shareholders.

Ran Xiaochuan
Chairman

22 March 2013

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code which include:

- develop, review and update the Company's policies and practices on corporate governance;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- perform such other corporate governance duties and functions set out in the CG Code for which the Board is responsible.

Corporate Governance Practice

The Company has applied the principles of the CG Code. In the opinion of the Directors, the Company complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2012.

With the introduction of the new statutory disclosure regime for inside information by Part XIVA of the Securities and Futures Ordinance and the consequential amendments to Listing Rules 13.09 which came into effect on 1 January 2013, to ensure compliance with the new legislation and regulation, apart from other measures, the Board has established disclosure policies and procedures for the Directors, senior management and all relevant employees to follow.

The Board will continually review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of Employees Written Guidelines by the employees was noted by the Company.

The Board

An effective board is one that facilitates efficient discharge of the duties imposed by law on the directors and adds value in the context of the company's particular circumstances. This requires the Board to be structured in such a way that it has a proper understanding of, and competence to deal with, the current and emerging issues of the business; and can effectively review and challenge the performance of the management while exercising independent judgment.

Board and Committees Structure as at 22 March 2013

Board
5 Executive Directors
(including Chairman)
2 Non-Executive Directors
6 Independent Non-Executive Directors

Audit Committee
3 Independent Non-Executive Directors
1 Non-Executive Director

- Non-executive responsibility of overseeing and advising to the Board on, matters relating to financial reporting

Nomination and Remuneration Committee
4 Independent Non-Executive Directors
1 Executive Director

- Non-executive responsibility of setting the overarching principles, parameters and governance framework of the Group's remuneration policy and the remuneration of senior executives
- Responsibility of leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board

Strategy Committee
3 Independent Non-Executive Directors
1 Non-Executive Director
2 Executive Directors

- Non-executive responsibility of deliberating the long-term development strategy, material contracts and major investment decisions of the Group

Composition

Chairman

The Board is chaired by Mr. Ran Xiaochuan. With the support from the executive and non-executive Directors, the Board Secretary and the Company Secretary, the Chairman seeks to ensure that all Directors are properly informed of issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness, encourages the Directors to make a full and active contribution to the Board's affairs so as to contribute to the Board's functions and encourages the Directors with different views to voice their opinions. The Board, under the leadership of Mr. Ran, has adopted good corporate governance practices and procedures and taken appropriate steps to ensure effective communication with shareholders and other stakeholders.

Chief Executive Officer

Mr. Zhu Xiaolin acted as the Chief Executive Officer of the Company before he ceased to be an executive Director of the Company on 7 September 2012. Following the departure of Mr Zhu, Mr. Li Tao, the Chief Financial Officer, has been appointed as the Acting Chief Executive Officer. The Chief Executive Officer/ Acting Chief Executive Officer is responsible for overall strategic planning, business development and daily management and operations generally. He has delegated sufficient authority for the operation and management of the Group's business to the other senior management members, who are in charge of the daily management of the Group.

Board balance and independence of Directors

The Board features strong representation of both executive and non-executive Directors and no individual or small group can dominate its decision making. As at 22 March 2013, the Board consisted of 13 Directors including five executive Directors, two non-executive Directors and six independent non-executive Directors who are independent as defined in the Listing Rules. Their names and brief biographical particulars are provided under "Directors and Senior Management's Profile" from page 35 to page 44 of this annual report. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders of the Company. None of the members of the Board is related to one another. The Board regularly assesses the independence of each Director in light of interests disclosed by them.

The non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors make various contributions to the effective direction of the Company.

The term of office of all non-executive Directors (including the independent non-executive Directors) has been fixed for a specific term of three years (except for Mr. Lee Kenneth Jue, who is engaged on a service agreement for a term of one year). They are subject to retirement by rotation and re-election at the Company's AGM at least once every three years in accordance with the Articles of Association.

During the year ended 31 December 2012, the Board at all times exceeded the requirements under Rules 3.10 and 3.10A of the Listing Rules for having at least three independent non-executive Directors, and representing at least one-third of the Board, with one director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board formally evaluates the independence of the independent non-executive Directors annually, having due regard to the relevant factors which might impair their independence. The result of the evaluation during the year ended 31 December 2012 is that the Board considered all its independent non-executive Directors to be independent in character and judgment and free from any business or other relationship which could materially interfere with the exercise of their judgment. Written annual confirmation of independence has been received from each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules.

Board Committees

Committees established by the Board are a valuable part of the Company's corporate governance structure. The workload of the committees, including the table of scheduled meetings and frequent communications, requires a considerable amount of time. They examine proposals and where appropriate make recommendations to the Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

The Board currently has three committees, namely, the Audit Committee, the Nomination and Remuneration Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. Each of these committees consists of a majority of non-executive Directors and has written terms of reference which have been approved by the Board and are reviewed at least once annually to ensure that they comply with the latest legal and regulatory requirements and reflect best practice developments. A copy of the current full terms of reference of each committee is available on the Investor Relations section of the Company's website.

Minutes of committee meetings are made available to all Directors and the Chairmen of each of the Committees and provide regular updates to the Board.

The Board delegates its powers and authorities from time to time to committees in order to ensure operational efficiency and that specific issues are handled using relevant expertise.

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. During the Board meeting held on 22 March 2013, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Audit Committee ("AC")

Chairman
Mr. Christopher Michael Casey

Members
Mr. Keith Wayne Abell
Mr. Miu Edward Kwok Chi
Mr. Shi Xiangdong

Notes:

1. All are independent non-executive Director except Mr. Shi Xiangdong, who is a non-executive Director.
2. Mr. Christopher Michael Casey has the appropriate professional qualifications.
3. None of the members of the AC is a former partner of the Company's existing external auditors.

The AC is appointed by the Board from the non-executive Directors of the Group. The AC's terms of reference include all matters indicated by the CG Code.

Key issues and activities

The AC not only reviews the financial reporting of the Company, but spends a significant amount of its time reviewing the effectiveness of the Group's internal control processes. Given the AC's review of the internal and external audit functions and its interactions with the executive management, the AC is able to obtain sufficient information to discharge its responsibilities.

During the year, the AC's principal work included the following:

Financial statements and reports

♦ reviewed the annual results announcement and the annual report for the year ended 31 December 2012 and received the external auditors' presentation on the findings of their work on the annual audit;

- reviewed the 2012 interim results announcement and the interim report and received the external auditors' presentation on the findings of their work on their review of the interim results;
- reviewed the terms of reference of the AC;
- received a report on the likely accounting issues for the year ended 31 December 2012 from the external auditors;

Internal audit

- reviewed the internal audit department's annual audit plan;
- assessed the performance of the internal audit function;
- reviewed and agreed the audit plan, scope and results of the work carried out;
- monitored and reviewed the effectiveness of the Group's financial reporting processes and internal control system;
- evaluated the effectiveness and the scope of work to be undertaken by the internal audit function;
- reviewed management responses to the management letter issued during the year;
- reviewed the arrangements for employees to raise concerns about improprieties;

External auditors and non-audit work

- reviewed and agreed the scope of the audit work to be undertaken by the external auditors;
- evaluated the independence and objectivity of the external auditors;
- agreed the terms of engagement and fees to be paid to the external auditors for their review of the interim condensed financial statements for the six months ended 30 June 2012 and audit of the financial statements for the year ended 31 December 2012; and
- nominated the external auditors for re-appointment.

Governance

The AC was in place throughout the year ended 31 December 2012 with Mr. Christopher Michael Casey as the Chairman. Three out of the four members are independent non-executive Directors. The Chief Executive Officer, Chief Financial Officer and representatives from the external auditors attend the AC meetings by invitation in order to provide appropriate advice. The AC meets at least twice per year and also meets the external auditors, without the involvement of the executive Directors, twice per year.

The Company adopted a whistle blowing policy in March 2012. The policy, which is monitored by the AC, is designed to enable employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns in cases where conduct is deemed to be contrary to our values. It may include actions which may result in danger to the health and/or safety of people or damage to the environment, unethical practice in accounting, internal accounting controls, financial reporting and auditing matters or failure to comply with any legal obligation.

Nomination and Remuneration Committee ("NRC")

Chairman
Mr. Maarten Albert Kelder

Members
Mr. Keith Wayne Abell
Mr. Richard Wingate Edward Charlton
Mr. William Beckwith Hayden
Mr. Ran Xiaochuan
Mr. Zhu Xiaolin *(resigned on 7 September 2012)*

Notes:

1. All are independent non-executive Director except Mr. Ran Xiaochuan, who is an executive Director.
2. The Company's chief executive attends the NRC meetings by invitation and assists the NRC in its deliberations, except when issues relating to his own compensation are discussed. No Directors are involved in deciding their own remuneration.

The NRC was established by the Board on 20 March 2012 with tailored terms of reference by merging the then Nomination Committee and Remuneration Committee into one committee.

Policy on Executive Director Remuneration

The Company's remuneration policy is formulated to attract and retain high-calibre executives and to motivate them to develop and implement the Company's business strategy in order to optimise long-term shareholder value creation.

Key issues and activities

- During the year ended 31 December 2012, the NRC considered the selection and appointment of a new non-executive Director as well as a replacement of the Chief Executive Officer. Candidates were recommended to the Board on merit and against objective criteria. Care was taken to ascertain that the candidates would have sufficient time available to meet their Board and committee responsibilities before any formal recommendation was made to the Board for their appointment.

- The NRC reviewed the appointment of each Director prior to that Director seeking re-election at the forthcoming AGM and was pleased to recommend the re-election of all five eligible Directors to the Board.

During the year ended 31 December 2012, the NRC's activities included the following:

- reviewed the structure, size and composition of the Board, ensuring that the Directors individually and collectively have the skills and expertise required to function effectively as a Board;

- nominated and appointed Mr. Lee Kenneth Jue as an additional non-executive Director;

- identified candidates to fill the vacancy of Chief Executive Officer and retained an external search consultancy to assist with the search;

- reviewed the remuneration policy of all Directors and senior management of the Company, and made recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management;

- recommended to the Board to approve a share option scheme for executive Directors and selected other senior management (which was subsequently approved by the Board); and

- reviewed the performance of the executive Directors.

Strategy Committee ("SC")

Chairman
Mr. Richard Wingate Edward Charlton

Members
Mr. Ran Xiaochuan
Mr. Zhu Xiaolin *(resigned on 7 September 2012)*
Mr. Huang Wei *(appointed on 20 March 2012)*
Mr. Shi Xiangdong
Mr. William Beckwith Hayden
Mr. Miu Edward Kwok Chi *(appointed on 20 March 2012)*
Mr. Wang Faihai *(resigned on 20 March 2012)*
Mr. Wu Wei *(resigned on 20 March 2012)*
Mr. Zhao Shaohua *(resigned on 20 March 2012)*
Mr. Keith Wayne Abell *(resigned on 20 March 2012)*
Mr. Maarten Albert Kelder *(resigned on 20 March 2012)*
Mr. Li Tao *(resigned on 20 March 2012)*

Key issues and activities

During the year ended 31 December 2012, the SC not only reviewed and formulated the long-term development strategy of the Group, but spent a significant amount of its time considering the Chief Executive Officer's proposal on share repurchase program.

During the year, the SC's principal work included the following:

- reviewed the Chief Executive Officer's business plan for 2012 and forecast for 2013;
- reviewed the long-term development strategies of the Group;
- reviewed and revised SC's terms of reference;
- reviewed and changed the composition of members;
- fully considered the Chief Executive Officer's proposal on share repurchase program and monitored its implementation; and
- fully considered potential investment opportunities.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board retains full and effective control over the Group and monitors the executive management and decisions in the subsidiary companies.

The Board is responsible for leadership and control of the Company. It oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. It is the ultimate decision-making body of the Company except for matters requiring the approval of shareholders in accordance with the Articles of Association, the Listing Rules and other applicable laws and regulations. Directors make decisions objectively in the interests of the Company and its shareholders.

The Board delegates the management and day-to-day running of the Company to the management but retains to itself approval of certain matters including operating plans, risk appetite, performance targets, procedures for monitoring and controlling operations, the authority or the delegation of authority to approve acquisitions, disposals, investments, capital expenditure or realisation or creation of a new venture, specified senior appointments and any substantial change in balance sheet management policy.

Information and Support

The Board regularly reviews reports on progress against financial objectives, business developments and investor and external relations. The chairmen of Board committees and the (Acting) Chief Executive Officer report in each Board meeting on the activities of the committees since the previous Board meeting. The Board receives regular reports and presentations on strategy and developments in the global business and principal mining projects. The agenda and supporting papers are distributed in advance of all Board and committee meetings to allow time for appropriate review and to facilitate full discussion at the meetings. All Directors have full and timely access to all relevant information and may take independent professional advice if necessary at the Group's expense. Regular monthly updates on the Group's operational and financial performance, position and prospects are provided to the Board and its committees to enable the Board as a whole and each Director to discharge their duties.

Board Meetings

The Board meets on a regular basis and met formally on four occasions during the year to discuss the overall strategy as well as the operations and financial performance of the Group. The Directors participated in person or through electronic means of communication. The table below shows each Director's attendance at meetings of the Board held while he was a Director during 2012. No meetings of the Board were held at short notice in 2012.

In addition, five written resolutions were passed by the Board in 2012 approving the appointment of Mr. Lee Kenneth Jue as an additional Director, the resignation of Mr. Zhu Xiaolin as an executive Director, the acquisition of the Menghu Mine, and two resolutions related to the share repurchase program after the issues were thoroughly considered and discussed at the formal meetings held on 11 June 2012 and 28 August 2012 respectively.

To supplement the formal Board meetings, the independent non-executive Directors had regular monthly conference calls with executive Directors and non-executive Directors to consider issues in an informal setting.

During the year ended 31 December 2012, the non-executive Directors and the Chairman met once without the other executive Directors.

Regular Board meetings are held at least four times a year with at least 14 days' notice and additional meetings with reasonable notice will be held as and when the Board considers appropriate. For other Board and committee meetings, reasonable notice is generally given.

The Board Secretary and the Company Secretary assist the Chairman in preparing an agenda for each meeting. The draft agenda for each Board meeting is circulated to all Directors to allow them an opportunity to include other matters in the agenda. Board papers with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for their records.

Directors' Attendance Records

The attendance records of individual Directors at meetings held during the year is shown in the table below:

Keys: C = Chairman, M = Member, OM = Members who are not existing members

	Attendance/Number of Meeting												
Name of Directors	Board		Audit Committee		Nomination Committee[1]		Remuneration Committee[1]		Nomination & Remuneration Committee[1]		Strategy Committee[2]		Annual General Meeting
Executive Directors:													
Mr. Ran Xiaochuan	C	4/4			M	1/1			M	2/3	M	4/4	1/1
Mr. Zhu Xiaolin[3]	OM	3/4					M	1/1	OM	2/3	OM	3/4	1/1
Mr. Huang Wei	M	2/4									M	1/4[6]	0/1
Mr. Wang Fahai	M	3/4									OM	1/4[5]	0/1
Mr. Wu Wei	M	4/4									OM	1/4[5]	1/1
Mr. Zhao Shaohua	M	3/4									OM	1/4[5]	0/1
Non-executive Directors:													
Mr. Lee Kenneth Jue[4]	M	3/4											1/1
Mr. Shi Xiangdong	M	4/4	M	4/4							M	4/4	1/1
Independent non-executive Directors:													
Mr. Keith Wayne Abell	M	4/4	M	4/4	M	1/1			M	3/3	OM	1/4[5]	1/1
Mr. Christopher Michael Casey	M	4/4	C	4/4			M	1/1					1/1
Mr. Richard Wingate Edward Charlton	M	4/4					M	1/1	M	3/3	C	4/4	1/1
Mr. William Beckwith Hayden	M	4/4							M	3/3	M	4/4	1/1
Mr. Maarten Albert Kelder	M	4/4			C	1/1	C	1/1	C	3/3	OM	1/4[5]	1/1
Mr. Miu Edward Kwok Chi	M	4/4	M	4/4	M	1/1	M	1/1			M	3/4[6]	1/1

Notes:

1. The Nomination Committee and Remuneration Committee were consolidated into the Nomination and Remuneration Committee on 20 March 2012. Each of the Nomination Committee and Remuneration Committee convened one meeting in March 2012 while they were in operation.

2. There was a reshuffle of membership on 20 March 2012.

3. Resigned on 7 September 2012, three Board meetings, two Nomination and Remuneration Committee meetings and three Strategy Committee meetings were held before his resignation.

4. Appointed on 15 April 2012. Three Board meetings were held after his appointment.

5. Resigned on 20 March 2012. One Strategy Committee meeting was held before his resignation.

6. Appointed on 20 March 2012. Three Strategy Committee meetings were held after his appointment.

Continuous Professional Development of Directors

The Company's Directors have a wide range of expertise as well as significant experience in strategic, financial, commercial and mining activities.

Upon appointment, Directors are provided with recent Board materials and information on legal obligations and other matters of which they should be aware including the Articles of Association, the Model Code, the CG Code, Board and committees' terms of reference, relevant company information and guidance on where to obtain independent advice.

Directors are continuously updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All the Directors are encouraged to attend relevant training courses at the Company's expense. Directors are requested to provide the Company with their respective training record pursuant to the CG Code.

Board committees are provided with sufficient resources and the power to obtain such additional support and professional advice as they may require. All Directors have access to the services of a professionally-qualified and experienced Company Secretary, who is responsible for information flows to the Board and its committees.

In August 2012, the Board held a meeting in Yunnan. Directors took the opportunity to visit the Company's sites and operations at the Shizishan Mine and the Dakuangshan Mine. The purpose of the trip was to provide the Directors with an appropriate understanding of the business and operations of the Company.

The training attended by the Directors during the year is as follows:

Directors	Training Matters (Note)
Executive Directors:	
Mr. Ran Xiaochuan	a,b
Mr. Zhu Xioalin	a,b
Mr. Huang Wei	a,b
Mr. Wang Fahai	a,b
Mr. Wu Wei	a,b
Mr. Zhao Shaohua	a,b
Non-executive Directors:	
Mr. Lee Kenneth Jue	a,b
Mr. Shi Xiangdong	a,b
Independent non-executive Directors:	
Mr. Keith Wayne Abell	a,b
Mr. Christopher Michael Casey	a,b
Mr. Richard Wingate Edward Charlton	a,b
Mr. William Beckwith Hayden	a,b
Mr. Maarten Albert Kelder	a,b
Mr. Miu Edward Kwok Chi	a,b

Note:

a. Regulatory

b. Corporate governance

Remuneration of External Auditors

For the year ended 31 December 2012, the Group's external auditors, Ernst & Young, provided interim review and annual audit services to the Group, and the total fees paid/payable in respect of interim review and annual audit services were RMB1.1 million and RMB2.5 million respectively.

The AC is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors. Such appointments, re-appointments and removals are subject to the approval of the Board and by shareholders at the general meetings of the Company.

Directors' and External Auditors' Responsibilities for the Financial Statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the IFRSs and the disclosure requirement of the Companies Ordinance. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Directors, whose names are set out in the 'Corporate Information' section on pages 3 of this annual report, confirm to the best of their knowledge that:

♦ the financial statements of the Group for the year ended 31 December 2012 give a true and fair view of the state of affairs of the Group and of the results and cash flow for the year then ended; and

♦ the Company has deployed appropriate and sufficient resources to prepare management accounts. The senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Group to the AC and the Board and respond to the queries and concerns raised by the AC and the Board to their satisfaction.

The consolidated financial statements have been prepared in accordance with the IFRSs. Appropriate accounting policies have also been used and applied consistently.

In addition, the financial statements include applicable disclosures required by the Companies Ordinance. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report from page 81 to page 82 of this annual report.

Internal Control

The Directors are responsible for maintaining and reviewing the effectiveness of the Group's internal controls. Appropriate policies and procedures have been designed and established to ensure that assets are safeguarded against improper use or disposition; relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact on the Group's performance are appropriately identified and managed. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material errors, losses and fraud.

During the year ended 31 December 2012, the Board, through the AC, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The AC receives reports from the internal audit department and takes those reports into consideration and makes recommendations to the Board as appropriate.

The AC satisfied itself that the internal audit function was effective and adequately resourced through regular meetings held with, and reports provided by the Group's head of internal audit on internal audit issues, including the adequacy and effectiveness of resources. The AC reviewed an annual report on the activities of the internal audit function and planned activities for the following year.

The head of internal audit is responsible for reporting and following up on the findings of the internal audit work to the management and the AC on a regular basis. The internal audit function's mandate and annual audit coverage plans have been reviewed and considered by the AC and are subject to modification in accordance with AC's recommendation.

The internal audit activities are performed by teams of appropriate, qualified and experienced employees, supplemented if necessary through the engagement of external practitioners upon specified and agreed terms. The head of internal audit reports to the AC on the internal audit function's performance against the internal audit plan. A summary of audit results and risk management information was presented to the AC and senior management at the AC's regular meetings throughout the year.

Company Secretary

Ms. Ho Siu Pik was appointed as the Company Secretary of the Company on 24 November 2011. Ms. Ho is a director of corporate services division of Tricor Services Limited, an external corporate service provider company in Hong Kong. Mr. Shi Xiangdong, non-executive Director and Ms. Nina Zhan, the Board secretary, are key contacts in the Company for Ms. Ho in relation to any corporate secretarial matters. For the year ended 31 December 2012, Ms. Ho has confirmed that she has taken no less than 15 hours of relevant professional training. The biographical information of Ms. Ho is set out in the "Directors and Senior Management's Profile" section on page 44 of this annual report.

Shareholders' Rights

Respecting the rights of shareholders and facilitating the effective exercise of those rights requires the Company to communicate effectively with the shareholders; give the shareholders ready access to balanced and understandable information about the Company and corporate proposals; and make it easy for them to participate in general meetings. The Company achieves these objectives through its shareholder communication policy.

The Company seeks to ensure that its shareholders are appropriately informed on its operations and results, with the delivery of timely and focused communication, and the holding of shareholder meetings in a manner conducive to achieving shareholder participation.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors.

Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange after each shareholder meeting.

Putting Forward Proposal at General Meeting

Pursuant to the Articles of Association (article 58), the Board may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board and to put forward proposals specified in such requisition either via personal delivery or mail (attention: Board of Directors/Company Secretary), at the Company's principal place of business at Unit 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong or at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

For the avoidance of doubt, the requisition must include the business to be transacted at the required extraordinary general meeting and must be signed by the shareholder concerned. If the requisition is confirmed as proper and valid, an extraordinary general meeting shall be held within two months after the deposit of such requisition subject to the requirements of the relevant Articles of Association and the Listing Rules. In case an extraordinary general meeting could not be convened upon the request, the Company will inform the shareholder accordingly. Shareholders' information may be disclosed as required by law.

If within 21 days of such deposit the Board fails to proceed to convene such a meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

Shareholders may send their enquiries or requests to the Board in writing to the Investor Relations Director at the Company's Hong Kong office at Unit 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong or by email to cpm@chinapolymetallic.com. The Company will endeavour to respond to their queries or requests in a timely manner.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Relationship with investors

The Board recognised that effective communication with the Company's investors plays a crucial role in maintaining existing investors' confidence and attracting new investors, so the Group places great importance on proactive communication with its existing and potential shareholders and investors. The Group set up an Investor Relations Department in April 2012 and retained the service of Ms. Nina Zhan to head up all investor and public relations issues. The Group has maintained close communication between shareholders and investors through email, telephone and meetings, to ensure that investors and shareholders have received the Company's updated news in a fair and timely manner and to facilitate their investment decision-making. Our Investor Relations Department is also responsible for answering investors' enquiries and mails on a timely basis. Should investors have any enquiries, please contact the Company's Investor Relations Department.

The Board also recognises that the information on business performance, business strategies and risk management should be made available to the public through appropriate channels on a regular basis and in a timely manner. After the public announcement of annual and interim results are made, the Group will hold investors and analysts' briefings and press conferences respectively. Senior management members, namely, the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer will analyze the results of the Group during the review period and elaborate on the Group's business development. The Group's results announcement, after it is published, will be posted on the websites of the Hong Kong Stock Exchange and the Company in due time.

The general meetings of the Company provide an important channel for communications between the Board and the shareholders. The Chairman of the Board, as well as chairmen of the Nomination and Remuneration Committee, Audit Committee and Strategy Committee or, in their absence, other members of each committee, are available to answer questions at the shareholder's meetings. The 2013 AGM will be held on 11 June 2013. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

During the year ended 31 December 2012, the Company has not made any changes to the Articles of Association.

We will also arrange site visits for investors to our sites to understand the current production status, investment conditions and business development opportunities, thereby increasing their knowledge of our operations.

As a channel to promote effective communication with shareholders, investors and other rights persons, the Group set up the Investor Relations website at http://chinapolymetallic.todayir.com/html/ir_overview.php where the Group's announcements, financial information, stock quotes, analyst coverage and other information are posted.

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Independent auditors' report

To the shareholders of China Polymetallic Mining Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Polymetallic Mining Limited and its subsidiaries set out from page 83 to page 158, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

22 March 2013

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	4	**477,106**	70,180
Cost of sales		**(86,912)**	(16,214)
Gross profit		**390,194**	53,966
Other income	5	**3,534**	2,760
Selling and distribution expenses		**(1,010)**	(7)
Administrative expenses		**(120,780)**	(54,457)
Recognition of equity-settled share-based payment		**—**	(233,000)
Other expenses		**(3,793)**	(2,855)
Finance costs	6	**(5,047)**	(382)
PROFIT/(LOSS) BEFORE TAX	7	**263,098**	(233,975)
Income tax expense	9	**(84,236)**	(10,272)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**178,862**	(244,247)
Attributable to:			
Owners of the Company	10	**176,984**	(244,268)
Non-controlling interests		**1,878**	21
		178,862	(244,247)
Earnings/(loss) per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	11	**RMB0.09**	RMB(0.21)

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**430,146**	311,345
Intangible assets	13	**632,262**	75,793
Prepaid land lease payments	14	**12,857**	13,126
Payments in advance	15	**11,883**	163,952
Prepayment and deposits	20	**124,884**	94,854
Deferred tax assets	17	**11,892**	3,820
Total non-current assets		**1,223,924**	662,890
CURRENT ASSETS			
Inventories	18	**12,838**	4,701
Trade receivables	19	**279,013**	20,304
Prepayments, deposits and other receivables	20	**41,994**	42,663
Cash and cash equivalents	21	**327,007**	870,311
Total current assets		**660,852**	937,979
CURRENT LIABILITIES			
Trade payables	22	**13,695**	4,523
Other payables and accruals	23	**97,311**	101,566
Tax payable		**74,462**	11,617
Interest-bearing bank loans	24	**60,000**	10,000
Total current liabilities		**245,468**	127,706
NET CURRENT ASSETS		**415,384**	810,273
Total assets less current liabilities		**1,639,308**	1,473,163

continued/…

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	24	**60,000**	120,000
Provision for rehabilitation	25	**14,903**	12,178
Total non-current liabilities		**74,903**	132,178
Net assets		**1,564,405**	1,340,985
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**17**	17
Treasury shares	26	**(126)**	—
Reserves	28	**1,518,715**	1,339,638
		1,518,606	1,339,655
Non-controlling interests		**45,799**	1,330
Total equity		**1,564,405**	1,340,985

Ran Xiaochuan
Director

Wu Wei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Attributable to owners of the Company											
	Issued capital RMB'000 note 26	Share premium account RMB'000 note 28(a)	Treasury shares RMB'000 note 26	Reserve funds RMB'000 note 28(b)	Safety fund surplus reserve RMB'000 note 28(c)	Capital contribution reserve RMB'000 note 28(d)	Share option reserve RMB'000 note 27	Difference arising from changes in non-controlling interests RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	9	–	–	–	–	–	–	(4,115)	(6,018)	(10,124)	7,469	(2,655)
Issue of new shares	8	1,425,388	–	–	–	–	–	–	–	1,425,396	–	1,425,396
Share issue expenses	–	(64,728)	–	–	–	–	–	–	–	(64,728)	–	(64,728)
Transfer from/(to) reserves	–	–	–	2,321	–	–	–	–	(2,321)	–	–	–
Acquisition of non-controlling interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	(6,160)	(6,160)
Equity-settled share-based payment	–	–	–	–	–	233,000	–	–	–	233,000	–	233,000
Equity-settled share option arrangement	–	–	–	–	–	–	379	–	–	379	–	379
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	(244,268)	(244,268)	21	(244,247)
At 31 December 2011 and 1 January 2012	17	1,360,660*	–	2,321*	–	233,000*	379*	(4,115)*	(252,607)*	1,339,655	1,330	1,340,985
Repurchase of shares	–	(5,890)	(126)	–	–	–	–	–	–	(6,016)	–	(6,016)
Transfer from/(to) reserves	–	–	–	26,531	–	–	–	–	(26,531)	–	–	–
Establishment for safety fund surplus reserve	–	–	–	–	3,572	–	–	–	(3,572)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	(695)	–	–	–	695	–	–	–
Acquisition of subsidiaries (note 31)	–	–	–	–	–	–	–	–	–	–	42,591	42,591
Equity-settled share option arrangement	–	–	–	–	–	–	7,983	–	–	7,983	–	7,983
Total comprehensive income for the year	–	–	–	–	–	–	–	–	176,984	176,984	1,878	178,862
At 31 December 2012	17	1,354,770*	(126)	28,852*	2,877*	233,000*	8,362*	(4,115)*	(105,031)*	1,518,606	45,799	1,564,405

* These reserve accounts comprise the consolidated reserves of RMB1,518,715,000 (2011: RMB1,339,638,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**263,098**	(233,975)
Adjustments for:			
Finance costs	6	**5,047**	382
Unrealised foreign exchange loss	7	**2,344**	1,183
Bank interest income	5	**(2,732)**	(287)
Equity-settled share-based payment		**—**	233,000
Equity-settled share option expense	27	**7,983**	379
Depreciation	12	**28,321**	5,920
Amortisation of intangible assets	7	**3,476**	693
Amortisation of prepaid land lease payments	14	**269**	90
		307,806	7,385
Increase in trade receivables		**(258,709)**	(20,304)
Increase in inventories		**(6,768)**	(3,956)
Increase in prepayments, deposits, and other receivables		**(68,307)**	(81,060)
Increase in trade payables		**9,172**	4,523
Increase in other payables and accruals		**37,643**	9,424
Cash generated from/(used in) operations		**20,837**	(83,988)
Interest received		**2,152**	287
Income tax paid		**(29,463)**	(454)
Net cash flows used in operating activities		**(6,474)**	(84,155)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(208,175)**	(156,136)
Increased in time deposits with original maturity of over three months	21	**(60,000)**	—
Payments in advance in respect of:			
— Prepaid land lease payments		**(8,098)**	(3,785)
— Exploration and evaluation assets		**—**	(158,066)
Acquisition of subsidiaries	31	**(219,418)**	—
Expenditures on exploration and evaluation assets		**(72,698)**	(35,718)
Purchase of prepaid land lease payments		**—**	(6,283)
Net cash flows used in investing activities		**(568,389)**	(359,988)

continued/…

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(10,081)**	—
Repurchase of shares		**(6,016)**	—
Proceeds from issue of shares		**—**	904,432
Share issue expenses		**—**	(64,728)
Proceeds from bank loans		**—**	130,000
Repayment of bank loans		**(10,000)**	—
Acquisition of non-controlling interests in a subsidiary		**—**	(6,160)
Increase in an amount due to a related party		**—**	336,959
Net cash flows from/(used in) financing activities		**(26,097)**	1,300,503
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(600,960)**	856,360
Cash and cash equivalents at beginning of year		**870,311**	20,320
Effect of foreign exchange rate changes		**(2,344)**	(6,369)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**267,007**	870,311
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**197,007**	870,311
Non-pledged time deposits		**130,000**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	21	**327,007**	870,311
Time deposits with original maturity of over three months		**(60,000)**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		**267,007**	870,311

Statement of Financial Position of the Company

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**1,233,838**	507,573
CURRENT ASSETS			
Due from a subsidiary	16	**—**	446
Prepayments	20	**7,752**	—
Cash and cash equivalents	21	**2,885**	814,427
Total current assets		**10,637**	814,873
CURRENT LIABILITIES			
Due to subsidiaries	16	**6,474**	6,319
Other payables and accruals	23	**5,570**	10,338
Total current liabilities		**12,044**	16,657
NET CURRENT ASSETS/(LIABILITIES)		**(1,407)**	798,216
NET ASSETS		**1,232,431**	1,305,789
EQUITY			
Issued capital	26	**17**	17
Treasury shares	26	**(126)**	—
Reserves	28	**1,232,540**	1,305,772
Total equity		**1,232,431**	1,305,789

Ran Xiaochuan
Director

Wu Wei
Director

1. CORPORATE INFORMATION

China Polymetallic Mining Limited is a limited 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's principal place of business in Hong Kong is Unit 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong.

During the year, the Group were principally engaged in mining, ore processing and the sale of lead-zinc-silver concentrates. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, the Company does not have an immediate holding company or ultimate holding company. Silver Lion, a company incorporated in the British Virgin Islands, is in a position to exercise significant influence over the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs. These financial statements also comply with the disclosure requirements of the Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

The proportionate share of total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

2.3 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 these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

IFRS 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 amortised 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 requirements of IAS 39.

IAS 39 is aimed to be replaced by IFRS 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 IFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

Consequential amendments were made to IAS 27 as a result of the issuance of IFRS 10 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 12 and IAS 27 (Revised), and the subsequent amendments to these standards issued in June and October 2012 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

The IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

The *Annual Improvements to IFRSs 2009–2011 Cycle* issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies 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 investments in subsidiaries are stated at cost less any impairment losses.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Merger accounting for business combinations under common control

The consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

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 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 recognised 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 pre-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 an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(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;

(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 the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 capitalised 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the 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. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20–30 years
Plant and machinery	5–15 years
Office equipment	3–5 years
Motor vehicles	4–6 years

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to write off the cost of the assets in proportion to the extraction of the proved and probable mineral reserves. The estimated useful lives of the mining infrastructure ranging from five years to 12.5 years are determined in accordance with the production plans of the entity concerned and the proved and probable reserves of mines using the UOP method.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised 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 are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowing funds 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 at 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, 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 amortised 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 amortisation and any impairment losses and exploration assets are stated at cost less any 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 amortisation and depreciation charges in respect of assets consumed during the exploration activities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Exploration rights and assets (continued)

Exploration and evaluation costs include expenditure incurred to secure further mineralisation 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 recognised 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 purpose 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 capitalised are transferred to either mining infrastructure or mining rights and depreciated/amortised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

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 investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, expect in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised 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.

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 amortised cost using the effective interest rate method less any allowance for impairment. Amortised 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 amortisation is included in “Other income” in profit or loss. The loss arising from impairment is recognised in profit or loss in “Finance costs” for loans and in “Other expenses” for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 derecognised 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, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises 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 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 occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or 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 reorganisation 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised 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 an individually assessed financial asset, 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, recognised 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 through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 realised 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 recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance amount. If a write-off is later recovered, the recovery is credited to "Other expenses" in profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank loans and borrowings are subsequently measured at amortised 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 recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised 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 amortisation is included in "Finance costs" in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Treasury shares

Own equity instruments which are repurchased (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of fixed and variable overhead costs, including depreciation and amortisation incurred in converting materials into finished goods, based on the normal production capacity. Net realisable 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 statement 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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised 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 recognised 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 in “Finance costs” in profit or loss.

Provisions for the Group’s obligations for rehabilitation are based on estimates of the 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 recognised, the present value of the estimated cost is capitalised 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 recognised 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 recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 recognised for all taxable temporary differences, except:

- when 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, when 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 recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, except:

- when 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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 realised 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised 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;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

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 capitalised as part of the cost of those assets. The capitalisation 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 capitalised. 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.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and Articles of Association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. 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 their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

No expenses is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes (continued)

In addition to the above, the Group also participates in a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The Company's contributions are capped to HK$1,250 per month since 1 June 2012 (previously HK$1,000 per month) for each of its employees in Hong Kong and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independent administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Housing fund

Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements require management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these significant 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 described 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 amount 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 year.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(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 final outcome is determined. The carrying amount of PRC CIT payable at 31 December 2012 was RMB74,462,000 (2011: RMB11,617,000).

(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 record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment at 31 December 2012 was RMB430,146,000 (2011: RMB311,345,000).

(d) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2012 was RMB11,892,000 (2011: RMB3,820,000). Further details are contained in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(e) 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 estimates of proved and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the amortisation rate calculated using the UOP method. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(f) Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation assets 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 mine reserves 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 capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(g) 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 (7.98% as at 31 December 2012) 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 the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation at 31 December 2012 was RMB14,903,000 (2011: RMB12,178,000).

(h) Net realisable value of inventories

Net realisable 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 a similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories at 31 December 2012 was RMB12,838,000 (2011: RMB4,701,000).

4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to profit were mainly derived from its sale of lead-silver concentrates and zinc-silver concentrates, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Yunnan Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

4. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the year:

	2012		2011	
	RMB'000	**%**	RMB'000	%
Lead-silver concentrates	**354,742**	**74.4**	51,198	73.0
Zinc-silver concentrates	**122,364**	**25.6**	18,982	27.0
	477,106	**100.0**	70,180	100.0

Geographical information

All external revenue of the Group during each of the two years ended 31 December 2011 and 2012 was attributable to customers established in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

Information about major customers

Revenue from major customers, which individually amounted to 10% or more of the total revenue, is set out below:

	2012	2011
	RMB'000	RMB'000
Customer A	**224,616**	57,600
Customer B	*****	7,298
Customer C	**192,179**	—
Customer D	**47,249**	*

* Less than 10% of total revenue

5. OTHER INCOME

An analysis of other income is as follows:

	2012 RMB'000	2011 RMB'000
Sale of spare parts	**700**	473
Bank interest income	**2,732**	287
Government grants*	**102**	2,000
	3,534	2,760

* There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	Notes	2012 RMB'000	2011 RMB'000
Interest on bank loans wholly repayable within five years		**10,081**	5,038
Unwinding of a discount	25	**969**	382
		11,050	5,420
Less: interest capitalised to property, plant and equipment	12	**(6,003)**	(5,038)
		5,047	382

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax was arrived at after charging:

	Notes	**2012** **RMB'000**	2011 RMB'000
Cost of inventories sold		**86,912**	16,214
Staff costs (including Directors' and Acting Chief Executive Officer's remuneration (note 8)):			
Wages and salaries		**33,121**	11,285
Equity-settled share-based payment		**—**	233,000
Equity-settled share option expense	27	**7,983**	379
Pension scheme contributions			
— Defined contribution fund		**598**	217
Housing fund			
— Defined contribution fund		**27**	115
		41,729	244,996
Depreciation of items of property plant and equipment	12	**28,321**	5,920
Amortisation of intangible assets^		**3,476**	693
Amortisation of prepaid land lease payments^	14	**269**	90
Depreciation and amortisation		**32,066**	6,703
Auditors' remuneration		**3,915**	2,054
Foreign exchange losses		**2,344**	1,183
Operating lease rentals in respect:			
— Motor vehicles		**612**	167
— Office building		**1,490**	355

^ The amortisation of intangible assets and prepaid land lease payments for the current year and the prior year is included in "Cost of sales" on the face of the consolidated statement of comprehensive income.

8. DIRECTORS' AND ACTING CHIEF EXECUTIVE OFFICER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and the Acting Chief Executive Officer's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	2012 **RMB'000**	2011 RMB'000
Fees	**3,971**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**7,257**	6,424
Equity-settled share-based payment	**—**	233,000
Equity-settled share option expense	**7,983**	379
Pension scheme contributions		
— Defined contribution fund	**41**	37
Housing fund		
— Defined contribution fund	**—**	8
	15,281	239,848
	19,252	239,848

In 2011, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period was determined as at the date of grant and the amount included in the financial statements for the current year and prior year are included in the above Directors' and Acting Chief Executive Officer's remuneration disclosures.

8. DIRECTORS' AND ACTING CHIEF EXECUTIVE OFFICER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Independent non-executive Directors

The fees and other emoluments paid to independent non-executive Directors during the year were as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2012				
Mr. Richard Wingate Edward Charlton	**645**	**–**	**1,330**	**1,975**
Mr. Keith Wayne Abell	**632**	**–**	**1,330**	**1,962**
Mr. Christopher Michael Casey	**645**	**–**	**1,330**	**1,975**
Mr. Maarten Albert Kelder	**632**	**–**	**1,331**	**1,963**
Mr. William Beckwith Hayden	**643**	**–**	**1,331**	**1,974**
Mr. Miu Edward Kwok Chi	**632**	**–**	**1,331**	**1,963**
	3,829	**–**	**7,983**	**11,812**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2011				
Mr. Richard Wingate Edward Charlton	–	65	63	128
Mr. Keith Wayne Abell	–	65	63	128
Mr. Christopher Michael Casey	–	65	63	128
Mr. Maarten Albert Kelder	–	65	63	128
Mr. William Beckwith Hayden	–	65	63	128
Mr. Miu Edward Kwok Chi	–	65	64	129
	–	390	379	769

8. DIRECTORS' AND ACTING CHIEF EXECUTIVE OFFICER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive Directors, non-executive Directors and the Acting Chief Executive Officer

	Fees RMB'000	Salaries, allowances and benefits fund in kind RMB'000	Pension scheme and housing share-based contributions RMB'000	Equity-settled payment RMB'000	Total RMB'000
2012					
Executive Directors					
Mr. Ran Xiaochuan	—	1,706	10	—	1,716
Mr. Zhu Xiaolin*	—	1,174	7	—	1,181
Mr. Huang Wei	—	550	—	—	550
Mr. Wang Fahai	—	300	—	—	300
Mr. Wu Wei	—	542	7	—	549
Mr. Zhao Shaohua	—	504	7	—	511
	—	4,776	31	—	4,807

8. DIRECTORS' AND ACTING CHIEF EXECUTIVE OFFICER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive Directors, non-executive Directors and the Acting Chief Executive Officer (continued)

	Fees RMB'000	Salaries, allowances and benefits fund in kind RMB'000	Pension scheme and housing share-based contributions RMB'000	Equity-settled payment RMB'000	Total RMB'000
2012					
Non-executive Directors					
Mr. Lee Kenneth Jue**	**142**	**—**	**—**	**—**	**142**
Mr. Shi Xiangdong	**—**	**1,500**	**—**	**—**	**1,500**
	142	**1,500**	**—**	**—**	**1,642**
Acting Chief Executive Officer					
Mr. Li Tao*	**—**	**981**	**10**	**—**	**991**
	142	**7,257**	**41**	**—**	**7,440**
2011					
Executive Directors					
Mr. Ran Xiaochuan	—	1,505	12	—	1,517
Mr. Zhu Xiaolin	—	1,505	12	233,000	234,517
Mr. Huang Wei	—	225	—	—	225
Mr. Wang Fahai	—	225	—	—	225
Mr. Wu Wei	—	471	12	—	483
Mr. Zhao Shaohua	—	503	9	—	512
	—	4,434	45	233,000	237,479
Non-executive Director					
Mr. Shi Xiangdong	—	1,600	—	—	1,600
	—	6,034	45	233,000	239,079

8. DIRECTORS' AND ACTING CHIEF EXECUTIVE OFFICER'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive Directors, non-executive Directors and the Acting Chief Executive Officer (continued)

* Mr. Zhu Xiaolin resigned as the Company's executive Director and Chief Executive Officer on 7 September 2012 and Mr. Li Tao has been appointed as the Company's Acting Chief Executive Officer since then.

** Mr. Lee Kenneth Jue was appointed as the Company's non-executive Director on 15 April 2012.

There was no arrangement under which a Director or the Acting Chief Executive Officer waived or agreed to waive any remuneration during the year (2011: Nil).

(c) Five highest paid employees

The five highest paid employees during the year are all Directors (2011: four Directors), details of whose remuneration are set out above. Details of the remuneration of the remaining one highest paid employee who is neither a Director nor the Acting Chief Executive Officer of the Company for the year ended 31 December 2011 are as follows:

	Group 2011 RMB'000
Salaries, allowances and benefits in kind	807
Pension scheme contributions	10
	817

The remuneration of the above highest paid, non-Director and non-Acting Chief Executive Officer during the year ended 31 December 2011 was below HK$1,000,000.

9. INCOME TAX

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 the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

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 for the year.

The major components of income tax expense were as follows:

	2012 **RMB'000**	2011 RMB'000
Current — Mainland China		
Charge for the year	**92,308**	11,675
Under-provision in prior years	**—**	396
Deferred (note 17)	**(8,072)**	(1,799)
Total tax charge for the year	**84,236**	10,272

9. INCOME TAX (continued)

A reconciliation of the income tax expense applicable to profit/(loss) before tax at the statutory rates is as follows:

	2012 RMB'000	2011 RMB'000
Profit/(loss) before tax	**263,098**	(233,975)
Add: disallowed expenses incurred by the Company*	**75,325**	287,461
Profit before tax generated by Hong Kong and PRC subsidiaries	**338,423**	53,486
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**81,318**	10,052
— Hong Kong subsidiary, at 16.5%	**2,170**	2,191
Income not subject to tax	**(2,439)**	(2,283)
Tax losses not recognised	**263**	74
Expenses not deductible for tax	**1,719**	194
Withholding income tax of 10% on the interest income of the Hong Kong subsidiary from PRC subsidiaries	**1,205**	—
Adjustments in respect of current tax of the previous year	**—**	396
Reversal of net deferred tax liabilities recognised in the previous year	**—**	(352)
Income tax expense	**84,236**	10,272

* Expenses incurred by the Company during the year mainly consist of professional fees relating to roadshow activities, consultancy services and foreign exchange losses incurred by the Company (2011: a one-time equity-settled share based payment expense and transaction costs in relation to the initial public offering incurred by the Company). These expenses are not expected to be tax deductible.

10. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2012 includes a loss of RMB75,325,000 (2011: RMB287,461,000) which has been dealt with in the financial statements of the Company (note 28).

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year ended 31 December 2012 is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,999,159,375 in issue during the year, as adjusted to reflect the repurchase of shares during the year (note 26).

The calculation of the basic loss per share amount for the year ended 31 December 2011 is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,148,208,219 in issue during 2011.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market price for the Company's shares during the current and the prior year.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infra-structure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2012							
Cost:							
At 1 January 2012	**16,940**	**179,151**	**2,114**	**3,701**	**41,864**	**73,700**	**317,470**
Additions	**568**	**14,599**	**2,459**	**5,279**	**66,337**	**28,529**	**117,771**
Acquisition of subsidiaries (note 31)	**–**	**620**	**–**	**–**	**28,731**	**–**	**29,351**
Transferred from CIP	**16,350**	**68,830**	**–**	**–**	**–**	**(85,180)**	**–**
At 31 December 2012	**33,858**	**263,200**	**4,573**	**8,980**	**136,932**	**17,049**	**464,592**
Accumulated depreciation:							
At 1 January 2012	**866**	**2,680**	**384**	**505**	**1,690**	**–**	**6,125**
Provided for the year	**1,709**	**10,963**	**1,033**	**1,880**	**12,736**	**–**	**28,321**
At 31 December 2012	**2,575**	**13,643**	**1,417**	**2,385**	**14,426**	**–**	**34,446**
Net carrying amount:							
At 1 January 2012	**16,074**	**176,471**	**1,730**	**3,196**	**40,174**	**73,700**	**311,345**
At 31 December 2012	**31,283**	**249,557**	**3,156**	**6,595**	**122,506**	**17,049**	**430,146**
31 December 2011							
Cost:							
At 1 January 2011	16,940	–	984	802	–	38,285	57,011
Additions	–	2,169	1,130	2,899	41,864	212,397	260,459
Transferred from CIP	–	176,982	–	–	–	(176,982)	–
At 31 December 2011	16,940	179,151	2,114	3,701	41,864	73,700	317,470
Accumulated depreciation:							
At 1 January 2011	48	–	82	75	–	–	205
Provided for the year	818	2,680	302	430	1,690	–	5,920
At 31 December 2011	866	2,680	384	505	1,690	–	6,125
Net carrying amount:							
At 1 January 2011	16,892	–	902	727	–	38,285	56,806
At 31 December 2011	16,074	176,471	1,730	3,196	40,174	73,700	311,345

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Additions to CIP during the year include interest capitalised in respect of bank loans amounting to RMB6,003,000 (2011: RMB5,038,000). The interest rate of borrowing costs capitalised was 7.98% (2011: 7.83%).

(b) As at 31 December 2012, the Group was in the customary process of obtaining the relevant building ownership certificates ("BOCs") for the Group's warehouse and plant with a net carrying amount of RMB12,352,000 (2011: RMB147,745,000). The Group's buildings can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

(c) As at 31 December 2012, the Group's buildings with a net carrying amount of approximately RMB10,450,000 (2011: Nil) were erected on the land where the Group was still in the process of applying for the land use rights certificate.

13. INTANGIBLE ASSETS

Group

	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
31 December 2012			
Cost at 1 January 2012, net of accumulated amortisation	**72,549**	**3,244**	**75,793**
Acquisition of subsidiaries (note 31)	**256,739**	**205,910**	**462,649**
Additions	**64,654**	**33,440**	**98,094**
Amortisation provided during the year	**(4,274)**	**—**	**(4,274)**
At 31 December 2012	**389,668**	**242,594**	**632,262**
Analysed as:			
Cost	**394,635**	**242,594**	**637,229**
Accumulated amortisation	**(4,967)**	**—**	**(4,967)**
Net carrying amount	**389,668**	**242,594**	**632,262**
31 December 2011			
Cost at 1 January 2011, net of accumulated amortisation	9,282	35,597	44,879
Additions	55	31,552	31,607
Transfer to mining rights	63,905	(63,905)	—
Amortisation provided during the year	(693)	—	(693)
At 31 December 2011	72,549	3,244	75,793
Analysed as:			
Cost	73,242	3,244	76,486
Accumulated amortisation	(693)	—	(693)
Net carrying amount	72,549	3,244	75,793

The exploration permit to the Liziping Mine was valid from 29 December 2010 to 29 December 2012. The Group submitted renewal application in November 2012. As at 31 December 2012, the Group was in the customary process of renewing the exploration permit to the Liziping Mine with net carrying amount of RMB233,410,000 (2011: not applicable). In the opinion of the Directors, there is no obstacle to obtain such renewed exploration permit to the Liziping Mine.

As at 31 December 2012, the mining right to the Shizishan Mine with a net carrying amount of RMB69,408,000 (2011: RMB72,549,000) was pledged to secure the Group's bank loans (note 24).

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2012	2011
	RMB'000	RMB'000
Carrying amount at 1 January	**13,396**	—
Additions	**—**	13,486
Recognised during the year	**(269)**	(90)
Carrying amount at 31 December	**13,127**	13,396
Current portion included in prepayments, deposits and other receivables (note 20)	**(270)**	(270)
Non-current portion	**12,857**	13,126

Prepaid land lease payments represented costs of land use rights in respect of the Group's leasehold land situated in Yunnan Province, the PRC, and held under medium lease terms.

15. PAYMENTS IN ADVANCE

	Group	
	2012	2011
	RMB'000	RMB'000
In respect of the purchase of:		
Prepaid land lease payments	**11,883**	3,785
Exploration rights	**—**	160,167
	11,883	163,952

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	RMB'000	RMB'000
Unlisted investment in Gilberta Holdings Limited ("Gilberta"), at cost *	**—**	—
Advances to subsidiaries	**1,233,838**	507,573
	1,233,838	507,573

* The cost of the investment in Gilberta is US$1.00.

As at 31 December 2012, except for the amounts advanced to Dehong Yinrun Mining Technology Development Company Limited ("Dehong Yinrun") which are denominated in RMB of RMB16,141,000, the remaining amounts advanced to subsidiaries included in the investments in subsidiaries above are denominated in US$, all of 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 subsidiaries.

The amounts due from/to subsidiaries as at the end of the reporting period included in the Company's current assets and current liabilities were unsecured, interest-free and repayable on demand or within one year.

16. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Company's subsidiaries are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company	Principal activities
			%	
Directly held:				
Gilberta	British Virgin Islands 3 November 2009	US$1.00	100.0	Investment holding
Indirectly held:				
Next Horizon Investments Limited	Hong Kong 3 November 2009	HK$1.00	100.0	Investment holding
Yunnan Next Horizon Polymetallic Investment Limited ("Yunnan Next Horizon")*	Mainland China 17 April 2012	RMB600,000,000	100.0	Sale of ore products
Dehong Yinbang Mining Technology Development Company Limited ("Dehong Yinbang")*	Mainland China 23 December 2009	US$48,500,000	100.0	Sale of ore products
Dehong Yinrun**	Mainland China 7 January 2010	RMB600,000,000	100.0	Sale of ore products
Kunrun	Mainland China 7 January 2010	RMB56,000,000	99.0	Mining, ore processing and sale of lead-zinc-silver ore products
Dakuangshan Company	Mainland China 12 February 2007	RMB45,000,000	90.0	Mining, ore processing and sale of lead-zinc ore products
Liziping Company	Mainland China 15 May 2007	RMB20,000,000	90.0	Mining, ore processing and sale of lead-zinc ore products
Menghu Company	Mainland China 4 June 2008	RMB3,000,000	90.0	Mining and sale of lead-zinc ore products

* Yunnan Next Horizon and Dehong Yinbang are registered as wholly-foreign-owned enterprises under PRC law.

** Dehong Yinrun is registered as a foreign investment enterprise under PRC law.

17. DEFERRED TAX

Group

The movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Pre- operating expenses RMB'000	Accrued interest expenses RMB'000	Losses available for off setting against taxable profit RMB'000	Unrealised profit from intra-group sales RMB'000	Provision for rehabi-litation RMB'000	Excess tax depreciation over book value of fixed assets RMB'000	Total RMB'000
At 1 January 2011	1,940	–	766	–	–	–	2,706
Deferred tax credited/ (charged) to profit or loss during the year (note 9)	(1,940)	980	(331)	695	96	1,614	1,114
At 31 December 2011 and 1 January 2012	–	980	435	695	96	1,614	3,820
Deferred tax credited/ (charged) to profit or loss during the year (note 9)	588	3,012	4,375	(67)	242	(78)	8,072
At 31 December 2012	588	3,992	4,810	628	338	1,536	11,892

As at 31 December 2012, the Group had accumulative tax losses arising in Hong Kong of RMB1,944,000 (2011: RMB1,193,000) that are available indefinitely for offsetting against future taxable profits of its Hong Kong subsidiary in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

17. DEFERRED TAX (continued)

Deferred tax liabilities

	Unrealised foreign exchange gains RMB'000
At 1 January 2011	685
Deferred tax credited to profit or loss during the year (note 9)	(685)
At 31 December 2011	—

Deferred tax assets and liabilities related to the PRC subsidiaries have been provided at the enacted corporate income tax rate of 25%.

According to the articles of association of Kunrun, shareholders of Kunrun have the ultimate power to decide Kunrun's dividend policy. Pursuant to the shareholders' resolution of Kunrun on 20 February 2013, the net profit of Kunrun for the year ended 31 December 2012, after appropriations to the statuary reserve fund and safety fund, would be used to operate and expand the Group's business and would not be distributed to its shareholders. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Kunrun for the year ended 31 December 2012 have been recognised.

18. INVENTORIES

	Group	
	2012	2011
	RMB'000	RMB'000
Raw materials	**4,601**	1,756
Spare parts and consumables	**3,986**	2,878
Finished goods	**4,251**	67
	12,838	4,701

19. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting periods, based on the invoice date, is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Within 3 months	**232,028**	20,304
3 to 6 months	**46,985**	—
	279,013	20,304

The Group temporarily extended the credit term offered to the existing customers from one month in 2011 to three months from May 2012 to December 2012 given the unfavourable market conditions and granted a three-month credit term to a new customer in October 2012. In view of the fact that the Group sells all of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over the settlement of its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over trade receivables. Trade receivables are non-interest-bearing and unsecured.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**232,028**	20,304
Less than 3 months past due	**46,985**	—
	279,013	20,304

19. TRADE RECEIVABLES (continued)

Receivables that were past due but not impaired related to a customer for whom the credit term was further extended up to nine months as at 25 January 2013. This customer has made subsequent repayment in accordance with repayment arrangement agreement dated then. Therefore, the Directors are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	**2012** **RMB'000**	2011 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories	(a)	**30,696**	38,136
— professional fees	(b)	**7,285**	—
— prepaid land lease payments to be amortised within one year	14	**270**	270
— Other prepayments		**1,088**	345
Interest income receivable		**580**	—
Deposits		**451**	44
Staff advances		**1,624**	1,868
Government grants receivable		**—**	2,000
		41,994	42,663
Non-current portion:			
Prepayment in respect of purchase of inventories	(a)	**123,714**	54,854
Deposits in respect of:			
— environmental rehabilitation		**1,170**	—
— an option to acquire interest in an entity		**—**	40,000
		124,884	94,854
		166,878	137,517

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Company

		2012 RMB'000	2011 RMB'000
Prepayments in respect of:			
— professional fees	(b)	**7,285**	—
— others		**467**	—
		7,752	—

Notes:

(a) The balance mainly represents prepayments of RMB154,135,000 (2011: RMB91,358,000) made to Xiangcaopo Mining, an independent third party supplier for tungsten and tin ores, of which the delivery commenced in December 2012. Mr. Li Jincheng, the sole owner of Xiangcaopo Mining, entered into an equity pledge agreement with the Group in June 2011, pursuant to which Mr. Li Jincheng pledged his entire equity interests in Xiangcaopo Mining to the Group as security for the future delivery of the ores.

(b) The balance represents professional fees prepaid for the provision of roadshow activities and consultancy services.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash and bank balances	**197,007**	870,311	**2,885**	814,427
Time deposits with original maturity of				
— 3 months	**70,000**	—	**—**	—
— 6 months	**60,000**	—	**—**	—
Cash and cash equivalents	**327,007**	870,311	**2,885**	814,427

21. CASH AND CASH EQUIVALENTS (continued)

At the end of the reporting period, cash and bank balances of the Group and the Company were denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**323,631**	45,357	**162**	—
HK$	**2,733**	751,361	**2,723**	751,356
US$	**643**	73,593	**—**	63,071
	327,007	870,311	**2,885**	814,427

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 authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for periods of three months and six months, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Within 1 month	**2,234**	2,232
1 to 2 months	**1,541**	1,117
2 to 3 months	**1,101**	426
Over 3 months	**8,819**	748
	13,695	4,523

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

23. OTHER PAYABLES AND ACCRUALS

Group

	2012	2011
	RMB'000	RMB'000
Payables relating to:		
Exploration and evaluation assets	**26,430**	674
Property, plant and equipment	**12,874**	85,155
Professional fees	**4,080**	9,638
Tax other than income tax	**30,928**	(3,282)
Payroll and welfare	**116**	81
Mining resource compensation fees	**9,466**	1,484
Mining resource usage fees	**913**	897
Non-controlling shareholder of the Dakuangshan Company	**4,385**	—
Others	**490**	63
	89,682	94,710
Accruals	**7,629**	6,856
	97,311	101,566

23. OTHER PAYABLES AND ACCRUALS (continued)

Company

	2012 RMB'000	2011 RMB'000
Payables relating to:		
Professional fees	**4,203**	9,638
Payroll and welfare	**6**	700
	4,209	10,338
Accruals	**1,361**	—
	5,570	10,338

The payable to the non-controlling shareholder of the Dakuangshan Company is interest-free and has no fixed term of repayment. The remaining other payables are non-interest-bearing and have average payment terms within three to six months.

24. INTEREST-BEARING BANK LOANS

	Group	
	2012 RMB'000	2011 RMB'000
Secured bank loans and repayable:		
Within one year	**60,000**	10,000
In the second year	**60,000**	60,000
In the third year	**—**	60,000
	120,000	130,000
Current portion	**(60,000)**	(10,000)
Non-current portion	**60,000**	120,000

24. INTEREST-BEARING BANK LOANS (continued)

The Group's bank loans are secured by the mortgage over the Group's mining right to the Shizishan Mine with a net carrying amount of RMB69,408,000 as at 31 December 2012 (2011: RMB72,549,000) (note 13). As at 31 December 2012, all bank loans were denominated in RMB and bore interest at 7.98% (2011: 7.83%) per annum.

The carrying amounts of the interest-bearing bank loans approximate to their fair values.

25. PROVISION FOR REHABILITATION

	Group	
	2012	2011
	RMB'000	RMB'000
At the beginning of year	**12,178**	—
Additions	**1,756**	11,796
Unwinding of a discount (note 6)	**969**	382
At end of year	**14,903**	12,178

26. SHARE CAPITAL

Shares

	2012	2011
	RMB'000	RMB'000
Authorised:		
38,000,000,000 (2011: 38,000,000,000) ordinary shares of HK$0.00001 each	**342**	342
Issued and fully paid:		
1,994,894,000 (2011: 2,000,000,000) ordinary shares of HK$0.00001 each	**17**	17

During the year, the Company repurchased 5,206,000 of its own shares on the HKSE within a price range from HK$1.17 to HK$1.56 per share, of which 5,106,000 of the repurchased shares were cancelled during the year. The issued capital of the cancelled shares was reduced by the par value and the premium paid thereon has been charged to share premium of the Company accordingly.

26. SHARE CAPITAL (continued)

The remaining repurchased 100,000 ordinary shares were held as treasury shares and carried at cost as at 31 December 2012, and were subsequently cancelled on 17 January 2013. Treasury shares have no voting rights, or rights to dividends and participation in other distributions.

The purchase of the Company's shares during the year was pursuant to the repurchase mandate granted by the shareholders to the Directors at the annual general meeting of the Company held on 12 June 2012.

27. SHARE OPTION SCHEME

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to Qualified Participants. The Share Option Scheme was approved by the Company's shareholders on 14 December 2011 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of the shareholders' approval of the Share Option Scheme (i.e., 14 December 2011). The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

27. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one to four years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Share Option Scheme, if earlier.

On 14 December 2011, the Company granted share options to independent non-executive Directors. Each independent non-executive Director was upon listing of the Company granted options to purchase such number of the Company's shares having an aggregate value of US$2 million with the exercise price being the offer price of HK$2.22 per share, which shall vest, and upon vesting become exercisable in four equal tranches on the first, second, third and fourth anniversaries of the listing date (i.e., 14 December 2011).

The exercise price of share options is determinable by the Board, but may not be less than the highest of (i) the nominal value of shares of the Company; (ii) the average official closing price of the Company's shares as stated on the HKSE's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the official closing price of the Company's shares as stated in the HKSE's daily quotation sheet on the date of grant of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The exercise prices and exercise periods of the share options outstanding as at 31 December 2012 and 31 December 2011 are as follows:

Number of options	Exercise price per share* HK$	Exercise period
10,540,536	2.22	From 14 December 2012 to 13 December 2016
10,540,542	2.22	From 14 December 2013 to 13 December 2016
10,540,542	2.22	From 14 December 2014 to 13 December 2016
10,540,542	2.22	From 14 December 2015 to 13 December 2016
42,162,162		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company share capital.

27. SHARE OPTION SCHEME (continued)

The fair value of the share options granted in 2011 was HK$19,626,000 (equivalent to approximately RMB15,953,000) or HK$0.47 each (equivalent to approximately RMB0.38 each), of which the Group recognised a share option expense of HK$9,797,000 (approximately RMB7,983,000) during the year ended 31 December 2012 (2011: HK$466,000, equivalent to approximately RMB379,000).

The fair value of equity-settled share options granted in 2011 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.83
Expected volatility (%)	63.65
Risk-free interest rate (%)	0.83

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 42,162,162 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,162,162 additional ordinary shares of the Company and additional share capital of HK$422 and share premium of HK$93,388,931 (before issue expenses).

Subsequent to the end of the reporting period, on 16 January 2013, a total of 157,837,838 share options were granted to certain of the eligible participants of the Company in respect of their services to the Group in the forthcoming year. The price of the Company's shares at the date of grant was HK$1.7 per share. The vesting period and the exercise price of the share options mentioned above are included in note 36 to the financial statements.

At the date of approval of these financial statements, the Company had 200,000,000 share options outstanding under the Share Option Scheme, which represented approximately 10.0% of the Company's shares in issue as at that date.

28. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 86 of the financial statements.

(a) Share premium account

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.

(b) Reserve funds

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profit 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 and Yunnan Next Horizon are wholly-foreign-owned enterprises, allocation to SSR is not required. According to the Rules for the Implementation of Foreign-funded Enterprise Law of the PRC and articles of association of Dehong Yinbang and Yunnan Next Horizon, Dehong Yinbang and Yunan Next Horizon are required to allocate 10% of profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of their registered capital.

As Dehong Yinrun is a foreign investment enterprise, allocation to SSR is not required. According to Dehong Yinrun's articles of association, Dehong Yinrun is required to allocate 10% of its profit after tax in accordance with PRC GAAP to 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 capitalised as paid-up capital.

28. RESERVES (continued)

Group (continued)

(c) Safety fund surplus reserve

Pursuant to the Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on the volume of mineral ore extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training

(d) Capital contribution reserve

The Group recognised an expense of RMB233,000,000 for the year ended 31 December 2011 in relation to the awarded shares to Grow Brilliant Limited, a company which is wholly owned and controlled by Mr. Zhu Xiaolin, the former executive Director and Chief Executive Officer of the Company, pursuant to a shareholders' resolution passed on 27 June 2011 with a corresponding amount credited to the capital contribution reserve.

(e) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained earnings should the related options expire or be forfeited.

28. RESERVES (continued)

Company

The amounts of the Company's reserves and the movements therein for the current and prior years are as follows:

	Note	Share premium account RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011		–	–	–	(806)	(806)
Issue of new shares		1,425,388	–	–	–	1,425,388
Share issue expenses		(64,728)	–	–	–	(64,728)
Equity-settled share-based payment		–	233,000	–	–	233,000
Equity-settled share option arrangement		–	–	379	–	379
Total comprehensive loss for the year		–	–	–	(287,461)	(287,461)
At 31 December 2011 and 1 January 2012		1,360,660	233,000	379	(288,267)	1,305,772
Repurchase of shares		(5,890)	–	–	–	(5,890)
Equity-settled share option arrangement	27	–	–	7,983	–	7,983
Total comprehensive loss for the year		–	–	–	(75,325)	(75,325)
At 31 December 2012		**1,354,770**	**233,000**	**8,362**	**(363,592)**	**1,232,540**

29. DIVIDENDS

At a meeting of the Board held on 22 March 2013, the Directors of the Company resolved not to pay final dividends to shareholders (2011: Nil).

30. SIGNIFICANT EVENTS

(a) Exercise of an option to acquire a 90% equity interest in the Dakuangshan Company

Pursuant to an option agreement dated 21 May 2011, the Group had the option to acquire a 90% equity interest in the Dakuangshan Company, which owns the mining right to the Dakuangshan Mine from Mr. Xi Wanli, the then controlling shareholder of the Dakuangshan Company and an independent third party, at the Group's sole discretion within a period of 18 months starting from 21 May 2011. On 20 April 2012, the Group exercised the option to acquire a 90% equity interest in the Dakuangshan Company, and a sale and purchase agreement was entered into between Mr. Xi Wanli and the Group on the same day. The consideration for the purchase of the 90% equity interest in the Dakuangshan Company was RMB145,000,000, which was fully paid on 29 May 2012. The acquisition of the Dakuangshan Company was completed on 1 June 2012 when the Dakuangshan Company completed its business registration change to reflect the acquisition of the 90% equity interest by the Group.

Particulars of the exercise of the option to acquire the 90% equity interest in the Dakuangshan Company were set out in the Company's announcement dated 20 April 2012.

(b) Acquisition of a 90% equity interest in the Liziping Company

The Group entered into a share transfer agreement on 9 June 2011 with Mr. Song Denghong, the then owner of the Liziping Company and an independent third party. The Liziping Company owns an exploration right to the Liziping Mine, a lead-zinc-silver polymetallic mine located in Yunnan Province with an exploration permit for a validity term from 29 December 2010 to 29 December 2012. On 18 May 2012, the Group entered into a supplemental sale and purchase agreement with Mr. Song Denghong, pursuant to which the Group agreed to acquire and Mr. Song Denghong agreed to sell 90% equity interest in the Liziping Company for a total consideration of RMB152,820,000, which was fully paid by 30 June 2012. The acquisition of the Liziping Mine was completed on 14 June 2012 when the Liziping Company completed its business registration change to reflect the acquisition of the 90% equity interest by the Group.

Particulars of the acquisition of the 90% equity interest in the Liziping Company were set out in the Company's announcement dated 18 May 2012.

30. SIGNIFICANT EVENTS (continued)

(c) Acquisition of a 90% equity interest in the Menghu Company

On 2 March 2012, the Group entered into a share transfer agreement with Mr. Xi Wanli, the owner of the Menghu Company and an independent third party. The Menghu Company owns a mining right to the Menghu Mine with a mining permit valid from 2 February 2010 to 2 May 2015. The Menghu Mine conducts upstream operations in the exploration and mining of primarily high-grade oxidized lead ore. Pursuant to the share transfer agreement, the Group has conditionally agreed to acquire a 90% equity interest in the Menghu Company at a total consideration of RMB85,500,000, which was fully paid on 16 August 2012. The acquisition of the Menghu Company was completed on 31 August 2012 when the Menghu Company completed its business registration change to reflect the acquisition of the 90% equity interest by the Group.

Particulars of the acquisition of the 90% equity interest in the Menghu Company were set out in the Company's announcements dated 5 March 2012, 6 March 2012 and 16 August 2012.

31. ACQUISITIONS

The acquisitions of the Dakuangshan Company, the Liziping Company and the Menghu Company have been accounted for as asset acquisitions, as these acquisitions had no attribution of a business. The identified assets and liabilities as at the respective dates of acquisition were as follows:

	Dakuangshan Company RMB'000	Liziping Company RMB'000	Menghu Company RMB'000	Total RMB'000
Property, plant and equipment (note 12)	28,731	436	184	29,351
Intangible assets (note 13)	161,986	205,910	94,753	462,649
Cash and bank balances	104	830	2,968	3,902
Inventories	1,314	—	55	1,369
Prepayments	166	—	308	474
Other payables	(31,190)	(37,377)	(3,267)	(71,834)
Non-controlling interests	(16,111)	(16,979)	(9,501)	(42,591)
Total identifiable net assets at fair value	145,000	152,820	85,500	383,320

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Dakuangshan Company RMB'000	Liziping Company RMB'000	Menghu Company RMB'000	Total RMB'000
Cash consideration	145,000	152,820	85,500	383,320
Prepayment/deposit paid in 2011	(40,000)	(120,000)	—	(160,000)
Cash and bank balances acquired	(104)	(830)	(2,968)	(3,902)
Net outflow of cash and cash equivalents during the year	104,896	31,990	82,532	219,418

32. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2012 RMB'000	2011 RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	**27,573**	320,671
— An option to acquire equity interest in an entity	**—**	105,000
— Property, plant and equipment	**23,993**	31,830
	51,566	457,501
Authorised, but not contracted:		
— Property, plant and equipment	**138,735**	92,280
— Exploration and evaluation expenditures	**254,820**	—
	393,555	92,280
	445,121	549,781

33. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

34. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had no transactions with its related parties.

(b) Compensation of key management personnel of the Group:

	2012	2011
	RMB'000	RMB'000
Fees	**3,971**	—
Basic salaries and other benefits	**7,257**	4,577
Equity-settled share based payment	**—**	233,000
Equity-settled share option expense	**7,983**	379
Pension scheme contributions	**41**	47
	19,252	238,003

Further details of Directors' and the Acting Chief Executive Officer's emoluments are included in note 8 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances and trade and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade and other payables and accruals and interest-bearing bank loans.

Risk management is carried out by the finance department which is led by the Group's executive Directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, liquidity risk, and interest rate risk.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The Board regularly reviews these risks and they are summarised below:

Credit risk

Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which are trade receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

As disclosed in note 4, the Group sells all of the products to a small number of customers. As a result, it faces a high level of concentration of credit risk. The Group manages this risk by offering standardised credit terms to its customers for an approved credit period of one month, which is temporarily extended to three months from May 2012 to December 2012 and further extended up to nine months for a customer as described in note 19 given the unfavourable market conditions. The Group seeks to maintain strict control over its outstanding receivables and senior management regularly reviews the overdue balances. In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate. During the year, the Group generated its revenue from the sale of lead-silver concentrates and zinc-silver concentrates to trading companies that purchase the Group's products and resell them to smelting companies, thereby exposing the Group to the concentration of credit risk in the refined lead and zinc industry.

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in HK$ and US$ arising from proceeds from the initial public offering of the Company's shares.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies as majority of the proceeds from the listing have been utilised by the Group during the year to expand its business operations in Mainland China. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$ and US$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and US$, respectively, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of cash and cash equivalents denominated in HK$ and US$, respectively).

	2012 **RMB'000**	2011 RMB'000
Increase/(decrease) in profit before tax:		
If RMB weakens against HK$	**137**	37,568
If RMB strengthens against HK$	**(137)**	(37,568)
If RMB weakens against US$	**32**	3,680
If RMB strengthens against US$	**(32)**	(3,680)

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and its own funding sources.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2012				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Total RMB'000
Other payables	16,392	42,246	—	—	58,638
Trade payables	11,461	2,234	—	—	13,695
Interest-bearing bank loans	—	—	69,156	61,535	130,691
	27,853	44,480	69,156	61,535	203,024

	31 December 2011				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Total RMB'000
Other payables and accruals	101,566	—	—	—	101,566
Trade payables	2,291	2,232	—	—	4,523
Interest-bearing bank loans	—	—	20,308	130,743	151,051
	103,857	2,232	20,308	130,743	257,140

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 24 to the financial statements. The Group manages its interest rate exposure arising from its interest-bearing bank loans through the use of fixed rates. In addition, the Group has not used any interest rate swaps to hedge against interest rate risk.

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 year.

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 interest-bearing bank loans approximate to their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities during the reporting period.

The carrying amounts of the Group's other financial instruments approximated to their fair values due to the short term to maturity at the end of the reporting period.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the year.

36. EVENT AFTER THE REPORTING PERIOD

The 2013 Granted Options carrying the rights to subscribe for up to a total of 157,837,838 ordinary shares of HK$0.00001 each in the share capital of the Company were granted by the Company to certain grantees under the Share Option Scheme conditionally adopted by the Company on 24 November 2011. The 2013 Granted Option had been approved by all independent non-executive Directors of the Company by way of a written resolution passed 16 January 2013. Among the 2013 Granted Option, 41,600,000 share options were granted to executive Directors and the Acting Chief Executive Officer of the Company.

Subject to the rules of the Share Option Scheme, 50% of the 2013 Granted Option may be exercised within the period from 16 January 2014 to 15 January 2018 (the "First Batch"), a further 25% of the 2013 Granted Option may be exercised within the period from 16 January 2015 to 15 January 2018 (the "Second Batch") and the remaining 25% of the 2013 Granted Option may be exercised within the period from 16 January 2016 to 15 January 2018 (the "Third Batch"). The exercise price of the First Batch is HK$1.7 per Share. The exercise price of the Second Batch and the Third Batch is to be determined with reference to the prevailing market price on the first anniversary and the second anniversary of the grant date.

Particulars of the 2013 Granted Options were set out in the Company's announcement dated 16 January 2013.

The fair value of the 2013 Granted Option as at the date of grant was HK$80,571,000 (equivalent to approximately RMB65,210,000) or HK$0.51 each (equivalent to approximately RMB0.41 each), of which the Group will recognise a share option expense of HK$43,873,000 (equivalent to approximately RMB35,508,000) for the year ending 31 December 2013.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 22 March 2013.

Glossary

"Ag"	the chemical symbol for silver
"Articles of Association"	the articles of association of the Company, conditionally adopted on November 24, 2011 and as amended from time to time
"Board"	the board of directors of our Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as amended from time to time contained in Appendix 14 of the Listing Rules
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chinese Standard"	the PRC classification of solid mineral resources and reserves (中國固體礦產資源／儲備分類標準)
"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
"Companies Ordinance"	the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Competent Person's Report"	the 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; under such report, 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, which was disclosed as appendix V to the Prospectus

"Dakuangshan Company"	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司) a company incorporated in the PRC and owned by Xi Wanli, an independent third party, who entered into an option agreement in relation to the Dakuangshan Mine with the Group on 21 May 2011
"Dakuangshan Mine"	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, with respect to which we hold an exploration permit
"Director(s)"	director(s) of the Company or any one of them
"g/t"	grams per tonne
"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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "HKSE"	The Stock Exchange of Hong Kong Limited

"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the International Accounting Standards (the "IAS") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"IPO"	the initial public offering and listing of shares of the Company on the main board of Hong Kong Stock Exchange on 14 December 2011
"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 (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time
"km"	kilometre(s), a metric unit measure of distance
"kt"	thousand tonnes
"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
"Listing Date"	14 December 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, China, operated by Xiangcaopo Mining, an independent third party

Glossary

"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a company incorporated in the PRC and owned by Song Denghong, an independent third party, who entered into a share transfer agreement in relation to the Liziping Mine with the Group on 9 June 2011
"Liziping Mine"	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right
"Menghu Company"	Meng La Chen Feng Mining Development Company Limited (勐腊縣宸豐礦業開發有限公司), a company incorporated in the PRC and owned by Mr. Xi Wanli, an independent third party, who entered into a share transfer agreement in relation to the Menghu Mine with the Group on 2 March 2012
"Menghu Mine"	a lead mine located in Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC
"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
"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

"Pb"	the chemical symbol for lead
"Prospectus"	the prospectus of the Company dated 2 December 2011 issued in connection with the IPO
"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
"QE3"	A third round of quantitative easing was announced by the US Federal Reserve in September 2012. The third round of quantitative easing includes a plan to purchase US$40 billion of mortgage-backed securities (MBS) per month
"Renminbi" or "RMB"	the lawful currency of the PRC
"Review Period"	the period from the Listing Date and up to the date of this annual report
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, and operated by Kunrun
"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
"sq.km."	square kilometer
"t"	tonnes
"tpd"	tonnes per day
"Twelfth Five-Year Plan"	the Communist Party of China Central Committee's proposal on formulating the 12th five-year programme (from year 2011 to 2015) on National Economic and Social Development

Glossary

”US dollars” or “US$”	the lawful currency of the United States
“Xiangcaopo Mining”	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in China, currently wholly owned by Li Jincheng, an independent third party
“Zn”	the chemical symbol for zinc