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PRC LAWS RELATING TO FOREIGN INVESTMENT IN THE MINERAL INDUSTRY

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries (amended in 2011) (《外商投資產業指導目錄(2011年修訂)》), which became effective on January 30, 2012, foreign investment in the exploration, exploitation and design of iron mines is categorized as an encouraged investment. According to the Comments Regarding Further Encouraging Foreign Investment (《關於當前進一步鼓勵外商投資的意見》), which became effective on August 3, 1999 and the Provisions on Guiding the Foreign Investment Direction (《指導外商投資方向規定》), which became effective on April 1, 2002, an encouraged foreign investment is entitled to receive certain benefits and incentives from the PRC Government.

PRC LAWS RELATING TO THE MINERAL INDUSTRY

Pursuant to the Mineral Resource Law (《礦產資源法》) promulgated on March 19, 1986, which became effective on October 1, 1986 and amended on August 29, 1996, and the related implementation rules promulgated on March 26, 1994, (a) mineral resources are owned by the State with the State Council exercising ownership over such resources on behalf of the State; (b) the department in charge of geology and mineral resources under the State Council is authorized by the State Council to supervise and administer the exploration and exploitation of mineral resources nationwide. The department in charge of geology and mineral resources, of each province, autonomous region or municipality directly under the PRC Government is responsible for the supervision and administration of the exploration and exploitation of mineral resources within its respective administrative regions; and (c) an enterprise that intends to explore and exploit mineral resources shall apply for each exploration and mining rights separately according to the relevant PRC laws, regulations and policies, and is required to undergo the registration process for each of the exploration and mining rights, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained mining rights.

Pursuant to the Provisions on the Administration of the Collection of Mineral Resources Compensation (《礦產資源補償費徵收管理規定》) promulgated on February 27, 1994, which became effective on April 1, 1994 and amended on July 3, 1997, mineral resources compensation shall be paid by the holder of the mining right if such holder decides to exploit mineral resources within the PRC territory, unless such PRC laws or administrative regulations provide otherwise.

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

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In order to encourage the integration and reform of local iron ore industry to resolve problems arising from small-scale or disordered production, such as low resource utilization and the lack of adequate environmental protection and safety measures, from 2005, the relevant PRC Government authorities have promulgated a number of policies and regulations. Such policies and regulations include but are not limited to the Circular of the State Council on Comprehensive Rectifying and Regulating the Order of Mineral Resources Development (《國務院關於全面整頓和規範礦產資源開發秩序的通知》) promulgated and implemented on August 18, 2005, the Notice of the General Office of the State Council on Forwarding the Opinions Ministry of Land and Resources and Other Departments to Integrate the Mineral Resources Development (《國務院辦公廳轉發國土資源部等部門對礦產資源開發進行整合意見的通知》) promulgated and implemented on December 31, 2006, and the Notice on Further Advancing the Integrate Work of the Mineral Resource Development (《關於進一步推進礦產資源開發整合工作的通知》) promulgated on September 28, 2009. These policies and regulations encourage enterprises with comparative advantages to acquire or cooperate with those small-scale enterprises to optimize local mining activities, and relevant government authorities at county, city, district and provincial level shall make and/or implement the mine consolidation plans.

PRC LAWS RELATING TO FOREIGN EXCHANGE

Pursuant to the Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996, which became effective on April 1, 1996 and amended on August 5, 2008 and its relevant implemental regulations, including the Regulations on the Sale, Purchase of and Payment In Foreign Exchange (《結匯、售匯及付匯管理暫行規定》), Renminbi payments under current account items, such as trade related payments, and interest and dividend payment, can be converted into foreign currencies through providing valid documents to relevant financial institutions engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the PRC. Foreign exchange proceeds under the current account items may either be retained or sold to financial institutions engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the PRC. For foreign exchange proceeds under the capital account items, the conversion of foreign currencies into Renminbi and remittance of the converted foreign currency outside the PRC under capital account items, such as direct equity investments, loans and repatriation of investments, requires the prior approval from the SAFE or its local office, except where such approval is not required under the rules and regulations of the PRC. Payments for transactions that take place within the PRC must be made in Renminbi, except otherwise stipulated by the state. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by the SAFE or its local office.

Pursuant to the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“Circular 75”), promulgated on October 21, 2005 and became effective on November 1, 2005, (a) a PRC individual or legal person (a “PRC Resident”) must register with the local SAFE branch for his or her or its establishment or control of an overseas special purpose vehicle (“SPV”) for the purpose of conducting overseas equity financing; (b) when a PRC Resident contributes assets or equity interests to an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC

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Resident must register his or her or its interest in the overseas SPV or any change to his or her or its interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as a change in share capital or merger and acquisition, the PRC Resident must, within 30 days after the occurrence of such event, register such change with the local SAFE branch. Pursuant to Circular 75, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on a PRC subsidiary's ability to distribute any dividends to the overseas SPV.

On July 21, 2005 the People's Bank of China (the "PBOC") issued a Public Announcement of the PBOC on Improving the Reform of the RMB Exchange Rate Regime (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》), which announced that the PRC Government would reform the exchange rate regime by using a managed floating exchange rate, which is pegged to a basket of currencies, instead of being pegged to the US Dollar.

PRC LAWS RELATING TO QUALITY

The revised Product Quality Law of the PRC (《中華人民共和國產品質量法》) was promulgated on July 8, 2000 and became effective on September 1, 2000. The State Council's product quality supervision authority is in charge of the nationwide supervision of product quality, while the local product quality supervision authority at or above the county level is responsible for supervising the product quality within its respective administrative region. Producers and sellers shall establish internal quality management systems; implement strict job quality specifications and corresponding quality evaluation procedures. The PRC Government encourages the enterprises to ensure that the quality of their products achieve and surpass the industrial, national and international standards.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

The PRC laws and regulations on environmental protection include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated and became effective on December 26, 1989; the Air Pollution Prevention of the PRC (《中華人民共和國大氣污染防治法》) revised on April 29, 2000 and became effective on September 1, 2000; the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) revised on February 28, 2008 and became effective on June 1, 2008 and the related implementing regulations (《中華人民共和國水污染防治法實施細則》) promulgated and became effective on March 20, 2000; the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) amended on December 29, 2004 and with effect from April 1, 2005; the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002 and with effect from September 1, 2003; the Rule on Classification for Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價文件分級審批規定》) promulgated by the Ministry of Environmental Protection of the PRC on January 16, 2009, and with effect from March 1, 2009; the Rules on the Administration concerning Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated and became effective on November 29, 1998 and the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated on December 27, 2001 and became effective on February 1, 2002.

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Pursuant to the laws and regulations stated above, an enterprise that discharges and dispenses toxic and hazardous materials including waste water, solid waste and waste gases, shall comply with the applicable national and local standards, as well as report to and register with the applicable environmental protection authority. Failure to comply can result in a warning, an order, or a penalty against the enterprise. Before commencing a construction project, an environmental impact assessment report must be submitted by an enterprise to the relevant environmental protection authority for approval. Relevant projects may be put into trial production once they obtain the approval for trial production from relevant authorities. An acceptance inspection by the relevant environmental protection authority is required before the completed project can commence its formal operations.

Pursuant to Regulation on the Administration of the License for Water Drawing and the Levy of Water Resource Fees (《取水許可和水資源費徵收管理條例》) promulgated on February 21, 2006, became effective on April 15, 2006. Any entity or individual that draws water resources shall, except for the circumstances prescribed in the Regulation, apply for a license certificate for water drawing, and pay water resource fees. The water administrative departments of the people's governments at the county level or above shall, in light of the powers for graded administration, take charge of organizing, implementing, supervising and administering the institution of license for water drawing. The valid term of a license certificate for water drawing shall generally be 5 years, and shall not exceed 10 years. If, at expiry of the valid term, the license certificate needs to be renewed, the water drawing entity or individual shall file an application to the original approval organ 45 days prior to the expiry of the valid term. The original approval organ shall, prior to the expiry of the valid term, make a decision on whether or not to approve the renewal.

PRC LAWS RELATING TO GEOLOGICAL ENVIRONMENT PROTECTION

Pursuant to the Hebei Province Interim Regulations on the Management of Security Deposits for the Restoration of the Ecological Environment of Mines (《河北省礦山生態環境恢復治理保證金管理暫行辦法》) promulgated on December 25, 2006 and became effective on January 1, 2007 and other relevant regulations, (a) a holder of mining rights shall pay a security deposit to guarantee performance of its obligations to restore the ecological environment of the relevant mines; (b) the amount of the first installment of the security deposit shall not be less than 30% of the total amount, provided that the effective term of the relevant mining permit is more than three years and the remainder of the security deposit shall be paid every two years in an amount that in each case shall not be less than 50% of the remaining amount of the security deposit provided further that the remaining amount of the security deposit shall be fully paid at least one year prior to the expiration of the relevant mining permit; (c) the entire amount of security deposit collected shall be placed in a special account; (d) prior to the closure of a mine, the holder of the relevant mining rights shall complete the restoration of the ecological environment of the mine, apply for an inspection of the mine and submit a report regarding the restoration of the mine; and (e) the security deposit together with interest shall be refunded if the inspection is satisfactory, otherwise, the relevant land and resources authority shall organize the restoration using the security deposit and the relevant mine owner shall be liable for any shortfall if the security deposit is insufficient.

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PRC LAWS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated on June 29, 2002 and became effective on November 1, 2002 and the Law of the PRC on Safety in Mines (《中華人民共和國礦山安全法》) and its related implementation rules (《實施條例》) promulgated on November 7, 1992 and October 30, 1996 and became effective on May 1, 1993 and October 30, 1996, respectively, (a) safety facilities in mine construction projects must be designed, constructed and put into operation at the same time as the commencement of the principal parts of the projects; (b) the design of a mine shall comply with the safety rules and technological standards of the mining industry and shall be approved by the relevant authorities; and (c) such mines may start commercial production or operations only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

The Regulation on The Provisions on the Supervision and Management of Tailings Dams (《尾礦庫安全監督管理規定》) became effective on July 1, 2011. Pursuant to the regulation, (a) safety facilities in the tailings dam construction projects must be designed, constructed and put into operation at the same time as the commencement of the principal parts of the projects; (b) the design of a tailings dam shall comply with the safety rules and technological standards of the mining industry and shall be approved by the relevant authorities; and (c) such tailings dam may start trial production after the relevant filing has been made with relevant safety administrative authorities and may commence production only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

The Regulation on Work Safety Licenses (《安全生產許可證條例》) was promulgated and became effective on January 13, 2004. Pursuant to the regulation, (a) the work safety licensing system is applicable to any enterprise engaging in mining and such enterprise may not produce any products without obtaining a work safety license; (b) prior to producing any products, the mining enterprise shall apply for a work safety license, which is valid for three years; and (c) if a work safety license needs to be extended, the enterprise must apply for an extension with the administrative authority who issued the original license three months prior to the expiration of the original license.

Pursuant to the Administration Rules on Extraction and Usage of Enterprise Safety Expenses (《企業安全生產費用提取和使用管理辦法》), promulgated and became effective on February 14, 2012, the non-coal mining enterprises should extract enterprise safety expenses monthly in accordance with the standards prescribed in such rules, for metal mines, the enterprises safety expenses shall be extracted at RMB5 per tonne based on its production amount of ores. The extracted enterprise safety expenses shall be used for costs that are directly related to safe production, such as perfection, renovation and maintenance of safe protection facilities, conduct safe production examination and consultation, propagating and providing safe production training.

PRC LAWS RELATING TO LABOR

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) promulgated on July 5, 1994 and became effective on January 1, 1995 and the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and became effective on January 1, 2008, if an employment relationship is established between an entity and its employees, written labor

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contracts shall be prepared. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the PRC on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated and became effective on January 22, 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) promulgated and became effective on March 19, 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and with effect from July 1, 2011, employees shall participate in basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance schemes. Basic pension, medical insurance and unemployment insurance contributions shall be paid by both employers and employees while work-related injury insurance and maternity insurance contributions shall be solely paid by employers.

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

PRC LAWS RELATING TO TAXATION

Enterprise Income Tax

The New Tax Law became effective on January 1, 2008, replacing the Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》) and Provisional Regulations of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅暫行條例》). The New Tax Law imposes a single uniform tax rate of 25% for most domestic enterprises and foreign-invested enterprises and contemplates various transitional periods and procedures. The Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》) (the "Notification") which was promulgated and became effective on December 26, 2007 further clarifies that from January 1, 2008, the enterprises that enjoyed a "Two year exemption and three year half payment" of enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions according to the then applicable tax laws, administrative regulations and relevant documents may, after the enactment of the Enterprise Income Tax Law, continue to enjoy such benefits until the expiration of the applicable period. Enterprises whose preferential treatment period has not commenced due to the fact that no profits had been generated in previous years will enjoy such preferential tax treatment beginning January 1, 2008 until the expiry of such period.

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Resources Tax

Pursuant to the Interim Regulations of the PRC on Resource Tax (《中華人民共和國資源稅暫行條例》) promulgated on December 25, 1993 and became effective on January 1, 1994, any enterprise or individuals engaged in the exploitation of mineral products within the PRC is subject to pay resource taxes.

Pursuant to the Measures for the Administration of the Usage Fee and Purchase Price of Mineral Exploration and Mining Rights (《探礦權採礦權使用費和價款管理辦法》) promulgated by the Ministry of Finance and the Ministry of Land and Resources on June 7, 1999 and became effective on June 7, 1999, any party which conducts mining activities for mineral resources in the PRC is required to pay a usage fee and purchase price to the State. The usage fee is calculated with reference to the area of land subject to mining activity and the purchase price calculated based on an evaluation conducted by the geological and mineral administrative authorities under the State Council.

Pursuant to the Circular of the Ministry of Finance, the State Administration of the Taxation, on Adjusting the Policy on Resource Tax of Molybdenum Ore and Other Resources (《財政部、國家稅務總局關於調整鉬礦石等品目資源稅政策的通知》) promulgated on December 12, 2005 and became effective on January 1, 2006, the resource tax rate on iron ores shall temporarily be adjusted to 60% of the standard rate.

Pursuant to the Circular of the Ministry of Finance and the State Administration of the Taxation on Adjusting the Policy on Resource Tax of Tin Ore and Other Resources (《財政部、國家稅務總局關於調整錫礦石等資源稅適用稅率標準的通知》) promulgated and became effective on February 1, 2012, the resource tax rate on iron ores are further adjusted to 80% of the standard rate.

Value-added Tax

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994 and were amended on November 10, 2008. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) were promulgated by the Ministry of Finance on December 25, 1993 and were amended and came into effect on January 1, 2009. According to the Provisional VAT Regulations and the Provisional VAT Implementation Rules, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For taxpayers selling or importing goods other than those specifically listed in the Provisional VAT Implementation Rules, or for taxpayers providing processing, repairs and replacement services, the value-added tax rate is 17%.

Pursuant to the Notice of Value-added Tax Rate in Metal and Non-metal Mineral Dressing Products (《關於金屬礦非金屬礦採選產品增值稅稅率的通知》) promulgated on December 19, 2008 and became effective on January 1, 2009, beginning from January 1, 2009 the value-added tax rate for metal and non-metal mineral dressing products, including iron ores, is adjusted from 13% to 17%.

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Land Use Tax

On September 27, 1988 the State Council promulgated the Provisional Regulations of the PRC on Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用稅暫行條例》) which came into effect on November 1, 1988 and were amended on December 31, 2006. From January 1, 2007, foreign invested enterprises and foreign enterprises became subject to the payment of land use tax. According to such regulation, all enterprises and individuals who use land within the territories of cities, county towns, villages operated under an organizational system and industrial and mining districts, shall be subject to the payment of land use tax. The annual rates for land use tax per square meter of land is: (i) between RMB1.5 and RMB30 in large cities; (ii) between RMB1.2 and RMB24 in medium sized cities; (iii) between RMB0.9 and RMB18 in small cities; (iv) between RMB0.6 and RMB12 in county towns, villages operated under an organizational system and industrial and mining districts.

PRC LAWS RELATING TO DIVIDEND DECLARATION

Pursuant to the Implementation Rules on the Foreign-invested Enterprises Law (《中華人民共和國外資企業法實施細則》) promulgated and became effective on September 20, 1983 and amended on April 12, 2001, the foreign-invested enterprise shall pay certain taxes and allocate portions of its profits to the reserve funds, and welfare funds, prior to the declaration of its dividends. The allocation proportion of reserve funds shall be no less than 10% of its after-tax profits, and the welfare funds will be decided by the enterprise.

PRC LAWS RELATING TO LAND

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated on June 25, 1986 and became effective on January 1, 1987 and amended on August 28, 2004, land owned by the State and land collectively-owned by collective economic entities may be allocated and used by units or individuals according to law. The ownership of land and land use rights registered according to the relevant laws shall be protected by law. In the case of temporary use of state-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural collective organizations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years.

Pursuant to the Implementation Rules on the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》) promulgated and became effective on March 26, 1994, a mining rights holder shall have the right to obtain the land use rights according to the relevant PRC laws for the production and construction.

According to Regulation on Land Reclamation (《土地復墾條例》) promulgated and became effective on March 5, 2011, mining enterprise shall perform land reclamation work pursuant to relevant planning rules and land reclamation procedures after finishing using of the relevant land which was damaged during the mining operations.