OVERVIEW

We are an iron ore mining and processing company based in Hebei Province, the province with the largest steel production and iron ore consumption volumes in China. We currently own and operate four iron ore mines, namely, Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine, all of which are located in Laiyuan County, Hebei Province. Our mines are located near convenient road and rail transportation networks, providing easy access to regions in Hebei and Shanxi Provinces where demand for iron ore products is high. According to the CPR, as of June 30, 2013, our mines had approximately 413.6 Mt of total indicated resources and approximately 326.8 Mt of probable reserves, together with approximately 223.7 Mt of inferred resources.

During the Track Record Period, our products included 66% TFe iron ore concentrates processed at Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine, and preliminary concentrates and iron ores processed at and recovered from Zhijiazhuang Mine. Our operations involve recovering iron ores and weakly mineralized wall rocks through open-pit mining and processing them into preliminary concentrates through dry processing, which could be further processed into iron ore concentrates through wet processing. Dry processing is adopted to remove impurities through crushing and dry magnetic separations. Wet processing allows us to further grind the preliminary concentrates and remove impurities through milling and magnetic separations where water is applied during the entire process. For further details of our production, see "– Mining Operations and Processing Facilities." We believe that our iron ores have commercially attractive attributes, with low content of impurities such as sulphur, phosphorus, silicon and titanium. In addition, iron ores recovered from Zhijiazhuang Mine are able to be processed into alkaline iron ore concentrates with a high content of MgO, which can function as a blending material to adjust the pH value of the component materials used in iron making so that no or minimal flux would be needed in the process, which prevents the grade decrease of the component materials. As a result, such iron ore concentrates could reduce coke consumption, improve the furnace efficiency and lower iron making costs. We believe that these attributes appeal to steel mills and can generally command a pricing premium.

According to the AME Report, China has the highest demand for iron ores in the world. It had a demand of approximately 1,071.1 Mt of iron ores in 2012, accounting for approximately 57.3% of the global iron ores demand. As the largest steel producing province in China, Hebei Province consumed approximately 250.5 Mt of iron ores in 2012, accounting for approximately 24.8% of the total iron ore consumption in China. Out of the total iron ores consumed in Hebei Province in 2012, only approximately 81.5 Mt, or 34.6%, were supplied locally.

By leveraging our low cash operating costs, strategic location, experienced and stable management team, commercially attractive attributes of our products and strong growth potential through expansion of our mining and processing capacities, we believe that we are well-positioned to benefit from the continuous growth in steel production and significant shortage in domestically produced iron ore products in China, especially in Hebei and Shanxi Provinces.

OUR COMPETITIVE STRENGTHS

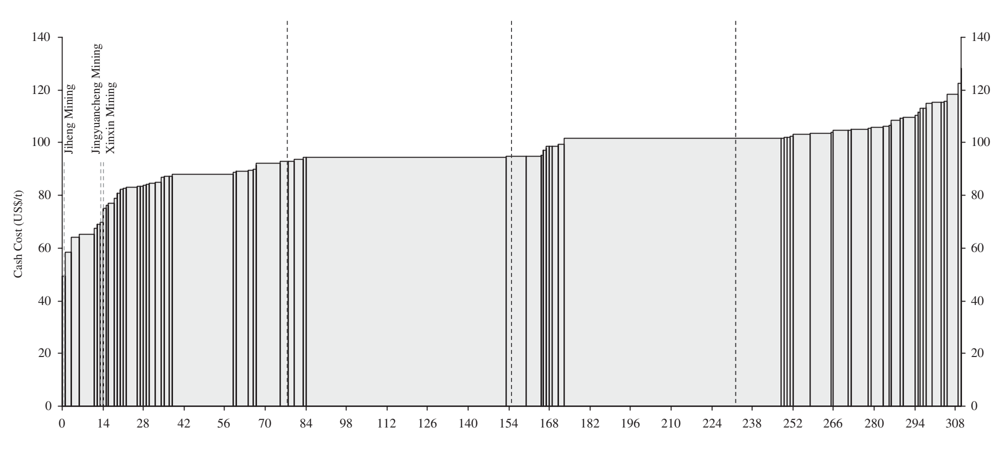
Our favorable mine quality and geological conditions, well-designed mining plan and well-equipped processing facilities enable us to achieve market leading low cost production

Our reserves are primarily located in areas with geological conditions favorable for low cost mining, low cost processing and high processing recovery rate. Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are located in the Dushancheng mining area and possess similar conditions in mineralization genesis, ore type and structure. The magnetite deposit in the Dushancheng mining area is distributed with straight contact boundaries to separate the fine grains from the gangue minerals, making it easy to dissociate and recover. In addition, the large scale of these mines enables us to achieve economies of scale in mining and processing operations, which we expect to allow us to control mining costs as we continue to ramp up our production capacity. According to the CPR, our Zhijiazhuang Mine contains relatively high grade iron ore reserves at an average mFe grade of 25.93%, which could be extracted and processed into iron ore concentrates at a high recovery rate.

In addition, we have well integrated and managed operations and advanced processing facilities. We have built on-site dry processing plants for all of our mines and associated wet processing plants within approximately six to 11 km of Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine, which could significantly reduce the transportation costs. Moreover, all of our dry processing plants have been equipped with advanced and customized equipment manufactured by Metso Corporation. Using a three-staged closed circuit crushing and separating system, our dry processing enables us to grind iron ores into optimal particle size for preliminary concentrates, significantly reduce the transportation load to wet processing plants and increase the efficiency of the subsequent wet processing with reduced tailings.

We expect the factors described above to enable us to achieve low cost production at our mines. According to the CPR, the unit cash operating costs per tonne of iron ore concentrates for Jiheng Mining, Jingyuancheng Mining and Xinxin Mining are estimated to be RMB154.9, RMB345.4 and RMB402.2 in 2014, respectively. As indicated by the cost curve shown below, the estimated cash costs of our mines in 2014 are expected to be among the lowest quartile of the PRC iron ore concentrates producers.

2014 China Cost Curve



Source: The AME Report

Notes:

(1) Miners are arranged in order from lowest cost producer on the left to the highest cost producer on the right. Estimated unit cash costs are shown on the vertical axis and are represented by the height of each bar. The width of the bars indicate the quantity each miner is forecasted to produce for 2014. AME aggregates smaller privately owned Chinese mines by province, which are unfeasible to track on an individual basis. As such, many smaller scale domestic Chinese mine operators with higher cost which generally dominate China's iron ore supply are not reflected individually on AME's China cost curve as these are averaged out at the provincial level. As a result, the width of the relevant bars are wider than the bars for individual miners. The cumulative production of the miners are shown and cumulated along the horizontal axis on a dry metric tonne basis, such that the cumulative production volume for the miners in 2014 is forecasted to be approximately 310.9 Mt. The forecasted 2014 production volume of Jiheng Mining is 454.86 Kt or 0.5 Mt, Jingyuancheng Mining is 647.92 Kt or 0.6 Mt and Xinxin Mining is 243.97 Kt or 0.2 Mt, and such production volume has been cumulated with other PRC miners on the horizontal axis. The production volumes for Jiheng Mining, Jingyuancheng Mining and Xinxin Mining have been taken from the designed production plan in stage one (open-pit mining) as set out in the CPR.

(2) The main purpose of AME's cost estimation work is to identify the cash operating costs of iron ore mines and to analyze the relative cash cost competitiveness of individual operations. Examples of the cost components taken into account include the cost of mining, processing, labor, energy, supplies, maintenance, royalties, transportation and loading. These costs are calculated to reflect the overall efficiency of each operation in terms of mining, processing and beneficiating the ore, transporting it to the port and port handling costs. AME's costing model calculates costs using a wide range of mine-specific data which may include labor rates, production capacities, waste-to-ore ratios, transport distances, port costs, product recoveries, and state and country-specific royalty formulae. The China cost curve above is prepared for Chinese domestic mines for comparability purposes. The cash costs used in the cash cost curve include estimated mine cash operating costs and transportation costs from the Chinese domestic mines to the primary steel mill customers or the main offtakers to which products are delivered to rather than to a port for export. This analysis also includes the captive mines of state-owned steel mills, where the ores produced are to satisfy the needs of state-owned steel mills other than for open market sales. The costs forecasted may be derived from offtake agreements, publicly available information or discussions with individual iron ore producers in the PRC.

(3) The 2014 cash costs per tonne of concentrates for Jiheng Mining, Xinxin Mining and Jingyuancheng Mining are estimated to be approximately US$39.2, US$72.3 and US$69.9. The Company's mine cash operating costs are taken from the total cash operating cost per concentrate disclosed in the CPR. Transportation costs have been estimated assuming product is delivered to the following steel mill and pelletising plant customers located within Hebei: Hebei Jingye Group (河北敬業集團), Xinji Aosen Steel Co., Ltd. (辛集市奧森鋼鐵有限公司), Laiyuan Aoyu Steel Co., Ltd. (淶源奧宇鋼鐵有限公司) and Hengchang Pellet Plant (恒昌球團廠), with whom the Company has entered into supply and cooperation agreements. The transportation costs were calculated based on the freight rate associated with the sales volume-weighted road-haulage distance which is based on off-take information provided by the Company. For Jingyuancheng Mining, the estimated volume-weighted road haulage distance is 143km and this corresponds to a freight cost of approximately RMB80 per wet metric tonne. For Jiheng Mining, the estimated volume-weighted road haulage distance is 146km which also corresponds to a freight cost of around RMB80 per wet metric tonne. The assumed volume-weighted road haulage distance for Xinxin Mining is 107km which amounts to a freight cost of RMB42 per wet metric tonne. In all the calculations, USD:RMB exchange rate of 6.2 is applied.

(4) To construct cost curves and undertake industry analysis, AME compiles information from a variety of sources, including reports made available by producers, direct contact and trade publications, which may not be updated on a timely basis to the latest by the sources. In addition, through the data validation process, AME inevitably made assumptions and judgement with respect to data that such analyst is unable to obtain. Thus, AME's work uses a wide range of public domain and industry data sources upon which AME considers reasonable to rely for the purpose of compiling the cost estimation database but for which it is not responsible. AME then compiles, interprets and analyzes these data to make estimates of producing mines and plants. AME believes that the sources of the information in the AME Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. To the best of AME's knowledge after making all due and reasonable inquiries, AME has no reason to believe that such information is false, inaccurate or misleading or that any part has been so omitted that would render such information false, inaccurate or misleading. However, there can be no assurance as to the accuracy or completeness of the included information. Investors are cautioned not to put undue reliance on forecast and forward-looking information. Moreover, all cost curves embody a number of significant assumptions with respect to exchange rates and other market variables. Thus, the manner in which cost curves are constructed means that they have limitations.

We are well positioned to benefit from the continued shortage of iron ore supply in China, in particular in Hebei Province, the largest steel producing province in China

Driven by the continuous economic growth and increasing urbanization, the demand for steel in China has significantly increased in the past decade. According to the AME Report, China has been the largest steel producer in the world since 2005, consistently accounting for approximately 45.0% of global steel production since 2009.

According to the AME Report, crude steel production in China increased from approximately 348.1 Mt in 2005 to approximately 716.5 Mt in 2012, representing a CAGR of 10.9%. However, over 60% of iron ores consumed in China in 2012 were imported and the shortage of domestically produced iron ores is expected to continue. According to the AME Report, China is likely to remain the largest iron ore importer in the world in the near term.

Hebei Province is the largest steel producing province, accounting for approximately 25.2% of the total steel output in China in 2012. It also has the highest demand for iron ores in China, accounting for approximately 24.8% of China's total iron ores demand in 2012, according to the AME Report. To meet its demand, Hebei Province imported approximately 163.7 Mt of iron ores, or approximately 65.3% of its iron ore consumption, in 2012.

The national and regional shortage of iron ore supply offers significant potential markets for iron ore producers like us. We believe our location in Hebei Province, combined with our expected low production costs and other advantages as disclosed in this section would place us favorably in seizing such opportunities compared to many other iron ore producers in the PRC.

Our management team is experienced and stable, with extensive industry knowledge and in-depth understanding of our operations

Our operation is led by an experienced and stable management team, comprising Directors and senior executives, the majority of whom have more than ten years of experience in the mining industry. In particular, our core management members, including the chairman of the Board and executive Directors in charge of technical and administrative management for mining and processing operations, have been working together since 2005, and each of them has acquired an in-depth understanding of the history, current status and expansion plans of our mines and operations.

Moreover, we have engaged industry specialists and experienced professionals at the middle management level of our Group to carry out key functions within our Group and to support our senior management team. Our management members and key personnel have appropriate education, training and/or work experience in their respective fields.

We believe that the stable management team with broad industry knowledge and extensive managerial expertise in the iron ore industry would allow us to successfully implement our expansion and production plans, effectively control our operating costs, identify and seize market opportunities, formulate sound business strategies, assess and manage risks, and increase our overall profit to maximize our shareholder value. See "Directors and Senior Management."

Our iron ore products have commercially attractive attributes

According to the CPR, iron ores from all of our mines have a relatively low content of impurities, such as sulphur, phosphorus, silicon and titanium compared to other PRC mines, which contributes to the production of high quality iron ore concentrates that are appealing to steel mills, especially steel mills which produce high quality steel.

In addition, the iron ore resource in Zhijiazhuang Mine generally has a mFe grade of between 30% and 50%. The iron ore concentrates produced from Zhijiazhuang Mine are alkaline iron ore concentrates with a high content of MgO, which can function as a blending material to adjust the pH value of the component materials used in iron making so that no or minimal flux would be needed in the process, which prevents the grade decrease of the component materials. As a result, it reduces coke consumption, improves the furnace efficiency and lowers iron making costs. According to the AME Report, currently, alkaline iron ores can generally charge a premium market price over acidic iron ores with the same TFe grade in Hebei Province. Therefore, we believe that, with such desirable characteristics, the iron ore concentrates produced from Zhijiazhuang Mine are able to command higher market prices than acidic iron ore concentrates with the same TFe grade.

Our mines are strategically located with convenient road and rail connectivity to major iron ore demand regions in Hebei Province and Shanxi Province, which helps us control transportation costs

All of our mines and associated processing plants are located along the main roads in Laiyuan County. Gufen Mine and its associated processing plants are within 0.5 km from Tian-zou Road (天走綫), a provincial highway. Wang'ergou Mine, Shuanmazhuang Mine and their associated processing plants are located only approximately six km west of Tian-zou Road (天走綫). Zhijiazhuang Mine and its associated processing plants are located only approximately 12 km south of G112 Highway (112國道). In addition, Tian-zou Road (天走綫) and G112 Highway (112國道) further connect our mines and processing plants to our target customers in major iron ore demand areas in Hebei Province and Shanxi Province through Jing-Yuan Railway Line (京原綫) and G4 Highway (京港澳高速公路), along which many steel mills are located, such as Xuanhua Steel Group Co., Ltd. (宣化鋼鐵集團有限責任公司), Hebei Jingye Steel and Iron Limited Company (河北敬業鋼鐵有限公司), Xingtai Iron & Steel Corp., Ltd. (邢台鋼鐵有限責任公司), TISCO Linfen Iron & Steel Co., Ltd. (太鋼集團臨汾鋼鐵有限公司) and Handan Iron & Steel Group Co., Ltd. (邯鄲鋼鐵集團有限責任公司), which are among our target customers.

Due to the weight and bulky volume of the iron ores, it is generally difficult to transport them cost-efficiently. However, we believe that the favorable locations of our mines and processing plants in Hebei Province, with easy access to the road and rail transportation networks, allow us to significantly enhance the price competitiveness of our iron ore concentrates compared to other domestic mining companies located outside of major iron ore demand areas. This in turn will help us to capture growth opportunities by expanding our customer base to more steel mills with high iron ore concentrates demand in this region.

We are a designated iron ore mine consolidation principal in Laiyuan County, Hebei Province, benefiting from the PRC Government's mining industry integration and reform policies

Since 2005, the PRC Government has introduced a number of policies and regulations to encourage the integration and reform of the domestic iron ore industry to address issues associated with small scale or disorderly mining and production operations, such as low resource utilization and the lack of adequate environmental protection and safety measures. Those policies encourage enterprises with competitive advantages to acquire or cooperate with small-scale enterprises to optimize mining activities, and the relevant government authorities at the provincial, municipal and county level shall promulgate consolidation plans. According to the *Meeting Minutes for Special Discussion of the Provincial Government (No. 49*) dated March 4, 2009 and the *Meeting Minutes for Special Discussion of the Provincial Government (No. 88*) dated July 9, 2010, both of which were circulated by the General Office of the People's Governance of Hebei Province, we were designated by the People's Government of Hebei Province as an iron ore mine consolidation principal in Laiyuan County.

We have successfully completed the integration of the iron ore mining rights, interests and assets as part of our consolidation process and each of our four mines has commenced trial production or commercial production by May 2013. Recognizing that we have improved the efficiency at our mines, contributed to the increase of the fiscal income of Laiyuan County and improved the local employment level, the People's Government of Laiyuan County designated us as a consolidation principal with respect to further integration of the other mineral resources, such as iron, lead and zinc, in Laiyuan County. We will also be entitled to enjoy a series of supporting measures in the future, such as the allocation of mineral resources, governmental approval and access to financing.

As such, we believe that we are well positioned to leverage the favorable government policies to further expand and optimize our iron ore mining business and take the lead in any future consolidation of iron ore mines and potentially other non-ferrous metal mines in Laiyuan County.

OUR BUSINESS STRATEGIES

Increase mining and processing capacities and optimize our Company's vertically-integrated operations by ramping up processing capacity

To increase our mining and iron ore concentrate processing capacities, we intend to:

- Increase mining capacity through on-going slope correction and stripping engineering. Our target is to increase our mining capacity from 10.4 Mtpa in 2013 to 21.4 Mtpa by the end of 2015; and

- Increase processing capacity through technical upgrades and building new processing plants and tailings dams to complement the mining production ramp-up:

  - ***Technical upgrades*** – We plan to (i) upgrade the existing dry processing plants of Xinxin Mining by, among other things, increasing the conveying speed of belt conveyors, adding high-press roller crushers and dry magnetic separators and (ii) renovate certain dry processing facilities of Jingyuancheng Mining in the second half of 2013 to reduce the grain size and increase the grade of the preliminary concentrates and, hence, increase the efficiency of the wet processing;

- ***Integrate and expand processing plants*** – We plan to (i) build a new dry processing plant for Jingyuancheng Mining with a designed processing capacity of approximately 8.0 Mtpa by September 2014 and a new wet processing plant with a designed production capacity of approximately 0.4 Mtpa by October 2015 and (ii) build a wet processing plant for Jiheng Mining with a production capacity of approximately 1.0 Mtpa by June 2014; and

- ***Build and upgrade associated tailings dams*** – We plan to construct tailings storage facility for Jiheng Mining and Jingyuancheng Mining in 2014 and expand the capacity of certain tailings dams to complement the production ramp-up.

Continue to improve operational efficiency and reduce costs

Efficiency and cost control are critical to maximizing our profitability and maintaining our long-term competitiveness. In order to further improve operational efficiency and reduce costs, we intend to:

- Expand our mining and processing capacities to enhance economies of scale;

- Increase investment in upgrading dry processing technology to reduce the grain size and increase the grade of the preliminary concentrates, which would in turn lead to higher recovery and grinding efficiency, reduce tailings and waste, lower operation costs during wet processing and extend the life of tailings dams;

- Improve our mining and processing efficiency, reduce the consumption of raw materials and utilities, and reduce the labor inputs and costs, through innovations in processing and equipment upgrades;

- Provide regular training to our employees to improve productivity;

- Improve our internal controls; and

- Improve our business planning and budgeting.

Expand our customer base and continue to explore strategic relationships with steel mills

According to the CPR, through our expansion plans, we intend to increase our total iron ore concentrate production capacity to 2.8 Mtpa by the end of 2015. Along with the expansion of our production capacity expansion, we intend to further expand our customer base into areas of Hebei Province and Shanxi Province with high iron ore concentrate demand along the transportation networks located near our mines. According to the AME Report, the iron ore consumption in Shanxi Province amounted to approximately 61.3 Mt in 2012, of which only around 22.1 Mt were sourced locally.

We will continue to explore more supply and cooperation arrangements with steel mill customers to solidify our relationships with them. As of the Latest Practicable Date, we have entered into supply and cooperation agreements with reputable steel mills in Hebei Province, such as Hebei Steel and Iron Group Longhai Co., Ltd. (河北鋼鐵集團龍海鋼鐵有限公司), Xinji Aosen Steel Co., Ltd. (辛集市澳森鋼鐵有限公司) and Laiyuan Aoyu Steel Co., Ltd. (淶源奧宇鋼鐵有限公司).

According to AME, within the key iron ore demand areas of Hebei Province, there is a sizable portion of privately-owned capacity. Private steel mills generally rely more on contractual agreements than spot markets while state-owned steel mills often have captive iron ore supply. Therefore, there may be more off-take opportunities with private steel mills than state-owned steel mills.

Expand our resources and reserves through exploration and acquisitions

Resources and reserves are the foundation of our business growth. In order to expand our resources and reserves, we intend to conduct further exploration work at existing mines and surrounding mineralized zones, as well as to selectively acquire high quality mines in China and overseas when we deem appropriate. We will take various factors into account when we identify a viable acquisition target, including, among other things, quality, grade and size of resource and reserve, location and transportation conditions, complexity of the geology conditions, stage of the development, relationship with local communities and integration of the target with our overall development strategy.

Our existing mines are located in the Dushancheng mining area and the Zhijiazhuang mining area. According to the CPR, there is potential to identify more geological resources and reserves at these mines through further exploration because the current drilling indicates further downward extension of orebodies at these mines. As there is evidence of iron mineralization surrounding the main mineralized zones of Zhijiazhuang Mine, more drilling around the mineralization anomaly zones may increase the mineral resources. We plan to conduct exploration in 2014 and 2015 within the areas stated on our relevant permits. Leveraging our status as a consolidation principal in Laiyuan County, we believe that we are well-positioned to acquire resources adjacent to our existing mines to optimize the integration and maximize the value of our existing operating facilities.

Such acquisitions and integration will be executed by a management team with substantial experience in identifying mine areas with iron ore reserves and resources and navigating through the approval process.

Continue to adhere to high health and safety, environmental and corporate responsibility standards

Workers' health and production safety will remain paramount to us. We will continue to focus on preventive measures and take a comprehensive approach to ensure workers' health and safety, including continuous investments in production safety and the construction of production safety facilities; strict implementation of safety rules and policies; safety training for our employees to promote awareness; and strict implementation of on-site control and process management.

We believe in sustainable development and regard environmental sustainability as a major responsibility. We will continue to (i) recycle and decontaminate waste materials more effectively; (ii) implement preservation planning and construct environmental protection facilities in relation to project construction; (iii) strengthen protection of ecosystem and water resources; (iv) build additional tailings dams at Zhijiazhuang Mine; (v) further increase resources utilization rate; and (vi) rehabilitate land at our mines.

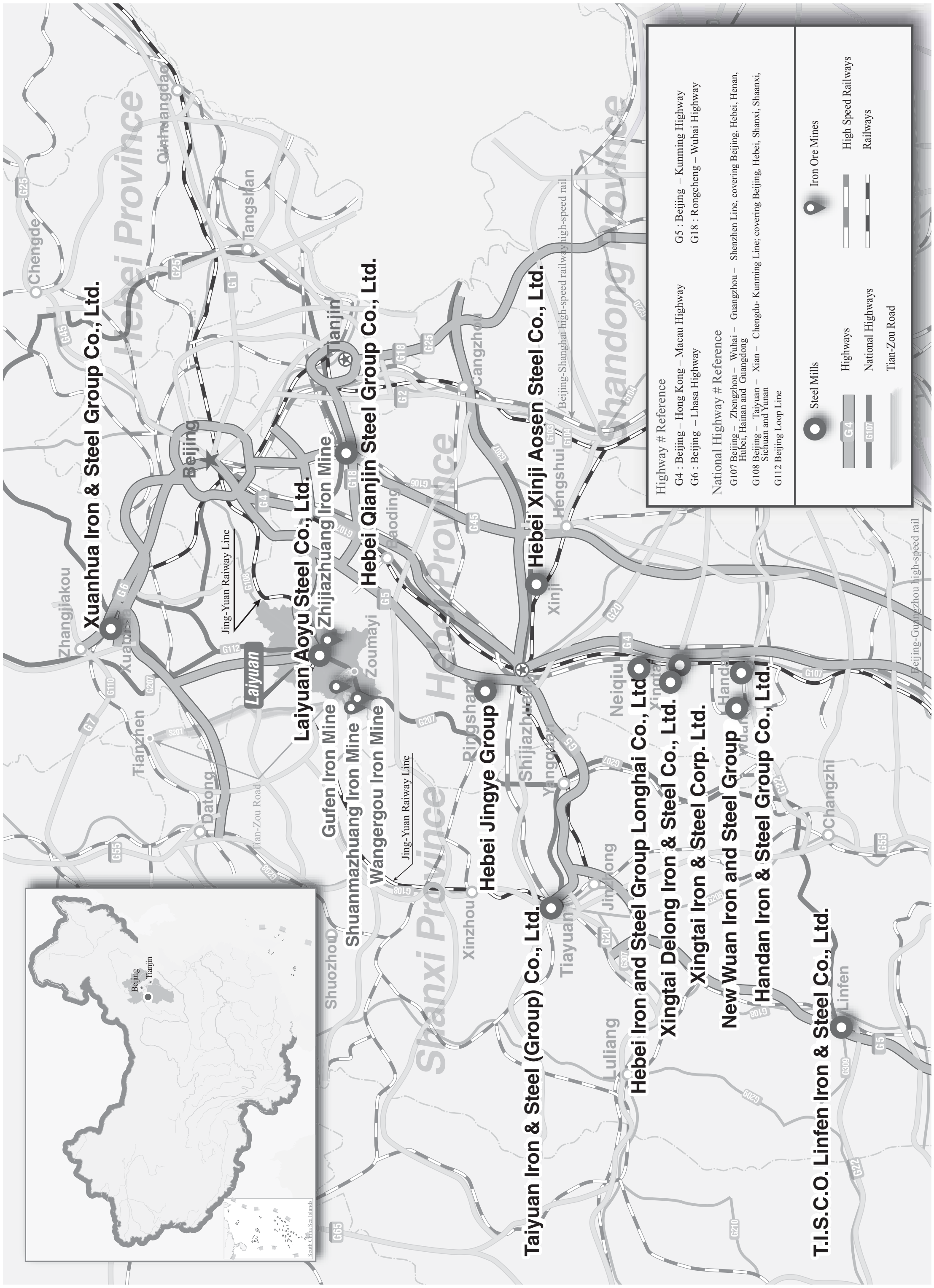
Moreover, our recycling and recovery of the preliminary concentrates from the weakly mineralized wall rocks is also environmentally friendly as it will make the most of the excavated wall rocks and reduce waste.

MINES, MINERAL RESOURCES AND MINING RIGHTS

Overview

We currently own and operate four iron ore mines, namely, Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine. Each of the four mines is equipped with on-site dry processing plants and, other than the Zhijiazhuang Mine, associated wet processing plants in its vicinities. We operate these mines through three subsidiaries. Gufen Mine is wholly owned by Xinxin Mining. Wang'ergou Mine and Shuanmazhuang Mine are wholly owned by Jingyuancheng Mining. We own a 90% equity interest of Jiheng Mining, which in turn owns 100% of Zhijiazhuang Mine; the remaining 10% of Jiheng Mining is held by an Independent Third Party, Laiyuan Nonferrous Metal. All of our four mines are located in Laiyuan County, Hebei Province, within the vicinity of transportation networks. Gufen Mine and its associated processing plants are within 0.5 km from Tian-zou Road (天走綫). Wang'ergou Mine, Shuanmazhuang Mine and their associated processing plants are only six km west of Tian-zou Road (天走綫). Zhijiazhuang Mine and its associated processing plants are only 12 km south of G112 Highway. In addition, Tian-zou Road and G112 Highway further connect our mines and processing plants to our target customers through Jing-Yuan Railway Line (京原綫) and G4 Highway (京港澳高速公路), along which many steel mills are located, such as Xuanhua Steel Group Co., Ltd. (宣化鋼鐵集團有限責任公司), Hebei Jingye Steel and Iron Limited Company (河北敬業鋼鐵有限公司), Xingtai Iron & Steel Corp., Ltd. (邢台鋼鐵有限責任公司), TISCO Linfen Iron & Steel Co., Ltd. (太鋼集團臨汾鋼鐵有限公司) and Handan Iron & Steel Group Co., Ltd. (邯鄲鋼鐵集團有限責任公司).

The map below shows the approximate geographical locations of our mines, associated processing plants and the locations of certain of our existing and target customers.



According to the CPR, our reserves generally have geological conditions and characteristics favorable to low-cost mining and production. In particular, the Dushancheng mining area, in which our Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are located, comprises bedded rock deposits with simple engineering geological conditions. Currently, open-pit mining is adopted by all of our mines as stage one. According to the CPR, Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine may adopt underground mining as stage two after stage one, which is expected in 13 years for Gufen Mine and in 12 years for Wang'ergou Mine and Shuanmazhuang Mine, respectively, in each case, from June 30, 2013.

Our Mineral Resources and Reserves

According to the CPR, as of June 30, 2013, the total indicated resources in our mines were approximately 413.6 Mt, which could be converted into approximately 326.8 Mt of probable reserves. In addition, as of June 30, 2013, our mines had inferred resources of approximately 223.7 Mt, which through further exploration, could expand our resources base. Gufen Mine, Wang'ergou Mine and Shuanmzhuang Mine are located in Dushancheng mining area and are characterized as sedimentary-metamorphic low grade iron deposits. Zhijiazhuang Mine is located in the western part of the Wang'anzhen complex.

The following table summarizes certain information regarding our mines.

	Gufen Mine	Wang'ergou Mine	Shuanmazhuang Mine	Zhijiazhuang Mine
Background data:				
Operating subsidiary	Xinxin Mining	Jingyuancheng Mining	Jingyuancheng Mining	Jiheng Mining
Equity interest attributable to us . . .	100%	100%	100%	90%
Current status(1)	Commercial production	Commercial production	Commercial production	Commercial production
Mining rights area (sq.km.)	1.3821	1.5287	2.1871	0.3337
Expiration date of mining permit (month/year)	January 2023	January 2023	January 2023	April 2022
Existing Mining Capacity (Mtpa) . . .	2.2	2.2	3.8	2.2
Planned Mining Capacity (Mtpa) . . .	5.0	5.2	8.8	2.4
Resource data (as of June 30, 2013):				
Indicated resource (Mt)	158.8	76.4	155.3	23.1
Inferred resource (Mt)	101.1	39.3	73.9	9.4
Reserve data (as of June 30, 2013):				
Probable reserves (Mt)	114.9	63.2	128.9	19.8
– Open-pit mining	56.1	45.1	93.2	19.8
– Underground mining	58.8	18.1	35.7	N/A
Average iron grade (TFe)	14.11%	14.10%	14.24%	27.16%
Average iron grade (mFe)	7.43%	6.88%	5.99%	25.93%
Mine life (as of June 30, 2013)(2) . .	27	29	29	10

	Gufen Mine	Wang'ergou Mine	Shuanmazhuang Mine	Zhijiazhuang Mine
Current mining method	Open-pit	Open-pit	Open-pit	Open-pit
Iron ore output (Kt)				
– 2010	1,728	987	559	145
– 2011	1,464	1,167	628	1,350
– 2012	1,172	1,078	581	973
– Six months ended June 30, 2013 .	1,489	1,500	1,075	1,591
Stripping ratios(3)				
– 2010	3.04	1.76	1.74	18.12
– 2011	3.88	2.91	2.18	8.44
– 2012	4.89	4.32	4.85	14.41
– Six months ended June 30, 2013 .	0.72	0.67	0.81	1.48

Notes:

(1) Zhijiazhuang Mine has been in commercial production since April 2013. The other three mines commenced trial production in May 2013 and commenced commercial production in October 2013. See "– Relevant Rights and Permits."

(2) According to the CPR, Gufen Mine is expected to be suitable for open-pit mining for 13 years, Wang'ergou Mine and Shuanmazhuang Mine are expected to be suitable for open-pit mining for 12 years and Zhijiazhuang Mine is designed for open-pit mining only and is expected to be mined for ten years, in each case, from 2013. The mine life is calculated based on the residual reserves at the end of ramp-up period and the mining plan, see Tables 7–14, 7–15 and 7–16 of the CPR attached as Appendix IV to this Prospectus.

(3) The ratio of waste rock or overburden which must be removed to extract ore in an open-pit operation. For example, a 5:1 stripping ratio means that five tonnes of waste rock or overburden need to be removed to extract one tonne of ore. Historically, our actual stripping ratios were relatively high during the years from 2010 to 2012 as we focused on slope correction and waste rock stripping and preparing for commercial production, see "– Consolidation and Correction Work at Our Mines." All of our mines commenced trial or commercial production in early 2013. In the first half of 2013, the volume of iron ores extracted increased significantly, while the volume of waste rocks removed largely remained stable. As a result, the stripping ratios decreased substantially in the first half of 2013 compared with those from 2010 to 2012. The stripping ratios of Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are expected to increase in 2016 primarily due to the expansion of the areas to be mined after the ramp-up period and the specific occurrence of the orebodies of these mines. The following table sets forth the forecasted stripping ratios of our mines from the second half of 2013 to 2017.

	Gufen Mine	Wang'ergou Mine and Shuanmazhuang Mine	Zhijiazhuang Mine
2H 2013	0.65	0.54	1.37
2014	0.70	0.50	1.30
2015	0.68	0.50	1.30
2016	1.30	1.14	1.30
2017	1.30	1.14	1.30

We substantially completed feasibility studies on the newly consolidated resources, re-evaluation of reserves and re-designing the mining plan and other related work in early 2013, by which we did not capitalize costs of removal of overburden and waste materials given the fact that the recognition criteria have not been met prior to early 2013. During the six months ended June 30, 2013, stripping costs of RMB77.8 million incurred in developing our mines were capitalized; no capitalization of stripping costs was made in 2010, 2011 and 2012. Stripping costs mainly include transportation, fuel, mining contracting and related costs. Stripping costs incurred to develop mines are eligible for capitalization as part of the cost of the mining structures when proven and probable reserves have been determined. As of June 30, 2013, RMB77.8 million has been capitalized in construction in progress as part of non-current assets. In accounting for the production stripping costs, unless the relevant stripping activity can be demonstrated to give rise to future economic benefits (in which case the stripping costs incurred are capitalized as stripping activity assets), stripping costs incurred during the production phase are included in the costs of inventory produced during the period. We incurred and expensed stripping costs of RMB70.0 million, RMB211.6 million, RMB246.2 million and RMB136.2 million in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively, which form part of our cost of inventories.

Our Directors confirm that no material change has occurred in our mining resources and reserves since the effective date of the CPR.

Gufen Mine

Gufen Mine, which is owned and operated by our wholly owned subsidiary, Xinxin Mining, is located in Shuibao Village, Laiyuan County. The area covered by the mining right for Gufen Mine is 1.3821 sq.km. As of June 30, 2013, the total probable reserves of Gufen Mine were 114,853 Kt (including both the open-pit and underground probable reserves) with an average iron grade of 14.11% TFe. As of the same date, the estimated mine life of Gufen Mine for open-pit mining was approximately 13 years and for underground mining thereafter was approximately 14 years.

As of June 30, 2013, we had three on-site dry processing plants and two associated wet processing plants in operation or trial operation (as the case may be) within approximately 10 km of Gufen Mine, which used the magnetic separation method to process iron ore output from Gufen Mine. Through the sequential dry and wet magnetic separation processing, the iron ore concentrates produced by us at Gufen Mine could reach the grade of 66% TFe. See "– Mining Operations and Processing Facilities – Processing Facilities."

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine are both wholly owned and operated by our wholly owned subsidiary, Jingyuancheng Mining.

Wang'ergou Mine is located in Zoumayi Village, Laiyuan County. The area covered by the mining right for Wang'ergou Mine is 1.5287 sq.km. As of June 30, 2013, the total probable reserves of Wang'ergou Mine were 63,222 Kt (including both the open-pit and underground probable reserves) with an average iron grade of 14.10% TFe. As of the same date, the estimated mine life of Wang'ergou Mine for open-pit mining was approximately 12 years and for underground mining thereafter was approximately 17 years.

Shuanmazhuang Mine is located in Zoumayi Village, Laiyuan County. The area covered by the mining right for Shuanmazhuang Mine is 2.1871 sq.km. As of June 30, 2013, the total probable reserves of Shuanmazhuang Mine were 128,922 Kt (including both the open-pit and underground probable reserves) with an average iron grade of 14.24% TFe. As of the same date, the estimated mine life of Shuanmazhuang Mine for open-pit mining was approximately 12 years and for underground mining thereafter was approximately 17 years.

As of June 30, 2013, Wang'ergou Mine and Shuanmazhuang Mine shared two on-site dry processing plants and one associated wet processing plant in trial operation, which used the magnetic separation method to process iron ore output from these two mines. Through the sequential dry and wet magnetic separation processing, the iron ore concentrates produced by us at these mines could reach the grade of 66% TFe. See "– Mining Operations and Processing Facilities – Processing Facilities."

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly owned and operated by Jiheng Mining, a 90% equity interest of which is held by us with the remaining 10% equity interest owned by an Independent Third Party, Laiyuan Nonferrous Metal, is located in Yangjia Village, Laiyuan County. The mining rights of Zhijiazhuang Mine cover an area of 0.3337 sq.km. As of June 30, 2013, the total probable reserves of our Zhijiazhuang Mine were 19,794 Kt with an average iron grade of 27.16% TFe. Zhijiazhuang Mine is designed for open-pit mining only and the estimated mine life of Zhijiazhuang Mine was approximately ten years as of June 30, 2013.

As of June 30, 2013, Zhijiazhuang Mine had two on-site dry processing plants with one in trial operation and the other one temporarily closed. While Jiheng Mining currently does not have any associated wet processing plant, we plan to build one wet processing plant which is expected to be completed by mid-2014. See "– Mining Operations and Processing Facilities – Processing Facilities."

Consolidation and Correction Work at Our Mines

To improve the efficiency of its mining industry, the PRC Government, including the Hebei provincial government, has issued various guidance and policies to promote the integration and consolidation of small-scale iron ore mines. Hebei provincial government had designated us as a designated consolidation principal in Laiyuan County, which facilitated our acquisition and consolidation of local small-scale iron ore mines in Laiyuan County that were previously operated by other entities. For details on the relevant mines we have acquired and consolidated and prior operators, see "History, Development and Reorganization – Historical Development of Our Mines."

In order to act as the consolidation principal and obtain the consolidated mining rights to Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine, we were requested by the relevant PRC authorities to conduct the following work to consolidate the relevant mines and production facilities under our portfolio:

- To consolidate the relevant small-scale iron ore mines and apply for new mining permits, we conducted feasibility studies on the newly consolidated resources, re-evaluated the reserves, redesigned the mining plan to exploit the resources more efficiently, revamped or disposed of infrastructure constructions, and rehabilitated and restored the surrounding environment; and

- To mitigate against safety risks caused by disorderly mining operations conducted by prior operators of the relevant mines, we conducted multiple series of correction work, including slope correction and waste rock stripping.

Additionally, as a condition to obtaining the mining rights to Zhijiazhuang Mine, Jiheng Mining had been required by the People's Government of Laiyuan County to also commit to bearing certain expenses relating to the settlement and reemployment of certain laid-off workers of several financially distressed local state-owned enterprises in Laiyuan County. From 2010 to the end of April 2013, with respect to these laid-off workers, Jiheng Mining had paid basic pension insurance, basic medical insurance and the living expenses of such laid-off workers while seeking re-employment totaling approximately RMB26.0 million. Based on a confirmation letter issued by the People's Government of Laiyuan County on May 23, 2013, Jiheng Mining has discharged all such obligations it had committed to in relation to the mining rights to Zhijiazhuang Mine.

Due to the mining industry integration and consolidation initiated by the People's Government of Laiyuan County, the extension of mining permits for our mines was suspended since their expirations in 2008. After we had completed the consolidation work, new mining permits and safety production permits were granted to our four mines. The Hebei Provincial Department of Land and Resources granted new mining permits to our Zhijiazhuang Mine in April 2012 and to our Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine in January 2013. See "– Relevant Rights and Permits."

During the slope correction and waste rock stripping work described above, which helped correct the slope angles and further opened the pit, iron ores along with weakly mineralized wall rocks and waste rocks were inevitably removed. In order to better utilize resources and minimize waste discharge, we recovered these iron ores and weakly mineralized wall rocks and further processed them into iron ore products during the Track Record Period. According to the relevant confirmation letters issued by the Hebei Provincial Department of Land and Resources, the Environmental Protection Bureau of Hebei Province and Hebei Administration of Work Safety, we were authorized to recover, process and sell these iron ore products resulting from such slope correction and waste rock stripping work. Our PRC legal counsel is of the view that, (i) the Hebei Provincial Department of Land and Resources is the competent authority for issuing the Mining Permits of our mines and in charge of our relevant mining activities; (ii) it has the authority to issue the relevant confirmation letters; and (iii) its confirmation letters will not be challenged by other government authorities. Commerce & Finance Law Offices has also advised us that, based on the confirmation letters issued by these competent governmental authorities, we were entitled to receive and retain the revenue from disposal of the iron ore products we recovered and processed during the consolidation and correction work and we will not be subject to any retrospective penalty solely for recovering, processing and selling the relevant iron ore products during our consolidation and correction work prior to obtaining relevant new mining permits and safety production permits.

Recognizing that our Company has successfully completed the consolidation work during the past years, improved the efficiency at our mines, contributed to the increase of the fiscal income of Laiyuan County and improved the local employment level, the People's Government of Laiyuan County designated our Group as a consolidation principal to further integrate the mineral resources, such as iron, lead and zinc, in Laiyuan County, according to a confirmation letter it issued on May 23, 2013.

Relevant Rights and Permits

According to our PRC legal counsel, Commercial & Finance Law Offices, iron ore mining enterprises in China must obtain a mining permit and a safety production permit for each mine to conduct iron ore mining activities. When a mine includes any tailings dam, a separate safety production permit must also be obtained for the tailings dam. The following table summarizes information about our mining permits, safety production permits and waste discharge permits for mining.

Mine	Registered owner of mining permit	Expiration Date of mining permit	Expiration date of safety production permit for mining	Expiration date of safety production permit for tailings dams	Expiration date of waste discharge permit for mining
Gufen Mine	Xinxin Mining	January 23, 2023	September 9, 2016	January 7, 2016/ June 6, 2016(1)	October 23, 2014
Wang'ergou Mine	Jingyuancheng Mining	January 23, 2023	September 9, 2016	March 3, 2016	October 23, 2014
Shuanmazhuang Mine	Jingyuancheng Mining	January 23, 2023	September 9, 2016	March 3, 2016	October 23, 2014
Zhijiazhuang Mine	Jiheng Mining	April 12, 2022	December 4, 2015	N/A	April 26, 2014

Note:

(1) Xinxin Mining currently has two tailings dams in use, namely, Xiaomazong and Taohuazui tailings dams. The safety production permit for Taohuazui tailings dam will expire on January 7, 2016, and that for Xiaomazong tailings dam will expire on June 6, 2016.

The following table sets out the respective Existing Mining Capacity, Permit Stated Mining Capacity and Planned Mining Capacity of our mines.

	Gufen Mine	Wang'ergou Mine	Shuanmazhuang Mine	Zhijiazhuang Mine
Existing Mining Capacity (Mtpa)(1)	2.2	2.2	3.8	2.2
Planned Mining Capacity (Mtpa)(1)	5.0	5.2	8.8	2.4
Permit Stated Mining Capacity (Mtpa)(2)	3.0	2.4	4.0	1.0

Notes:

(1) Based on JORC Code compliant reserves with a cut-off grade of 8%.

(2) Based on Permit Applied Grade, which is 15% TFe for Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine and 25% TFe for Zhijiazhuang Mine. Our production volume of iron ores at or above the Permit Applied Grade shall not exceed the Permit Stated Mining Capacity prescribed in the relevant mining permits.

The Existing Mining Capacity and the Planned Mining Capacity for each of our mines were calculated based on the JORC Code compliant cut-off grade of 8% to maximize the recovery of iron ore resources that have economic value. This cut-off grade has been confirmed by SRK as reasonable. The Permit Stated Mining Capacity for each of our mines, in contrast, reflects the fact that the mining capacity stated in the mining permit for each of our mines only limits our capacity to mine iron resources with grades above the applicable Permit Applied Grade (which, as confirmed by Hebei Provincial Department of Land and Resources, is 15% for the Dushancheng mining area and 25% for the Zhijiazhuang mining area). We may mine, and utilize, iron resources with grades that are below the relevant Permit Applied Grade without having such iron ore resources counted towards the Permit Stated Mining Capacity for the relevant mine by the authorities. Therefore, the Planned Mining Capacity at each of our mines (and the Existing Mining Capacity at our Zhijiazhuang Mine) are higher than the relevant Permits Stated Mining Capacity, as they reflect all reserves above the cut-off grade of 8% (and not only those above the relevant Permit Applied Grade). Based on the above, our PRC legal counsel, Commerce & Finance Law Offices, is of the view that we (i) will not be considered as over producing as long as the total amount of iron ores at or above the Permit Applied Grade recovered is not more than the Permit Stated Mining Capacity; and (ii) will not be penalized for the utilization or sales of the iron ores of a grade below the Permit Applied Grade, provided that the amount of the iron ores at or above the Permit Applied Grade recovered during the mining process is within the Permit Stated Mining Capacity.

We have implemented internal control measures to closely monitor the production volume during trial and commercial production periods. Such internal control measures require our production and technology department to carefully establish a monthly production plan based on the target annual production volume set out by our operation and strategy department in an annual production plan at the end of the immediately preceding year. The annual production plan includes the planned production volume for both iron ores above and below Permit Applied Grade for the following year with reference to current year's production record, mine geology and market conditions for each of our four mines. The managing director of each of our three subsidiaries will submit daily and monthly production volume reports to our production and technology department which is responsible for monitoring production volume. If the accumulated annual actual volume at the end of a month exceeds the planned volume, our production and technology department will adjust the production plan accordingly in the subsequent months within the same year to ensure the actual volume within the year will not exceed the annual production plan. Our Directors believe that strict adherence to the execution of such production plan will ensure our production volume of iron ores above Permit Applied Grade will not exceed the Permit Stated Mining Capacity prescribed in the relevant mining permits and licenses. Based on the review conducted in June 2013, Protiviti, an independent control consultant, is of the view that our internal control design is adequate and sufficient to prevent over-production. Based on the review conducted in September 2013, Protiviti also noted that the above-mentioned controls have been implemented according to the design. Protiviti considers that the operation of the enhanced internal controls related to the production volume monitoring should be effective if the designed controls are carried out on an ongoing basis till year end.

Under PRC laws, if residual reserves, which have been recorded with the relevant land and resource authority and are located in the original mining area, remain after a mining permit has expired, the holder of such mining permit has a pre-emptive right to apply for renewal for an additional term. There is no minimum residual reserve requirement for the renewal of mining rights, provided that any residual reserves remain. Apart from the residual proved and probable reserves within a mining area, there are also other conditions affecting the application for extension for additional terms, including but not limited to, the timely application for extension, the submission of all necessary materials, the timely and sufficient payment of the deposit to guarantee the performance of obligations to restore the environment of the relevant mines by the holder of such mining rights, and no disputes regarding the mining right. If any of our mines has any residual proved and probable reserves when its mining permit has expired, we intend to apply to renew the mining permit. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that if the current relevant PRC laws and regulations, as well as the current mining industry policy, remain unchanged at the time of our extension application and we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws, rules and regulations and other requests of the competent authorities at that time, there would be no material legal impediments to renewing our mining permits for our mines when they expire. In addition, both the safety production permit and waste discharge permit are renewable upon expiration in accordance with relevant laws and regulations and requirements of competent authorities. See "Risk Factors – Our failure or inability to obtain, retain or renew required government approvals, permits and licenses for our exploration and mining activities could materially and adversely affect our business, financial condition and results of operations."

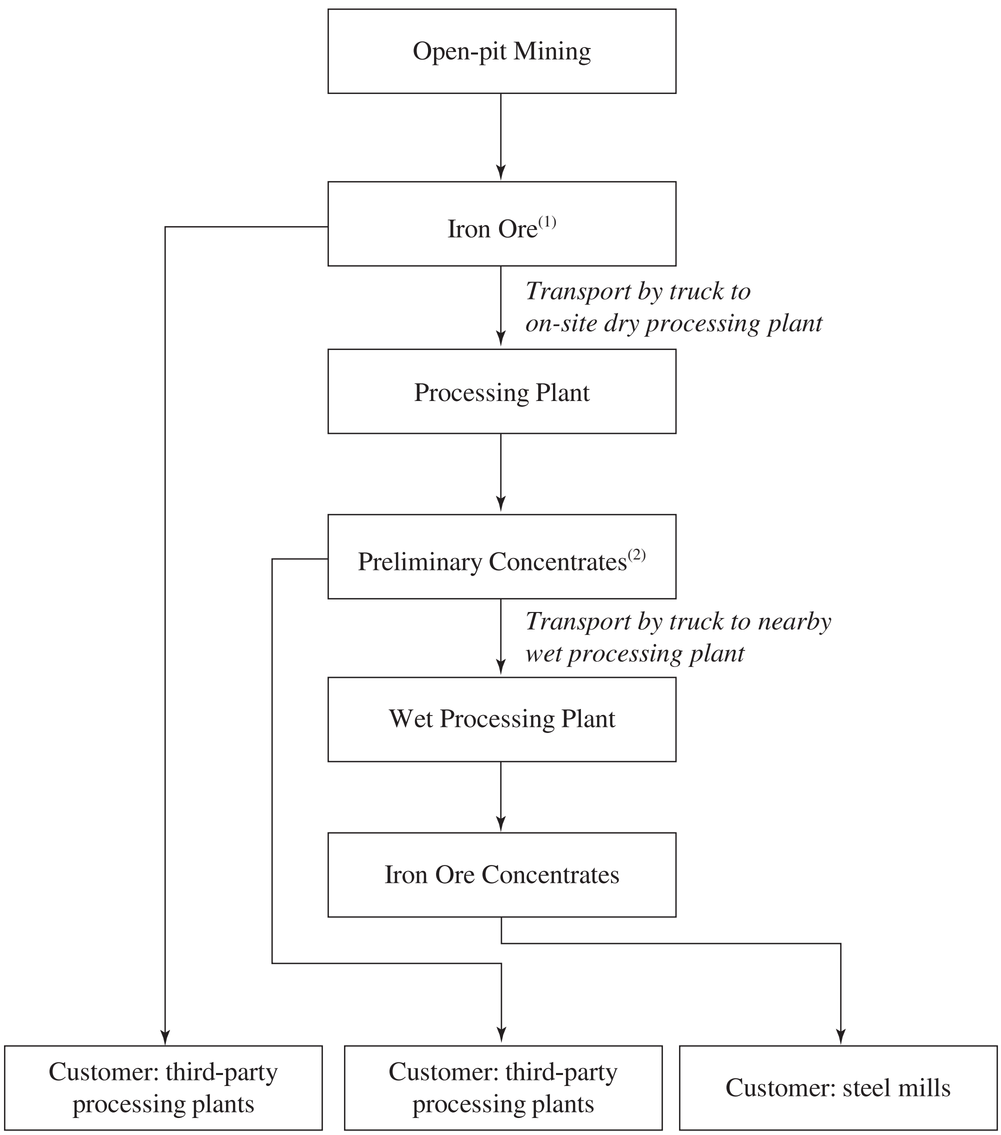
In addition, registered holders of mining permits are required to pay, among other things, mining right fees and premium and resources tax to the government. The registered holders are required to submit production reports and annual financial reports in this verification process. In 2010, 2011, 2012 and the six months ended June 30, 2013, the mining right fees and premium incurred amounted to RMB42.1 million, RMB43.8 million, RMB142.3 million and RMB223.2 million, respectively. The resources tax incurred amounted to RMB14.3 million, RMB25.9 million, RMB30.2 million and RMB27.5 million, respectively, in the same periods.

Moreover, pursuant to the relevant rules and regulations of the PRC, we have the obligation to provide rehabilitation fees for all of our mines. We estimate that our liabilities for final rehabilitation fees based upon detailed calculations of the amount and timing of the future cash spending to perform the required work, with reference to a third-party evaluation report. Estimated rehabilitation fees are increased for inflation, then discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. We record a corresponding asset associated with the liability for final rehabilitation fees, which is based on an independent third-party report with necessary adjustments. The obligation and corresponding asset are recognized in the period in which the liability is incurred. The asset is depreciated using the units-of-production method over its expected life and the liability is credited on the projected spending date. The Directors believe that the approach adopted by us for rehabilitation costs as described above is in line with the industry norm and in accordance with accounting standards. As of December 31, 2010, 2011, 2012 and June 30, 2013, the carrying value of obligations for rehabilitation fees (inclusive of current portion) provided for by us was RMB41.1 million, RMB43.8 million, RMB46.7 million and RMB47.3 million, respectively. We amortized RMB0.8 million, RMB1.3 million, RMB1.1 million and RMB1.0 million as the rehabilitation fee in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, with an average rehabilitation cost per tonne of iron ore mined of RMB0.23, RMB0.28, RMB0.29 and RMB0.18 in the same periods. Based on the above, the Directors believe that our provision for rehabilitation was adequate during the Track Record Period.

MINING OPERATIONS AND PROCESSING FACILITIES

Overview

Our manufacturing process involves mining and processing. The following chart summarizes and illustrates the standard workflow from iron ores to iron ore concentrates production at our mines and processing facilities.



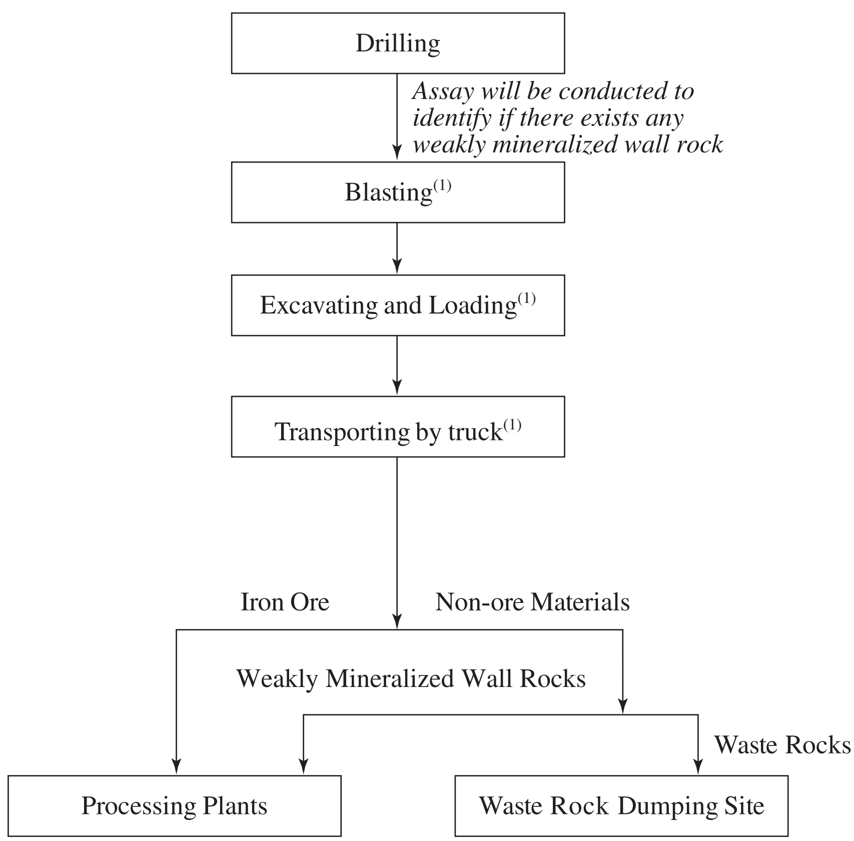
Notes:

(1) During the Track Record Period, all iron ores sold were produced by Jiheng Mining.

(2) During the Track Record Period, all preliminary concentrates sold were produced by Jiheng Mining.

Mining

We adopt open-pit mining at all our mines. Our reserves generally have geological conditions and characteristics favorable to low-cost mining and processing. In particular, Dushancheng mining area, in which Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are located, comprises bedded rock deposits with simple engineering geological conditions. In addition, the boundaries between most of the ore bodies and wall rocks are clear. Open-pit mining is undertaken using conventional truck and shovel mining techniques. Waste rocks on the surface are first removed, and then the ore underneath is extracted by drilling, blasting and excavation. The extracted iron ores are separated from wastes and sorted ores are transported by truck to processing plants. The equipment we use includes down-hole drill rigs, mobile air compressors, hydraulic excavators and dump trucks. The following chart demonstrates the general mining process at our mines.



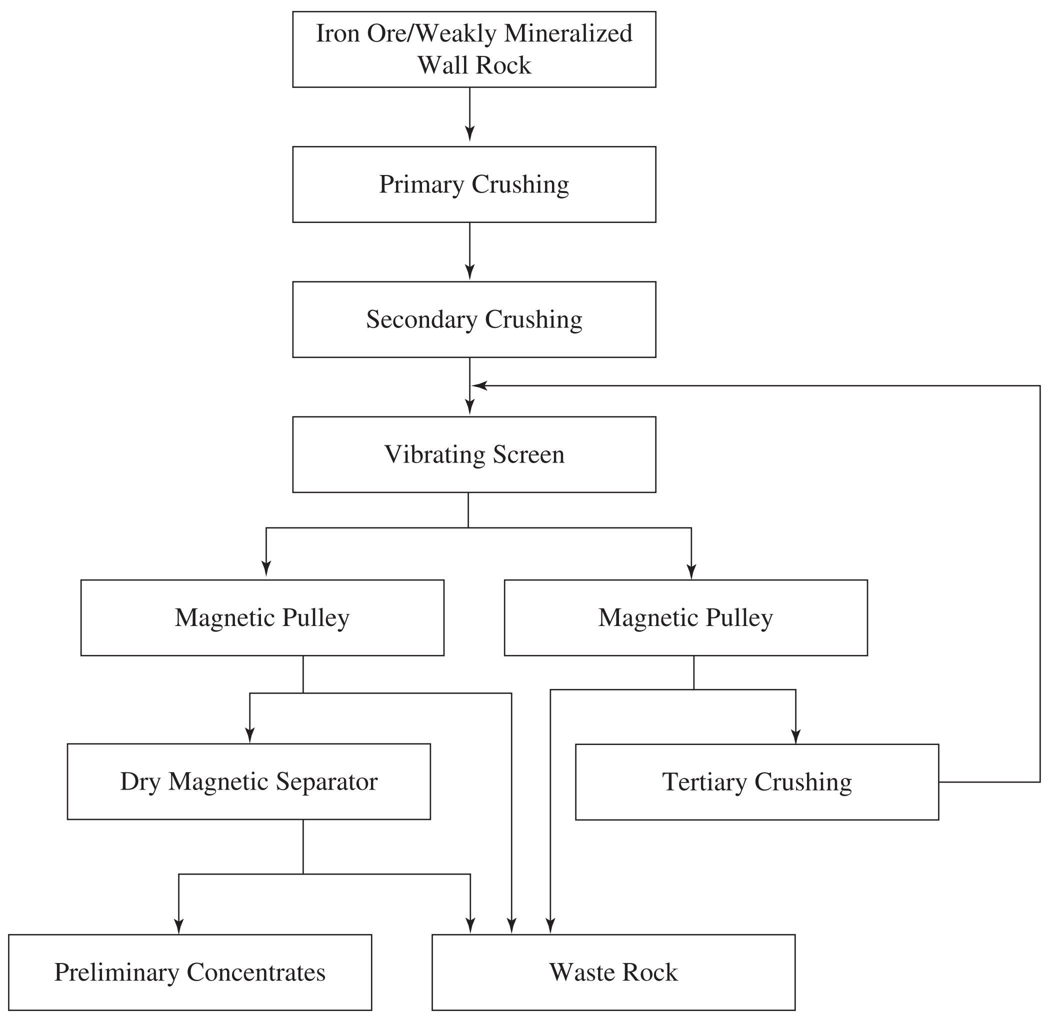
Note:

(1) The blasting, excavating and loading and transportation are outsourced to independent third-party service providers.

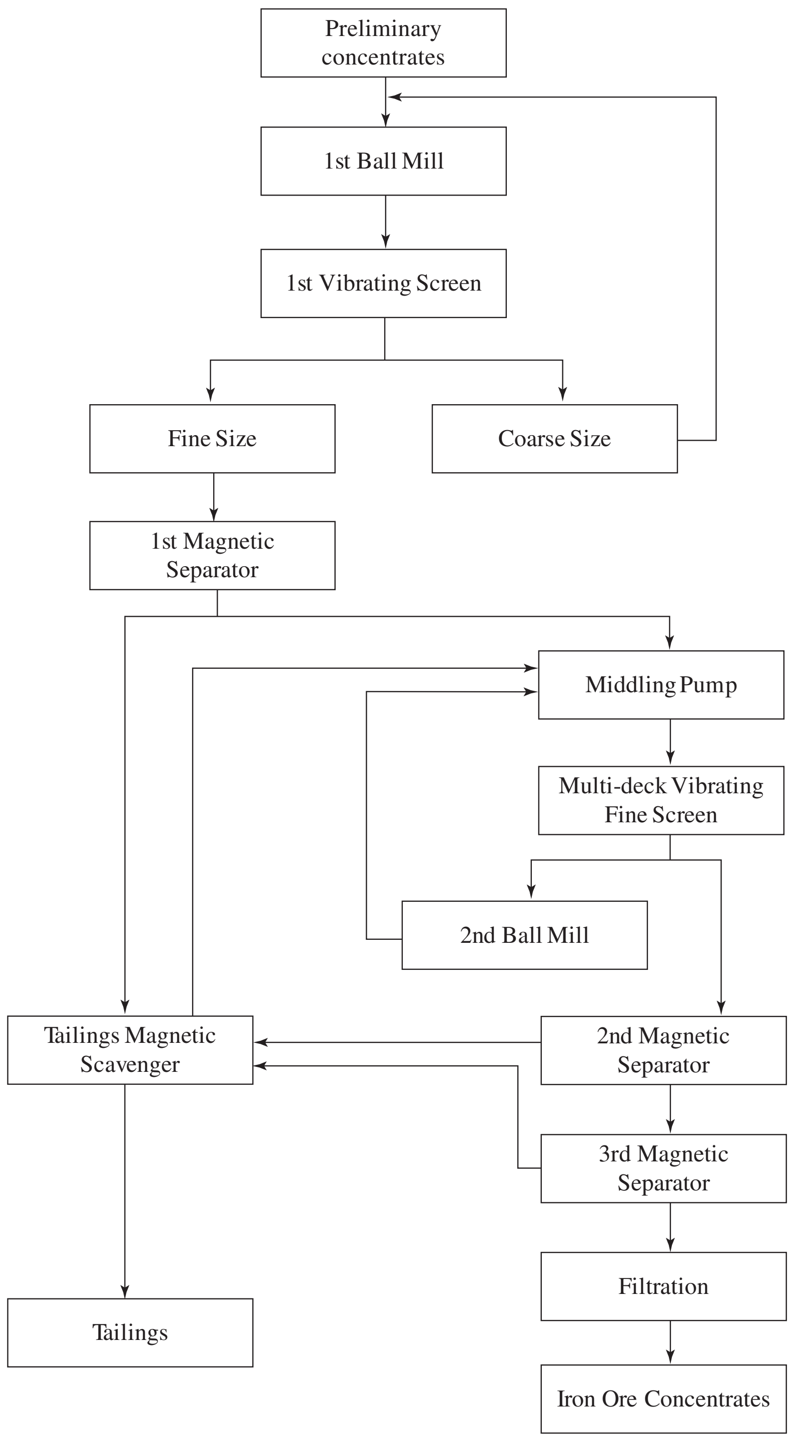
According to the CPR, Xinxin Mining and Jingyuancheng Mining may adopt underground mining for stage two after stage one, which, as of June 30, 2013, was expected to be 13 years later for Xinxin Mining and 12 years later for Jingyuancheng Mining.

Dry Processing and Wet Processing

We use magnetic separation methods in the production of iron ore concentrates. The extracted ores, transported by truck to the dry processing plants, are crushed and then separated by using dry magnetic separation. Dry magnetic separation is designed to prediscard waste rocks in the iron ores and improve the feed grade for grinding to an appropriate level. The following flowchart demonstrates the key stages of the dry magnetic separation process.



After dry magnetic separation process, preliminary concentrates will be further processed by wet magnetic separation. Our methods are environmentally friendly because they do not require any use of chemical additives and result in only a limited quantity of waste water, which is recycled and reused. Iron ores are further crushed and screened to remove gangue and then undergo wet ball-milling and magnetic separation processes to separate iron ore concentrates, with tailings disposed in tailings reservoirs. To maximize the separation of iron ore concentrates and enhance their iron content, the iron ore concentrates undergo the magnetic separation process three times. The following chart demonstrates the key stages of the wet magnetic separation process.



Processing Facilities

As of June 30, 2013, we owned and operated seven on-site dry processing plants and three associated wet processing plants to process iron ores and weakly mineralized wall rocks extracted from our mines. The following table sets forth the processing capacity and utilization rate of processing plants of each mining subsidiary for the periods indicated.

		Year ended December 31,						Six months ended June 30,	
		2010		2011		2012		2013	
Associated Company	Processing Facility	Processing Capacity (Kt)	Utilization Rate (%) (1)	Processing Capacity (Kt)	Utilization Rate (%) (1)	Processing Capacity (Kt)	Utilization Rate (%) (1)	Processing Capacity (Kt)	Utilization Rate (%) (1)
Xinxin Mining . . .	Dry Processing Plant(s)	4,500	86.63	5,650	60.28	4,550	60.61	2,250	61.82%
	Wet Processing Plant(s)	1,360	68.59	1,360	57.08	1,360	45.88	680	62.55%(2)
Jingyuancheng	Dry Processing Plant(s)	6,252	64.74	8,235	61.34	9,218	56.38	5,270	53.81%
Mining	Wet Processing Plant(s)	1,540	71.87	2,163	65.76	2,090	56.51	1,268	81.23%(3)
Jiheng Mining . . .	Dry Processing Plant(s)	200	36.60	1,200	46.23	1,200	96.28(4)	1,650	109.40%(5)

Notes:

(1) The utilization rate of a processing plant is calculated by dividing the volume of feed material (iron ore or weakly mineralized wall rock for dry processing plant and preliminary concentrates for wet processing plant) processed during the period with the designed processing capacity.

(2) The utilization rate of the wet processing plant(s) of Xinxin Mining increased from 45.88% in 2012 to 62.55% in the six months ended June 30, 2013, primarily due to the increase of feed preliminary concentrates. Since March 2013, Jiheng Mining has utilized Xinxin Mining's wet processing facilities to process a portion of its preliminary concentrates into iron ore concentrates. See Section 8.4.5 of the CPR attached as Appendix IV to this Prospectus.

(3) The utilization rate of the wet processing plant(s) of Jingyuancheng Mining increased from 56.51% in 2012 to 81.23% in the six months ended June 30, 2013, primarily due to the increase of feed preliminary concentrates. Since April 2013, Xinxin Mining has utilized Jingyuancheng Mining's wet processing facilities to process a portion of its preliminary concentrates into iron ore concentrates. See Section 8.4.5 of the CPR attached as Appendix IV to this Prospectus.

(4) The utilization rate of the dry processing plant(s) of Jiheng Mining increased from 46.23% in 2011 to 96.82% in 2012, primarily due to the increase of feed weakly mineralized wall rocks.

(5) During the six months ended June 30, 2013, the actual volume of feed material exceeded the designed processing capacity as the actual operating days of the dry processing plant of Jiheng Mining exceeded the initial designed operating days of 300-day per year; after months of testing and operations, the performance of the plant exceeded the expectations and our Group confirmed that the plant can be operated safely and effectively over the designed operating days.

The volatility of our utilization rate was due to the fact that during the Track Record Period, we primarily focused on performing consolidation and correction work in connection with the consolidation of mines we had acquired, including slope correction, waste rock stripping and revamping or disposing outdated iron ore processing facilities. See "– Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at our Mines." With a focus on performing consolidation and correction work, the volume of weakly mineralized wall rocks or iron ores recovered and processed during the Track Record Period were below the level during trial or commercial production, leading to the low utilization rate of our processing plants. In addition, we ceased operations of certain acquired processing plants temporarily for inspection, integration or relocation. As a result, the actual feed volume of weakly mineralized wall rocks or iron ores were lower than the annual designed processing capacity, which also contributed to the low utilization rate of our processing plants.

We believe that if all of our mines reach their Planned Mining Capacity, our current processing capacity will not meet our business needs. In line with our mining and processing plan, we expect to upgrade and resume the operations of certain closed processing plants as well as build new ones to increase our iron ore concentrates production. See "– Production Expansion Plans" and "Future Plans and Use of Proceeds – Use of Proceeds."

Tailings Facilities

As of June 30, 2013, we had three tailings dams, two of which are owned by Xinxin Mining, namely, Xiaomazong Tailings Dam and Taohuazui Tailings Dam and one owned by Jingyuancheng Mining, namely, Chengzigou Tailings Dam. In addition, Jingyuancheng Mining plans to build two new tailings dams, Dabugou Tailings Dam and Xiaobugou Tailings Dam, and Jiheng Mining plans to build a new tailings dam by June 2014. The table below sets forth certain designed parameters of our tailings dams*.

	Xinxin Mining		Jingyuancheng Mining		
Tailings Dams	**Xiaomazong**	**Taohuazui**	**Chengzigou**	**Dabugou(1)**	**Xiaobugou(2)**
Storage (1,000 m^3)	5,400	6,200	4,490	8,000	6,000
Effective Storage (1,000 m^3)	3,800	4,300	4,250	7,500	4,900
Initial Dam Height (m)	25	21	24	22	23
Accumulated Dam Height (m)	64	64	68	77	75
Total Height (m)	89	85	92	99	98
Total Tailings Output from 2013 (1,000 m^3) (3)	16,128		24,890		
Remaining Life (Year) (as of December 31, 2012)	13.4		11.4		

Notes:

(1) Dabugou Tailings Dam is expected to be constructed from the second half of 2013.

(2) The construction time for Xiaobugou Tailings Dam has not been determined yet.

(3) The total amount of tailings output during the mine life for Xinxin Mining and Jingyuancheng Mining, respectively.

* The new tailings dam at Jiheng Mining is still being designed and its design parameters are not yet available.

Major Equipment

Our major mining equipment includes, among other things, drills, excavators, dump trucks, air compressors, front end loaders, and explosive bulk trucks. Major equipment for processing includes, among other things, crushers, magnetic pulleys, vibrating screens, feeders, ball mills, magnetic separators, slurry pumps and cylinder type inner vacuum filters. Except for the equipment necessary for blasting, loading and transportation, such as heavy dump trucks and excavators, which are supplied by the relevant contractors for such operations, we own all other major equipment for mining and processing operations. See "– Third-party Contractors."

Transportation

On our mining sites, we engage third-party transportation teams to deliver the iron ores and weakly mineralized wall rocks to on-site dry processing plants and preliminary concentrates to our wet processing plants. During the Track Record Period, the majority of our preliminary concentrates produced were transferred to our wet processing plants for processing into high-grade iron ore concentrates. All the on-site dry processing plants of our mines are within 0.5 km of the corresponding mining site, and the associated wet processing plants for Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine are within approximately six to 11 km of their respective mining sites.

Our iron ore concentrates are primarily sold to steel mills in Hebei Province. All of our current iron ore concentrates customers are in Hebei Province and within 500 km of our mines. Under most of the sales agreements with these customers, it is our customers' responsibility to arrange the transportation of the products by contracting with third-party transporting companies. Nevertheless, with respect to our largest customer historically, Aoyu Steel, we were responsible for arranging the transportation by contracting third-party transporting companies to deliver the products for Aoyu Steel in 2010 and 2011. See "– Third-party Contractors."

Our iron ores and preliminary iron ore concentrates are sold to local iron ore processing companies. According to the sales agreements with these customers, the customer is responsible for arranging the collection of the products at our mining sites or processing plants themselves.

PRODUCTION EXPANSION PLANS

To capitalize on the strong demand for iron ore concentrates, we plan to expand our iron ore mining capacity and iron ore concentrates processing capacity. We are implementing or will implement the following plans to increase our mining and iron ore concentrates processing capacities.

- ***Expand mining capacity by stripping engineering and slope correction***

  We plan to increase our mining capacity through on-going slope correction and stripping engineering. Our target is to expand our mining capacity based on JORC Code compliant reserves with a cut-off grade of 8% from 10.4 Mtpa in 2013 to 21.4 Mtpa by the end of 2015. According to the confirmation letters issued by the Hebei Provincial Department of Land and Resources, the Permit Applied Grade adopted by the Hebei Provincial Department of Land and Resources in granting the relevant mining permits with

Permit Stated Mining Capacity is 15% for the Dushancheng mining area and 25% for the Zhijiazhuang mining area. Based on these confirmation letters and confirmation by the Environmental Protection Bureau of Hebei Province and the Hebei Administration of Work Safety, we are entitled to utilize the iron ores with a TFe grade below the Permit Applied Grade, which are not recognized as ores extracted under the Permit Stated Mining Capacity by such relevant authorities. Therefore, although our aggregate Planned Mining Capacity exceeds the aggregate Permit Stated Mining Capacity, which is 10.4 Mtpa, the excess will not be regarded as over-production. In order to prevent over-production, we have implemented internal control measures to closely monitor the production volume of iron ores both above and below the Permit Applied Grade, see "– Relevant Rights and Permits." As a result, we are currently not required, and we do not have the intention, to obtain new mining permits and licences in order to meet our projected business plan and production schedule. In the event that we have to obtain new mining permits and licenses, we will spare sufficient time for the application process to avoid inadvertent over-production. Our internal control measures closely monitor the production volume of iron ores both above and below the Permit Applied Grade on a regular basis, and therefore we will have advance notice if there is a need to apply for new mining permits and licenses in order to increase our Permit Stated Mining Capacity. According to our PRC legal counsel, Commerce & Finance Law Offices, as long as our Company has fulfilled all the substantive and procedural conditions required by the relevant PRC laws, rules and regulations, and other requests of the competent authorities at that time, there would be no material legal impediments to our Company obtaining such new mining permits. In order to achieve the Planned Mining Capacity, the total estimated investment required will be approximately RMB346.4 million. In the first half of 2013, we had incurred RMB77.8 million for the project. See Tables 7–14, 7–15, 7–16 and 11–3 of the CPR attached as Appendix IV to this Prospectus.

- ***Expand processing capacity by technical renovation and construction of new processing plants***

For Xinxin Mining, we plan to spend RMB9.8 million to renovate the processing plants at Gufen Mine, such as replacing the belt conveyer's waste rock electrical roller and building a high-press roller crusher for three dry processing plants, adding certain processing equipment such as a high-press roller crusher and magnetic separators. We expect to complete these upgrades by the end of 2013. As of June 30, 2013, we had not incurred any costs for these projects.

For Jingyuancheng Mining, we plan to spend RMB11.38 million to renovate two existing dry processing plants in 2013 to reduce the product's grain size and increase the grade. In addition, we plan to invest RMB52.0 million and RMB40.7 million to build the third dry processing plant and the second wet processing plant, respectively, which are expected to be completed in September 2014 and October 2015, respectively. Furthermore, we plan to spend RMB7.0 million to build a new tailings dam, which is expected to be completed by the end of 2014. As of June 30, 2013, we had not incurred any costs for these projects.

For Jiheng Mining, we plan to invest RMB84.4 million to build a wet processing plant with an annual production capacity of 1.0 Mtpa of iron ore concentrates, which is expected to be completed in June 2014, and RMB14.4 million to construct an associated tailings storage facility by June 2014. The wet processing plant is proposed to be built in Muji Village, Yangjiazhuang Town, Laiyuan County. The chosen location has favorable access to local power supply. It is around eight km away from Zhijiazhuang Mine and is around three km from National Highway No. 108. As of June 30, 2013, we had not incurred any costs for these projects.

The following table sets forth the total mining and iron ore concentrates processing capacity before and after the implementation of these expansion plans.

Operation	Existing capacity (Ktpa)(1)	Planned capacity (Ktpa)(2)		
	(as of June 30, 2013)	(as of December 31, 2013)	(as of December 31, 2014)	(as of December 31, 2015)
Mining Capacity				
Gufen Mine	2,200	2,900	3,900	5,000
Wang'ergou Mine and Shuanmazhuang Mine	6,000	8,000	11,000	14,000
Zhijiazhuang Mine	2,150	2,300	2,400	2,400
Total	**10,350**	**13,200**	**17,300**	**21,400**
Dry Processing Capacity				
Gufen Mine	4,500	5,750	5,750	5,750
Wang'ergou Mine and Shuanmazhuang Mine	7,300	9,600	17,600	17,600
Zhijiazhuang Mine	3,700	4,200	4,200	4,200
Total	**15,500**	**19,550**	**27,550**	**27,550**
Wet Processing Capacity				
Gufen Mine	1,360	1,600	1,600	1,600
Wang'ergou Mine and Shuanmazhuang Mine	2,400	2,400	3,500	4,700
Zhijiazhuang Mine	N/A	N/A	1,600	1,600
Total	**3,760**	**4,000**	**6,700**	**7,900**

Notes:

(1) "Existing capacity" refers to the existing mining or processing capacity, as the case may be, as of June 30, 2013.

(2) "Planned capacity" refers to the expanded mining or processing capacity that may be achieved in line with our mining and processing capacity expansion plan.

Planned technical renovation and new construction at our operating processing plants are expected to be completed by the end of 2015. By then, our total annual mining capacity is expected to reach approximately 21.4 Mtpa, our dry processing capacity is expected to reach approximately 27.6 Mtpa and our wet processing capacity is expected to reach approximately 7.9 Mtpa. The total estimated capital expenditures for the expansion plan (excluding loan interest) is expected to be RMB1,952.8 million for the three years from 2013 to 2015. As of June 30, 2013, we had incurred RMB961.8 million for the projects.

The table below sets forth details of our capital expenditures by mine for the periods indicated.

	2H 2013	2014	2015
		(RMB in millions)	
Gufen Mine	64.3	73.6	85.3
Wang'ergou Mine and Shuanmazhuang Mine	138.4	170.5	196.8
Zhijiazhuang Mine	48.9	146.5	66.7
Total	**251.6**	**390.6**	**348.8**

The table below sets forth details of our capital expenditures by usage for the periods indicated.

	2H 2013	2014	2015
		(RMB in millions)	
Engineering	183.6	267.7	142.6
Including: Development Engineering	76.7	101.8	90.1
Construction	64.7	79.5	20.1
Facility Purchase	39.8	73.4	27.2
Installation	2.5	13.0	5.3
Other Expenditures	14.4	22.4	57.6
Contingency Allowance	16.1	12.8	7.7
Intangible Assets	–	–	–
Mining Right	20.0	48.0	105.3
Working Capital	17.5	39.7	35.6
Total	**251.6**	**390.6**	**348.8**

See Table 11–3 of the CPR attached as Appendix IV to this Prospectus.

We intend to finance our capital expenditures to be invested from July 1, 2013 to the end of 2015 with an aggregate amount of RMB991.0 million through a combination of funds generated from our operations and net proceeds of the Global Offering, among which, approximately RMB625.5 million is expected to be funded by the net proceeds of the Global Offering and the remaining amount is expected to be funded by the net cash generated from our operating activities.

THIRD-PARTY CONTRACTORS

We engage several independent third-party service providers to provide certain services in our production process, including blasting, loading and transportation services.

With respect to the blasting operation, we have engaged two third-party service providers, Tangshan Hengsheng and Blasting Service Team of Laiyuan County Civil Explosive Equipment Sales Company (淶源縣民用爆破器材專營公司爆破服務大隊), both of which have been Independent Third Parties. The services we procure from these blasting companies generally include blasting planning, drilling and execution, and the transportation and storage of explosives. The term of such agreements that we entered into with the blasting companies is typically one year but could be extended as agreed by both parties. Prior to 2012, we engaged several individuals conducting blasting services. See "– Regulatory Compliance." We usually pay the service providers service fees in consideration for their services based on the total volume of the blasted area and the unit price is determined by the geological features of the blasted area. The aggregate fees to our providers for blasting services incurred in 2010, 2011, 2012 and the six months ended June 30, 2013 were RMB37.6 million, RMB80.2 million, RMB87.0 million and RMB53.7 million, respectively. Furthermore, the service contracts specify that the service providers shall be responsible for ensuring the safety of the relevant parties and bear all the potential liabilities arising from the operation of blasting activities.

During the Track Record Period, we outsourced the loading and transportation of iron ores to an independent transportation company, Laiyuan Ao Tong Transportation Co., Ltd. (淶源縣奧通運輸有限公司). According to the relevant transportation agreement, we mainly outsourced the on-site transportation of iron ores to such contractor except historically we also engaged Laiyuan Ao Tong Transportation Co., Ltd. to deliver products to Aoyu Steel. In each case of on-site transportation and product delivery, Laiyuan Ao Tong Transportation Co., Ltd. was responsible for providing vehicles and competent drivers to carry out the services. The term of such agreement with the transportation company is typically one year. In relation to the transportation fees, we usually pay the service provider based on the total weight of iron ore products to be delivered and the price per tonne is determined by various factors including the slope of the route, conditions of the road and the distance. The aggregate fees to these service providers incurred in 2010, 2011, 2012 and the six months ended June 30, 2013 were RMB11.2 million, RMB79.2 million, RMB105.9 million and RMB61.6 million, respectively. The service agreements typically provide that any liabilities arising from traffic accidents or personal injuries during the transportation shall be entirely borne by the transportation companies.

All above-mentioned third-party service providers currently engaged by us have obtained all material licenses and permits that are statutorily required to conduct their activities. We have stringent selection processes to determine the engagement of qualified third-party service providers and certain key factors we would consider when selecting third-party service providers include whether such service providers hold the required licenses and possess the appropriate qualifications, and the terms and scope of their services including price. Additionally, we usually adopt a bidding process to select the qualified third-party service provider from eligible candidates. Furthermore, on-going inspections are also carried out to ensure such contractors comply with all applicable rules and the contractual terms. We do not expect any significant difficulties in replacing these service providers on the market if such needs arise.

We believe these third-party service arrangements provide several benefits. First, we not only reduce our operating costs as most of the workers of these service providers are experienced in mining or related services and highly productive, but also get immediate access to skilled labor, which would be time-consuming to train in-house. In addition, we are able to reduce our capital expenditures as certain major equipment used in our operating process is supplied by the contractors themselves. By retaining such service providers, we may also mitigate and transfer our exposures to high-risk operations. Moreover, we believe that we will maintain operational flexibility because we will not need to maintain these arrangements once the economic lives of our mines run out.

PROCUREMENT, MAJOR SUPPLIERS AND UTILITIES

We have a procurement department and an equipment administration department which coordinate the purchase, usage and maintenance of mining equipment. Each of our mines has dedicated maintenance personnel responsible for periodic inspections, maintenance and repair. We have daily and regular maintenance schedules in our mines to monitor mining conditions. Our major suppliers include suppliers of machinery and equipment, spare parts, diesel fuel, explosives and other production-related materials.

During the Track Record Period, we generally purchased processing equipment from Metso Minerals (Tianjin) International Trade Co., Ltd. (美卓礦機(天津)國際貿易有限公司), diesel fuel through Guangtai Gas Station in Yangjiazhuang Town, Laiyuan County (淶源縣楊家莊鎮廣泰加油站), explosive materials from Laiyuan County Civil Explosive Equipment Sales Company (淶源縣民用爆破器材專營公司), and certain auxiliary materials, such as spare parts and steel grinding balls used in our iron ore processing, through CNBM Ningguo Xinma Wear-resistant Material Co., Ltd. (中建材寧國新馬耐磨材料有限公司). The purchase prices are determined based on prevailing market prices. For machinery and equipment, we generally prepay a portion of the prices within seven days after the signing of the contract and pay the remaining balances no later than five working days before the delivery. For diesel fuel, explosives and other production-related consumables, we typically settle the purchase prices monthly in three installments.

We had 72, 69, 77 and 76 third-party suppliers in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. In the same periods, our purchases of supplies from our five largest suppliers amounted to RMB72.7 million, RMB216.8 million, RMB260.1 million and RMB156.1 million, respectively, representing 32.8%, 42.6%, 37.9% and 42.2% of our total purchases in the relevant period. During the same periods, our purchases of supplies from our single largest supplier amounted to RMB25.9 million, RMB79.2 million, RMB105.9 million and RMB61.6 million, respectively, representing 11.7%, 15.5%, 15.4% and 16.6% of our total purchases in the relevant period.

Certain key factors that we would consider in selecting third-party suppliers include whether such service providers hold the required licenses and possess the appropriate qualifications, and the terms and scope of their services, such as price. Additionally, we usually adopt a bidding process to select the qualified third-party supplier from multiple eligible candidates. On-going inspections are also carried out to ensure such suppliers comply with all applicable rules and the contractual terms. We do not expect any significant difficulties in replacing these suppliers on the market if such needs arise.

As of the Latest Practicable Date, none of our Directors, their respective associates or any Shareholders owning more than 5.0% of our issued Shares, to the knowledge of our Directors, had any interest in any of our five largest suppliers during the Track Record Period.

Our operations use electricity supplied by the state power grid. The price of electricity is under government control. During the Track Record Period up to the Latest Practicable Date, we did not experience any power supply suspensions or shortages that resulted in a material interruption to our operations. SRK is of the view that the power supply is adequate to satisfy our operational needs and usage both at the present and in the future, taking into account our planned expansion of capacity. Water supplies for both Xinxin Mining and Jingyuancheng Mining are sourced from Tanghe River. For Jiheng Mining, the drainage water from the open-pit is used to supply water. SRK is of the view that the available water supply is sufficient to support our mining and processing operations both at the present and in the future, taking into account our planned expansion of capacity. We also recycle and reuse water. Our total costs for electricity and water supplies amounted to RMB30.2 million, RMB40.6 million, RMB38.7 million and RMB29.0 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

QUALITY CONTROL

We believe maintaining a high product quality standard is key to our success. As of June 30, 2013, our quality control department had a total staff of 24 persons, including one senior engineer and seven additional engineers with years of experience in the field. Our quality control department performs on-site inspections of our mines and processing plants. We monitor our production processes closely by taking samples at different stages and examining them at our laboratories. During the Track Record Period, we did not receive any complaints regarding the quality of our products that had a material adverse effect on our business, financial condition or results of operations.

PRODUCTS

Our main products during the Track Record Period were iron ore concentrates, preliminary concentrates and iron ores. During the Track Record Period, we sold iron ore concentrates produced at Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine. With respect to Zhijiazhuang Mine, we mainly sold preliminary concentrates and iron ores during the Track Record Period. However, since March 2013, Jiheng Mining has utilized Xinxin Mining's wet processing facilities to process a portion of its preliminary concentrates into iron ore concentrates. See Section 8.4.5 of the CPR attached as Appendix IV to this Prospectus. As a result, apart from iron ores and preliminary concentrates, Jiheng Mining has also been selling iron ore concentrates since April 2013.

According to the CPR, our iron ore concentrates have a number of commercially attractive attributes, including relatively high iron content and low levels of impurities, such as sulphur, phosphorus, silicon and titanium; and are therefore more attractive to steel mills than those with high levels of impurities. Iron ore concentrates produced at Gufen Mine, Wang'ergou Mine and Shuanmazhuang Mine were all acidic iron ore concentrates, with an average grade of more than 66% TFe during the Track Record Period.

According to the CPR, iron ores recovered from Zhijiazhuang Mine are known as alkaline iron ores and have a relatively high grade. The iron ore concentrates processed from alkaline iron ores have certain commercially attractive attributes, including a high content of MgO, which can function as a blending material to adjust the pH value of the component materials used in iron making so that no or minimal flux would be needed in the process, which prevents the grade decrease of the component materials. Therefore, they reduce coke consumption, improve furnace efficiency and lower iron making costs. In addition, we also sold preliminary concentrates processed from the iron ore mined at Zhijiazhuang Mine. The preliminary concentrates produced at Zhijiazhuang Mine have the same commercially attractive attributes as described above.

During the Track Record Period, the weakly mineralized wall rocks from Zhijiazhuang Mine were processed into preliminary concentrates for sale and the iron ores mined at Zhijiazhuang Mine were sold without processing. However, upon completion of the proposed expansion of dry processing capacity, and construction of a wet processing plant for Zhijiazhuang Mine expected in June 2014, the preliminary concentrates and iron ores from Zhijiazhuang Mine are planned to be further processed into iron ore concentrates for sale.

The quality of iron ores and iron ore products could be determined by many criteria, such as the level of impurities, TFe grade and mFe grade. SRK is of the view that the description and use of the terms of “high grade” or “low grade” as set out in the CPR are only a relative description comparing the iron ore grades of the four iron mines in this region. Generally iron ore with a TFe grade equal or more than 20% is defined as “high grade” iron ore, while iron ore with a TFe grade below 20% is defined as “low grade” iron ore. Accordingly, the iron ores from Gufen Mine, Wang’ergou Mine and Shuanmazhuang Mine are referred to as low grade iron ores as the average TFe grade of iron ores from these mines are less than 20%, and the iron ores from Zhijiazhuang Mine are referred to as high grade iron ores as the average TFe grade of iron ores from this mine is more than 27%.

According to a quality standard used in the metallurgical industry of China, the quality of iron ore concentrates could be determined by its TFe grade and impurity level. Generally, the quality of iron ore concentrates is divided into four classes, namely C60, C63, C65 and C67, which requires a TFe grade of not less than 60%, 63%, 65% and 67%, respectively. Each class is also divided into two sub-classes based on the impurity content. Sub-class I requires that the contents of sulphur and phosphorus shall be less than 0.19% and 0.09%, respectively, while sub-class II requires that the contents of sulphur and phosphorus shall be less than 0.40% and 0.30%, respectively. Based on the processing test results reviewed by SRK, the average impurities of sulphur and phosphorus of all our mines are less than the limit of sub-class I. In addition, the TFe grade of iron ore concentrates from Gufen Mine, Wang’ergou Mine and Shuanmazhuang Mine are between 66.14% and 66.73%. While the TFe grade of iron ore concentrates from Zhijiazhuang Mine are between 62.38% and 63.45%, such iron ore concentrates are alkaline concentrates with certain characteristics that are attractive to steel mills and can generally command higher pricing as compared with acidic iron ore concentrates with the same TFe grade. SRK is of the view that the iron ore concentrates produced in all of our mines are of good quality in the PRC. See Section 8.1.3 of the CPR attached as Appendix IV to this Prospectus. In addition, processing cost for lower grade iron ores will be higher than that for higher grade iron ores and iron ore concentrates with a higher TFe grade generally could be sold at a higher price.

The following table sets forth information regarding our output and sales volume of, and revenues generated from iron ore concentrates, preliminary concentrates and iron ores for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Output (Kt)				
Iron ore concentrates	421	443	393	345
Preliminary concentrates(1)	2,024	2,332	2,194	2,007
Iron ores(2)	3,419	4,609	3,804	5,655
Total sales volume (Kt)				
Iron ore concentrates	377	370	372	360
Preliminary concentrates	–	201	366	403
Iron ores	–	1,526	1,019	1,528
Total revenue generated (RMB in thousand)				
Iron ore concentrates	364,209	393,118	315,180	289,972
Preliminary concentrates	–	52,594	71,445	81,281
Iron ores	–	327,144	193,856	295,476

Notes:

(1) Jiheng Mining produced 19 Kt, 188 Kt, 360 Kt and 601 Kt of preliminary concentrates in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

(2) Jiheng Mining recovered 145 Kt, 1,350 Kt, 973 Kt and 1,591 Kt of iron ore in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

The output of iron ores in the above table refers to the amount of all the iron ores recovered during the Track Record Period, including those that have been further processed into preliminary concentrates. The output of preliminary concentrates in the above table refers to the amount of all preliminary concentrates produced from dry processing, including those that have been further processed into iron ore concentrates. In addition, during the Track Record Period, we focused on performing consolidation and correction work in connection with consolidation of our mines and preparing them for commercial production. As a result, the output of iron ore concentrates, preliminary concentrates and iron ores is not indicative of our mining operation during the commercial production. See "– Mines, Mineral Resources and Mining Rights – Consolidation and Correction Work at Our Mines."

SALES AND MARKETING

We currently sell all of our products in the PRC domestic market, particularly Hebei Province. Our sales are primarily carried out by our centralized sales forces at our headquarters in Laiyuan County. As of June 30, 2013, we had 16 employees in our sales and marketing department responsible for processing customer orders, collecting marketing information and developing and maintaining customer relationships.

We entered into supply and cooperation agreements with five steel mills, including Aoyu Steel, in early 2013 with respect to sales of our iron ore concentrates in 2013. In the six months ended June 30, 2013, the iron ore concentrates sold under these supply and cooperation agreements accounted for 86.4% of our total sales volume of iron ore concentrates. We have adopted a template form for our supply and cooperation agreements in which both parties need to provide and agree upon certain information and commercial terms such as the name and details of the parties, term and minimum sales volume. The selling price, quality, transportation, payment and other terms are usually specified in the order for each shipment placed under these agreements. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that the supply and cooperation agreements (as amended) are legally binding sales framework agreements. These agreements typically contain the following salient terms:

- *Term and renewal*: In most cases, the term is one year and is automatically renewable for another year upon expiration unless either party gives prior notice one month before the expiration date.

- *Pricing*: The price of each order is generally determined by reference to prevailing market prices and is subject to adjustment based on the quality of the iron ore concentrates. Iron ore concentrates with higher grade and lower silicon, sulphur and phosphorus content generally have higher selling prices.

- *Minimum annual sales volume*: The minimum annual sales volume is usually discussed and negotiated on a case-by-case basis.

- *Termination*: Apart from the termination right of the non-breaching party in the case of a breach of contract, no early termination right is provided for.

- *Key obligations of a buyer*: Among other things, a buyer is obligated to procure the minimum volume of iron ore concentrates specified in the agreement, provided that such minimum volume shall be subject to adjustment by us depending on our actual production capacity. The buyer shall give us preferential treatment over other suppliers for iron ore concentrates. Additionally, the buyer shall allow a reasonable lead time for us to stock up and deliver the iron ore concentrates.

- *Our key obligations*: Among other things, we are obligated to use best efforts to supply iron ore concentrates to the buyer in accordance with the volume specified in the order. Nevertheless, such obligation is subject to force majeure, a change in market conditions and our production capacity. In the event we reasonably believe that we may not be able to meet the buyer's need, we may, at our sole discretion, determine the final and binding volume to be supplied to the buyer in our written confirmation to the buyer's order.

- *Breach of contract*: Any default of obligations (including a buyer's failure to procure the minimum purchase volume) or undertakings, or any untrue or misleading representations and warranties will constitute a breach of the contract. In the event of breach, the non-breaching party is entitled to request the breaching party to remedy the breach within 30 business days following its occurrence, and failure to do so by the breaching party will entitle the non-breaching party to terminate the contract and the breaching party will be liable for any direct and consequential losses suffered by the non-breaching party.

We believe the salient terms of these agreements are in line with market practice.

The aggregate minimum annual sales volume, being 1,150 Kt for iron ore concentrates as set out in the original supply and cooperation agreements, was determined based on our production plan at the beginning of 2013. According to the original production plan, out of the 1,150 Kt of iron ore concentrates, 850 Kt would be produced by us, with the remaining 300 Kt processed using a third-party wet processing plant with iron ores or preliminary concentrates supplied by us. However, as we did not secure a qualified third-party wet processing plant as originally planned in the first half of 2013, we would have a 300 Kt shortfall in iron ore concentrates to meet the aggregate annual sales volume as provided in the original supply and cooperation agreements. In light of the above, we notified and discussed with some of the counterparties of these agreements, and entered into supplemental agreements with them to amend the aggregate minimum annual sales volume by our Group to these customers. Accordingly, the aggregate minimum annual sales volume for our Group in 2013 was reduced from 1,150 Kt to 850 Kt to be consistent with the adjusted production plan. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that we are entitled under the supply and cooperation agreements (as amended) to adjust the final sales volume based on our actual production volume and such adjustment will not constitute a breach of contract.

Adopting a similar template form of supply and cooperation agreements for 2013, we have continued the supply and cooperation agreements with three of our existing strategic customers and entered into a similar supply and cooperation agreement with a new steel mill as of the Latest Practicable Date for the sales of iron ore concentrates in 2014, with an aggregate minimum annual sales volume of 1,400 Kt. We did not continue the supply and cooperation agreements with the other two existing strategic customers because of the uncertainties in their purchase volume with us caused by their planned furnace overhauls in 2014. However, we expect to enter into supply and cooperation agreements with them once they have resumed normal production following the completion of their furnace overhauls.

Moreover, we have entered into supply and cooperation agreements with local iron ore processing plants and trading companies for the sales of our iron ores and preliminary concentrates. These agreements are based on a template form similar to that of the supply and cooperation agreements for the sales of our iron ore concentrates as described above, with an aggregated contracted minimum sales volume of 790 Kt to eight customers and 1,050 Kt to 13 customers for the period from June 1, 2013 to December 31, 2013 and the year of 2014, respectively. We currently do not intend to renew such agreements as the sales of iron ores and preliminary concentrates are expected to cease in 2015 after the wet processing capacity of Jiheng Mining is in place.

We generally do not offer a credit period to our customers. Our customers are generally required to make full payment before delivery of the products. During the Track Record Period, we provided a credit period of up to 90 days to Aoyu Steel. For iron ores and preliminary concentrates, our customers are responsible for collecting the products at our mine or dry processing plants. As for the iron ore concentrates, buyers are generally responsible for collecting the products at our wet processing plants. However, we sometimes assist our customers in arranging the delivery of our iron ore concentrates. Under this arrangement, we generally recoup the transportation costs by adding the costs to our sales prices. We primarily engaged Laiyuan Ao Tong Transportation Co., Ltd. during the Track Record Period for such deliveries. This company is generally responsible for losses of, or damages to, our products during delivery pursuant to the relevant service agreements. In addition, we had not experienced any shortage of transportation capacity for our products during the Track Record Period and up to the Latest Practicable Date.

Along with our expansion plan, especially for the production of iron ore concentrates, we intend to expand our customer base outside of Hebei Province. As all of our targeting customers are located near the transportation networks adjacent to our mines, we believe that the existing transportation infrastructure is sufficient to enable us to implement our expansion plan.

CUSTOMERS

During the Track Record Period, our iron ore concentrates were mainly sold to steel mills in Hebei Province, and preliminary concentrates and iron ores were mainly sold to local processing plants. We benefit from the lower transportation costs and the stable demand for our products within Hebei Province.

Taking into account all the products, including iron ore concentrates, preliminary concentrates and iron ores, we had 2, 39, 46 and 36 customers in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. Our revenue attributable to our five largest customers amounted to RMB364.6 million, RMB488.5 million, RMB369.9 million and RMB356.5 million, in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing 100%, 63.2%, 63.6% and 53.4% of our total revenue, respectively, for the same periods. Our revenue attributable to our single largest customer amounted to RMB355.8 million, RMB383.1 million, RMB259.6 million and RMB218.1 million, in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing 97.6%, 49.6%, 44.6% and 32.7% of our total revenue, respectively, for the same periods.

Aoyu Steel was our largest customer from 2010 to 2012, but ceased to be our largest customer in the six months ended June 30, 2013. It engaged in the production and sale of steel products and was wholly owned by Mr. Li Yanjun, one of our Controlling Shareholders through Aowei Group, before Aowei Group transferred 80% of its equity interest in Aoyu Steel to Delong, an Independent Third Party, in March 2012. The transactions between Aoyu Steel and us during the Track Record Period were on normal commercial terms and comparable to the terms with other customers. In particular, the selling price for each transaction was determined based on the prevailing market price at the time of the transaction. However, we had provided credit terms of up to 90 days to Aoyu Steel before it was sold to Delong, which were not generally provided to other customers during the Track Record Period. Except for Aoyu Steel, no other customer was our related party during the Track Record Period.

The table below sets out the revenue generated from Aoyu Steel and other customers during the Track Record Period.

	Years ended December 31,						Six months ended June 30,	
	2010		2011		2012		2013	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(RMB in millions)							
Aoyu Steel	355.8	97.6	383.1	49.6	259.6	44.6	25.2	3.8
Other customers	8.8	2.4	390.0	50.4	322.0	55.4	641.9	96.2
Total	364.6	100.0	773.1	100.0	581.6	100.0	667.1	100.0

The table below sets out the gross profit margins in relation to sales of iron ore concentrates to Aoyu Steel and other customers.

	Years ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Aoyu Steel	47.2%	41.8%	15.7%	42.9%
Other customers	47.6%	41.0%	15.5%	42.6%
Average of our Group				
– iron ore concentrates	47.2%	41.8%	15.7%	42.7%

Except as disclosed above, none of our Directors, their respective associates or any Shareholders, to the knowledge of our Directors, owning more than 5.0% of our issued Shares, had any interest in any of our five largest customers during the Track Record Period. None of our major customers is our supplier.

COMPETITION

We primarily sell iron ore concentrates in Hebei Province. A number of factors affect the markets in which we sell our iron ore concentrates. Iron ore concentrate prices in China depend primarily on the consumption patterns of the steel industry in China as well as the availability, location and cost of transportation and price of competing iron ore sources, including imported iron ores.

We face competition from local iron ore concentrate producers in our primary market, Hebei Province. However, we believe that we can effectively compete against competitors mainly because of, among other things, (i) low unit cash operating costs; (ii) the high grade and quality of our iron ore concentrates; (iii) our close proximity to our major customers; and (iv) large scale reserves and steady production and supplies.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to PRC safety laws and regulations, which set out the legal standards for health and safety measures with which our operations must comply. We regard occupational health and safety as one of our prime responsibilities and have implemented a number of measures to ensure compliance with the stringent regulatory requirements in PRC. As of June 30, 2013, we had a dedicated team of 40 full-time employees responsible for monitoring and ensuring occupational health and safety.

We actively implement and enforce Safety Inspection Measures (《公司安全檢查制度》), Safe Production Regular Meeting Measures (《安全生產例會制度》), Administration Measures for Industrial Accident (《工傷事故管理制度》) and other relevant measures to prevent and reduce the occurrence of dangers and risks related to our operations. SRK has confirmed during its on-site visits that safety signs were in place, safety provisions and rules were displayed within the work areas, moving machinery parts were appropriately guarded and covered, guard railings were installed on all gantries, and proper personal protection equipment, such as hardhats, traffic vests, and steel toed shoes, was provided and was being used by the workers. SRK has confirmed that the above site occupational health and safety management measures are generally in line with recognized PRC industry practices and PRC safety regulations. See the CPR attached as Appendix IV to this Prospectus. We provide regular occupational training to our employees and special safety technical training to our technical staff.

In addition, as of the Latest Practicable Date, we also had arranged health check-ups for our employees and provided social insurance to all of our employees as required under the applicable PRC laws and regulations. However, historically, there was a shortage of housing fund and social insurance contribution before May 2013. The relevant local social insurance and housing fund administrative authorities of Laiyuan County issued confirmation letters which confirmed that we would not be penalised for the aforesaid shortage of housing fund and social insurance contribution. Based on the confirmation letters issued by relevant local social insurance and housing fund administrative authorities of Laiyuan County, our PRC legal counsel, Commerce & Finance Law Offices, has advised us that the possibility we would be subject to any penalty by the said authorities is remote. As of the Latest Practicable Date, we believe that we had adequate insurance coverage for our employees in accordance with PRC laws and regulations.

Each of our mines and processing plants maintains its own safety reporting system. We conduct internal inspections on safety compliance at each of our production sites on a monthly basis. There had been two minor injuries but no serious injuries or fatalities during the Track Record Period. Our incident analysis reports for these two minor injuries have been provided to SRK for review. These two reports analyzed the cause of injuries and identified measures to prevent a recurrence, which are in line with international recognized OHS accident monitoring practice. Our Directors confirm that we have not been subject to any claims arising from any accidents involving personal injury or property damage during the Track Record Period that had a material adverse effect on our business, financial condition or results of operation. However, we cannot provide any guarantee that accidents will not happen in the future, which may disrupt our operations and divert our management's attention. See "Risk Factors – Risks Relating to Our Businesses – Safety accidents may occur at our mines."

INTERNAL CONTROL AND RISK MANAGEMENT

We have engaged an independent internal controls consultant, Protiviti, to review our internal control systems. Protiviti is a global business consulting and internal audit firm.

Protiviti performed a series of review beginning in March 2013, focusing on various areas, including (i) entity level controls, such as control environment, risk assessment, information and communication, monitoring, anti-fraud procedures and IT general controls; and (ii) process level controls related to financial reporting, such as sales, procurement, inventory, fixed-assets, payroll, financial closing and reporting, treasury and tax management.

Following its review, Protiviti identified a number of control deficiencies and weaknesses, including primarily the lack of independent non-executive Directors on the Board, absence of an audit committee and a remuneration committee, insufficient independence of the internal audit function as well as lack of certain financial and business operation policies or procedures.

Since mid-March of 2013, as recommended and confirmed by Protiviti, we have taken various measures to address these internal control deficiencies and weaknesses, including the appointment of independent non-executive Directors, establishment of an audit committee and a remuneration committee and establishment of direct reporting channels between our internal auditors and the audit committee. In addition, we have enhanced our internal control procedures by updating our regulatory policies with rules governing various aspects of our business, mainly including financial management, sales management, procurement management, contractor management, fixed-assets management, license/certificate management and human resources management.

In May and June 2013, Protiviti performed a follow-up review of the newly designed policies and procedures, and a walk-through of the samples (if available) after the new policies and procedures were adopted. Protiviti noted that the draft Board committee charters and disclosure management related policies, being Administrative Measures on Information Disclosure, Provisions on the Management of Inside Information Disclosure and Administrative Measures on Disclosure of Material Transactions, are pending Board approval, and the Internal Audit Charter and working plans are pending Audit Committee approval. Protiviti has reviewed these draft policies and plans pending approval and confirmed that they are in line with the Listing Rules and general practice. These draft policies and working plans were approved on November 3, 2013. Except for that, the aforementioned control deficiencies have been remedied.

Mr. Huang Kai, our executive Director, is responsible for overseeing the proper implementation of the internal control measures. For the experience and qualifications of Mr. Huang Kai, see "Directors and Senior Management – Directors." Currently, Mr. Huang Kai reports to the board of Aowei Mining and Mr. Xia Guoan, the chief executive officer, executive Director and general manager of Aowei Mining. After the Listing, Mr. Huang Kai will report to Mr. Xia Guoan and the Board.

In addition, our PRC legal counsel, Commerce & Finance Law Offices, also provided training on June 7, 2013 to the Directors on various PRC laws and regulations, with an emphasis on our past non-compliances in order to reinforce the management's knowledge of relevant laws and regulations applicable to us. The training included topics on corporate law and corporate governance, obligations and liabilities of management, production capacity and land use, social insurance and housing fund contributions, and operation of iron ore mines.

ENVIRONMENTAL PROTECTION

We are subject to various PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities. These laws and regulations cover a broad range of environmental matters, such as mining control, land reclamation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. Our costs for compliance with applicable environmental rules and regulations in 2010, 2011, 2012 and the six months ended June 30, 2013 were RMB4.1 million, RMB21.5 million, RMB22.6 million and RMB1.8 million, respectively. These costs mainly comprised of expenditures and charges associated with the following environmental matters: (i) water resources treatment, (ii) sewage treatment, (iii) greening of urban spaces/industrial environments, (iv) environmental assessment and protection, (v) vegetation restoration, (vi) soil and water conservation and (vii) water conservation project preparation. The costs for compliance with applicable environmental rules and regulations in each of 2011 and 2012 were significantly higher than the costs in 2010 primarily because we started paying soil and water conservation fees and land reservation fees from 2011. Taking into account the mineral resources compensation fees and the waste discharge fees to be paid by the end of 2013, and the potential waiver or reduction of soil and water conservation fees and land reservation fees, we expect that our costs for compliance with applicable environmental rules and regulations in 2013 will be approximately RMB12.8 million.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any penalties for breach of environmental laws or regulations. We have not been presented with any specific demands or requirements by our customers in complying with relevant environmental protection rules in the areas in which they operate. However, the PRC Government is moving toward more rigorous enforcement of environmental laws and regulations and the adoption of more stringent environmental standards, which could have a material adverse effect on our financial condition and results of operations. See "Risk Factors – Risks Relating to Our Business – Our mines can only be mined for a set number of years, and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards" and " Risk Factors – Risks Relating to Our Industry – Our operations are exposed to risks in relation to environmental protection and rehabilitation and our business operations may be affected by current or future safety and environmental regulations."

Our operations may have the following effects on the environment: (1) our mining operations may cause soil erosion and deforestation and (2) our processing plants may generate waste water, solid waste and cause noise pollution. SRK has identified certain moderate/tolerable risks associated with our operations which are considered as generally manageable, including the following risks:

- Land disturbance, rehabilitation and site closure;
- Water management (i.e., tailings and mine water);
- Waste rock management;
- Tailings storage (i.e., TSF design, construction, and operation);
- Dust management; and
- Land contamination (hazardous substances storage and handling),

and also provided recommendations for us to improve the risk management measures to address the abovementioned issues. See the CPR attached as Appendix IV to this Prospectus. We have strengthened the implementation of PRC environmental standards and regulatory requirements as recommended by SRK to manage such environmental risks.

In order to minimize our impact on the environment and manage the potential risks relating to environmental protection matters, we have implemented a set of Environmental Protection Measures (《環境保護管理制度》). It sets forth our environmental protection controls and measures. In particular, it provides for the methods of handling different types of pollutants and the standards we should achieve in ash emissions and noise control. As of June 30, 2013, we had 40 employees who conduct regular inspections at our mines and processing plants.

In addition, we have adopted a number of environmentally responsible practices in our operations to minimize the damage caused by our operations to the environment and manage the potential risks relating to environmental protection matters. We plant trees to compensate for the deforestation caused by our mining operations and near the mining areas after the completion of our mining operations. We recycle and reuse waste water at our processing plants and tailings dams. We also recycle gangue and use it as paving materials and construction materials. We monitor our noise level by adopting various noise control measures including the use of silencers. We also have internal rules on the management of our tailings storage facilities. We will continue to explore other means to further improve resource optimization and efficiency.

Prior to the launching of new production or expansion activities, we engage qualified experts to conduct environmental impact assessments. The environmental impact of our new production, expansion or other projects is assessed with a view to minimizing the negative impact on the environment. The experts that have conducted the environmental impact assessment for our projects mainly include Hebei Province Zhonglian Energy Environmental Protection Technology Limited Company (河北省眾聯能源環保科技有限公司) and Zhong Kan Metallurgical Investigation Design & Research Institute Co., Ltd. (中勘冶金勘察設計研究院有限責任公司). We also submit environmental assessment reports to the relevant local environmental protection bureau for its approval pursuant to PRC laws and regulations. We have been in compliance with the requirements and recommendations set forth in the approved assessment reports in all material aspects. The relevant local environmental protection bureau also conducts regular inspection of our production sites.

We are required by the applicable PRC laws to reclaim and restore mining sites to their prior condition after completion of mining operations and a sufficient amount of funds should be set aside and deposited into the designated bank account under the supervision of the local land and resource authority as the reclamation reserve to carry out future reclamation activities. Reclamation activity typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, restoration of land features in mined-out areas, dumping sites and other mining areas and contouring, covering and revegetation of waste rock piles and other disturbed areas. We confirm that the operations of all of our mines are in compliance with environmental and reclamation requirements in all material aspects.

As of the Latest Practicable Date, we have not received any reports of local community concerns in relation to the potential pollution of the local environment as a result of our mining operations.

INSURANCE

We currently maintain certain insurance, including pension insurance, medical insurance, labor injury insurance, maternity insurance and unemployment insurance, for our employees in accordance with applicable PRC laws and regulations.

During the Track Record Period, we did not experience any business interruptions or losses or damages to our facilities that had a material adverse effect on our business, financial condition or results of operations. We do not maintain any fire, earthquake, liability or other property insurance with respect to our properties, equipment or inventories, with the exception of insurance coverage for our vehicles. Consistent with customary industry practice, we do not maintain any business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities other than third-party liability insurance for our vehicles. During the Track Record Period and up to the Latest Practicable Date, we had not made any material insurance claims.

Subject to the relevant disclosure in "Risk Factors – Risks Relating to Our Business – Our insurance coverage may be insufficient to cover our business risks," our Directors consider the insurance coverage on our assets to be adequate. We will continue to review and assess our risks and make necessary adjustments to our insurance practice to meet our needs and comply with applicable PRC laws or regulations and to keep up with industry practices in the PRC.

PROPERTIES

As of the Latest Practicable Date, we occupied (i) 25 parcels of land with a total site area of approximately 1,220,796 sq.m.; and (ii) buildings and constructions with an aggregate gross floor area of approximately 43,827 sq.m.

We have also entered into land use agreements with certain individuals, rural collective economic entities or village committees for the future use of approximately 12,021,829 sq.m. of land on a temporary basis. Most of these agreements have a term of 15 to 20 years. We will apply for the approval of such temporary land use rights provided for in the agreements with the competent authorities once we need to use such land in the future. We have obtained confirmation letters from relevant governmental authorities which confirmed that they will grant relevant temporary land use rights for the land we plan to use upon our application in the future. Our PRC legal counsel, Commerce & Finance Law Offices, has advised that we can apply for the extension of our temporary land use rights, and if we have fulfilled all of the substantive and procedural conditions required by the relevant PRC law, rules and requirements of competent authorities, there would be no material legal impediments for us to obtain the temporary land use rights for these lands in accordance with our mining plan before the expiration of our mining permits and land use agreements, whichever is earlier.

While we may obtain long-term land use right certificates, we believe that it is not economically advisable for us to do so for our open-pit mining operations because acquisition of long-term land use rights of 50 years is subject to time-consuming government approval procedures and would incur substantial costs. The Directors believe that it is in the best interests of our Company to obtain only temporary land use right certificates, which is also in line with the industry practice of open-pit mining companies in the PRC.

All abovementioned land, buildings and constructions, except two office blocks with an aggregate gross floor area of approximately 80 sq.m. in Sichuan, are all located in Laiyuan County, Hebei Province.

Land

As of the Latest Practicable Date, we occupied 25 parcels of land with a total site area of approximately 1,220,796 sq.m., among which (i) we have obtained land use rights certificate for four parcels of land with a total site area of approximately 55,333 sq.m.; (ii) we have obtained temporary land use rights for 19 parcels of land with a total site area of approximately 1,159,828 sq.m. (including 150,245 sq.m. of woodland); and (iii) we are under the application process to obtain land use right certificates for the remaining two parcels of land with a total site area of approximately 5,635 sq.m.

Land with Temporary Land Use Rights

With respect to all of our mines, we are currently carrying out mining operations and using dry processing plants, tailings dams and waste rock dump sites located on 19 parcels of collectively-owned land with a total site area of approximately 1,159,828 sq.m. (including 150,245 sq.m. of collectively-owned woodland). Pursuant to Article 57 of the *Land Administration Law of the PRC*, we may use collectively-owned land for no more than two years, if we (i) have entered into land use agreements with the relevant rural collective economic entity or village committee; and (ii) have been granted temporary land use rights by the competent government authority. As of the Latest Practicable Date, we have entered into land use agreements with relevant parties for 19 parcels of land. According to the confirmation letters issued by Laiyuan County Bureau of Land and Resources and Laiyuan County Forestry Administration Bureau (as the case may be) from February to May 2013, we have been approved to use such 19 parcels of land (including woodland) with a term of two years starting from the issuance date of the relevant confirmation letter and, once such two-year term expires, renewal of term will be granted by the relevant authorities upon our application. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) Laiyuan County Bureau of Land and Resources and Laiyuan County Forestry Administration Bureau are the competent authorities for issuing the above confirmation; (ii) we are entitled to use such parcels of land in accordance with the confirmation letters as well as the underlying land use agreements; and (iii) such land use agreements are legal, binding and enforceable.

According to the relevant confirmation letters issued by Laiyuan County Bureau of Land and Resources and Laiyuan County Forestry Administration Bureau (as the case may be) upon the expiration of the existing temporary land use rights, renewal of term will be granted by the relevant authorities upon our application. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that there would be no material legal impediments for us to extend these temporary land use rights upon their expiry if we have fulfilled all of the substantive and procedural condition required by the relevant PRC laws, rules and requirements of competent authorities.

Land under Application for Land Use Right Certificates

Two of our subsidiaries, namely Jingyuancheng Mining and Jiheng Mining, are in the process of obtaining land use right certificates for two parcels of land with a total site area of 5,635 sq.m., on which the Gemengou substation of Jingyuancheng Mining and the office building of Jiheng Mining have been built. According to the Notice of Establishing The Land Management Committee of Laiyuan County issued by the People's Government of Laiyuan County (《淶源縣人民政府關於成立淶源縣土地管理委員會的通知》, on May 23, 2013, a meeting shall be held by the Land Management Committee of Laiyuan County (comprised of heads of relevant local authorities, such as the Land and Resource Bureau of Laiyuan County and the Urban and Rural Planning Bureau of Laiyuan County) before the relevant authorities can proceed to subsequent steps in relation to the issuance of land use right certificates. We have duly prepared and submitted all the documents currently required to be submitted in relation to the applications for land use right certificates for the said two parcels of land. Currently, these two parcels of land are going through land auction procedures based on the decisions of relevant meetings. We expect to complete all the relevant procedures and obtain the land use rights certificates by the end of 2013. According to the confirmation letters issued by Laiyuan County Bureau of Land and Resources dated April 8, 2013, no disciplinary action will be imposed on Jingyuancheng Mining or Jiheng Mining and there is no legal impediment for Jingyuancheng Mining and Jiheng Mining to obtain the land use right certificates to such underlying land. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that based on the confirmation letter issued by the Laiyuan County Bureau of Land and Resources, which is the competent authority for issuing such confirmation letter, the possibility that Jingyuancheng Mining or Jiheng Mining will be subject to any administrative penalty for using the land before obtaining the land use right certificates by the Laiyuan County Bureau of Land and Resources is remote. Our PRC legal counsel, Commerce & Finance Law Offices, has also advised us that in accordance with the current relevant PRC laws and regulations, once we have obtained all necessary construction land use planning permits and fulfilled all of the substantive and procedural conditions required by the relevant PRC laws, rules and regulations and requirements of the competent authorities at that time, there would be no material legal impediments in obtaining the land use right certificate for the land in question. Given that Jingyuancheng Mining has a standby power supply and the office building of Jiheng Mining is replaceable by other buildings owned by us, our Directors believe that the aforesaid substation and office building are not crucial to our operations.

Buildings and Constructions

As of the Latest Practicable Date, we have built and occupied buildings and constructions with an aggregate gross floor area of approximately 43,827 sq.m., including (i) two buildings that we have obtained the ownership certificates for, with an aggregate gross floor area of approximately 12,792 sq.m.; (ii) temporary constructions built on land with temporary use rights or land use right certificates, with an aggregate floor area of approximately 19,445 sq.m.; (iii) one building, for which we are applying for the ownership certificate, with an aggregate gross floor area of approximately 3,548 sq.m.; (iv) idle constructions built on land with land use right certificates but without ownership certificates, with an aggregate gross floor area of approximately 4,159 sq.m.; and (v) three leased office buildings with an aggregate gross floor area of approximately 3,884 sq.m.

Temporary Buildings and Constructions

We have built temporary buildings and constructions, such as the canteen, dormitory buildings, warehouse, dry processing plants, tailings dams and office buildings, with an aggregate gross floor area of approximately 19,445 sq.m., on the land with only temporary land use rights. According to the confirmation letters issued by Laiyuan County Urban and Rural Planning Administration Bureau and Laiyuan County Housing and Urban-Rural Construction Bureau, respectively, such temporary constructions do not require any planning permits or construction permits or acceptance inspections and we can continue to use such temporary buildings and constructions in their current state. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) the aforesaid governmental authorities are the competent authorities for issuing relevant confirmation letters, and (ii) given the confirmation letters, there is no need for us to apply to the Laiyuan County Urban and Rural Planning Administration Bureau or Laiyuan County Housing and Urban-Rural Construction Bureau for such permits or conduct acceptance inspections for our temporary constructions, we can use such temporary buildings and constructions in their current state as long as we are in compliance with the relevant land and construction plans before the expiration of the relevant temporary land use rights and no notice from any competent authorities requesting the demolition of such temporary buildings has been received. See "Risk Factors – We may not be able to obtain or renew our land use rights or temporary land use rights and building ownership rights for our mining sites and facilities. Our temporary buildings and constructions may be demolished if the relevant land use rights expire without successful extension."

Buildings under Application for Ownership Certificates

As of the Latest Practicable Date, one of our subsidiaries, Jiheng Mining, occupied one building with an aggregate gross floor area of approximately 3,548 sq.m., for which we are applying for the building ownership certificate. Such building was used as an office building. According to the confirmation letter dated April 15, 2013, issued by the Laiyuan County Housing and Urban-Rural Construction Bureau, it will not impose any administrative penalty against Jiheng Mining for lack of relevant construction permits and inspection procedures and will issue the construction work permit and complete the checking and acceptance inspection filing procedures in due course. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) the Laiyuan County Housing and Urban-Rural Construction Bureau is the competent authority for issuing the relevant confirmation letter, and (ii) given the confirmation letter, the possibility that Jiheng Mining will be subject to any future administrative penalty by the Laiyuan County Housing and Urban-Rural Construction Bureau is remote. Our PRC legal counsel, Commerce & Finance Law Offices, has also advised us that in accordance with the current relevant PRC laws and regulations, once we have obtained all necessary land use right, planning and construction permits, filed the checking and acceptance inspection report, and fulfilled all the other substantive and procedural conditions required by the relevant PRC laws, rules and regulations and requirements of the competent authorities at that time, there would be no material legal impediments in obtaining the Building Ownership certificate for the building in question.

Idle Buildings and Constructions

One of our subsidiaries, Jingyuancheng Mining, has built some constructions, including dormitory building, processing plant, canteen and boiler room, with an aggregate gross floor area of approximately 4,159 sq.m., which are not currently being used due to the upgrade and consolidation of the mines. Jingyuancheng Mining is planning to renovate or demolish such idle constructions by December 2013. According to the confirmation letters issued by Laiyuan County Urban and Rural Planning Administration Bureau and Laiyuan County Housing and Urban-Rural Construction Bureau, given such constructions were left idle and will be renovated or demolished in the future, the authorities will not impose any administrative penalty against Jingyuancheng Mining for lacking relevant planning and construction formalities with respect to such idle constructions. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) the aforesaid governmental authorities are the competent authorities for issuing relevant confirmation letters, and (ii) given the confirmation letter, the possibility that Jingyuancheng Mining will be subject to any future administrative penalty by the Laiyuan County Urban and Rural Planning Administration Bureau and Laiyuan County Housing and Urban-Rural Construction Bureau for lacking of relevant planning or construction formalities is remote.

Leased Properties

Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that, with respect to our three leased offices, the lessors are entitled to lease such properties to us and the underlying lease agreements are legal, binding and enforceable.

PROPERTY VALUATION

Savills Valuation and Professional Services Limited, an independent property valuer, has valued the property interests of our Group as of September 30, 2013. The texts of the letter, summary of values and valuation certificates issued by Savills Valuation and Professional Services Limited are included in Appendix III attached to this Prospectus.

EMPLOYEES

As of June 30, 2013, we employed 1,270 persons, including 78 in our headquarters administration department, 193 in the mine management department, 260 in various mining departments, 470 in the ore processing plants and tailings dams, 111 in the workshops for maintenance, and 158 employees in the safety, support and service departments. Annual staff turnover is estimated at 5% of the workforce. Based on our Company's past experience, it was not difficult to replace skilled workers who had left our Group. SRK considers that the workforce numbers can meet our Group's production capacities.

We place significant emphasis on internal promotion as a means of offering long-term career paths and performance incentives to our employees. To incentivize them, we offer our employees performance bonuses based on certain performance indicators. Our employees are subject to regular performance reviews which determine their promotion prospects and compensation.

Our employees regularly attend training courses to improve their skills and professional knowledge and be updated on new developments. We also develop our own employee training programs tailored specifically to iron ore mining and processing operations. We employ dedicated trainers to provide the training programs at our mining sites. To leverage the accumulated operational expertise and know-how in our network, we frequently apprentice new recruits at our mining exploration sites.

REGULATORY COMPLIANCE

Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that we have been in compliance with applicable laws and regulations in all material aspects by considering the relevance of various matters to our principal business activities and whether there has been, or is likely to be, any material adverse impact on our business, results of operations and financial position, except for what have been disclosed in this Prospectus. Furthermore, Commerce & Finance Law Offices are of the opinion that we have obtained all necessary licenses, approvals and permits that are material for our business operations in the PRC, except for those disclosed in this Prospectus.

However, we have, from time to time, been involved in regulatory non-compliance incidents and received related notices or warnings from the relevant regulatory authorities. We set out below the details of using contractors without requisite qualifications. The reasons for non-compliance, the maximum penalties, rectification actions taken and the current status have also been summarized as below.

Non-compliance	Reason for non-compliance	Maximum penalty and/or financial impacts; provision made or reason for not making the provision	Rectification actions taken and status of past non-compliance
Use of contractors without requisite qualifications We contracted with several individuals, who did not possess the requisite license for an entity that engages in blasting work, to conduct blasting work from October 2009 to April 2012.	The contracts with the individual contractors without requisite qualifications were originally entered into by the previous operators of the relevant mines before our acquisition of the mine. As such contracts provided that the contractors should have the requisite qualifications and were being carried out at the time of the Group's acquisition of the relevant mines, we did not conduct further due diligence to reconfirm the qualifications of such contractors before we took over the operations of the relevant mines. Therefore, we were not aware of the deficiency in the relevant qualifications of these individual contractors at the time of the acquisition and continued the working relationship with them for the blasting work at those mines. However, as part of an internal control review conducted by our Group, we discovered this non-compliance.	We rectified such non-compliance by engaging Tangshan Hengsheng in April 2012 and terminated the contractual arrangements with those individual contractors on December 31, 2012. According to the confirmation letter issued by the Laiyuan County Public Security Bureau on May 20 2013, the non-compliant arrangements have already been terminated and the authority will not impose any administrative penalty against us for historical engagement of unauthorized parties to conduct blasting activities considering that our Group's blasting work had been outsourced to Tangshan Hengsheng in April 2012 and the conduct of engaging unqualified individual contractors had ended. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that (i) the Laiyuan County Public Security Bureau is the competent authority for issuing the confirmation letter, and (ii) based on the confirmation letter, the possibility that we will be subject to any administrative penalty by the Laiyuan County Public Security Bureau is remote. However, should the competent public security authorities consider us as having conducted any unauthorized purchase, transportation or use of explosive materials, we may be subject to a fine of up to RMB200,000 and be confiscated of illegal explosive material and relevant incomes.	Upon discovering the non-compliance, we initiated a tender process for new blasting contractors possessing the necessary qualifications and starting from April 2012, we have engaged Tangshan Hengsheng to conduct the blasting work at our mines. While Tangshan Hengsheng became the supervising contractor in charge of the overall process and carried out key procedures of blasting work, such as blasting plan designing, the individual contractors kept working at the relevant mines under Tangshan Hengsheng's direction and supervision until the end of 2012 as they were already familiar with the local geological and mining conditions and their presence was necessary to ensure a smooth handover. As since starting from April 2012, the blasting work has been outsourced to an entity with the requisite qualifications and the prior individual workers who kept working at relevant mines have received relevant training and obtained individual qualification relating to the works they conducted under Tangshan Hengsheng's direction and supervision, the Laiyuan County Public Security Bureau confirmed that the non-compliance has been rectified since April 2012. In addition, the Company has formulated policies and procedures to stipulate the contractor management mechanisms, including approval for contractor usage plan, contractor selection, project execution monitoring, contractor renewal and exit, which became effective in March 2013. An evaluation team is in place to review contractors' qualifications, licenses and certificates and conduct on-site visits of each potential contractor. The evaluation team consists of Mr. Xia Guoan (the General Manager of Aowei Mining), Mr. Tu Quanping (the Chief Engineer of Aowei Mining), the deputy manager of the relevant mining subsidiary who is in charge of production, the head of business planning department of Aowei Mining, and the head of production and technology department of Aowei Mining, all of whom have extensive experiences in the mining operations. For the resumes of Mr. Xia Guoan and Mr. Tu Quanping, see pages 168 and 169 of this Prospectus. This evaluation team will also be responsible for checking the qualification of existing contractors on an annual basis. For the existing contractors, our Group has provided production safety trainings to the contractors and is monitoring the contractors' performance and production safety in daily work. In addition, regular and unscheduled special reviews and inspections on production safety are also performed by production related management and staff of each mine. Semi-annual performance evaluation for each contractor is completed by the Deputy General Manager of each mine who is responsible for production, focusing on quality, production volume, production safety and service attitude. A Performance Review Form is completed to record the evaluation results. Protiviti has reviewed these policies and procedures and noted that they are in line with general industry practice. Our Directors are of the view that the non-compliance did not have a material adverse effect on the operations or financial results of our Group and further confirm that we have taken all reasonable steps to adopt an effective internal controls system to prevent the future re-occurrence of non-compliance incidents.

LEGAL PROCEEDINGS

During the Track Record Period and as of the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our financial condition and results of operations as a whole or our rights to conduct exploration or mining activities.