

OVERVIEW

We specialize in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. Gold is our core commodity because the value of gold contained in the concentrates we produce and sell exceeds the combined value of all the other metals contained in our concentrates, and contributed 89.0% and 68.3% of our total revenue for the year ended 31 December 2007 and the ten months ended 31 October 2008, respectively. Despite the recent financial turmoil, our Directors believe that the outlook for the gold sector remains positive.

We own a 97.14% shareholding in three operating Gold Mines in the Chifeng Municipality, Inner Mongolia, namely the Shirengou Gold Mine, the Nantaizi Gold Mine and the Luotuochang Gold Mine. Chifeng Municipality is an area rich in mineral resources with a long history of production of precious and nonferrous metals. The ore extracted from our Gold Mines is poly-metallic and has a higher weighted average gold grade than that of comparable PRC gold producers listed on the Stock Exchange, which we believe will enable us to generate greater revenue per tonne of ore.

Our Gold Mines are covered by four mining permits covering an aggregate area of approximately 20.4 km² and one exploration permit covering an aggregate area of approximately 3.19 km² in the Chifeng Municipality. In addition, we have also entered into option agreements with two independent third parties to purchase the mining rights and assets in two gold mines in Qitai County, Xinjiang, the PRC.

We are in a period of significant production growth. We have undertaken extensive exploration and drilling activities at our Gold Mines. We have engaged Behre Dolbear Asia, Inc., an internationally reputable mining consultant and independent third party, to evaluate the gold resources and reserves at our Gold Mines in accordance with the JORC Code and prepare the Independent Technical Expert's Report. According to the Independent Technical Expert's Report, as at 30 November 2008, our Gold Mines had gold resources of 3,869,000 ounces (approximately 120.3 tonnes) and gold reserves of 2,900,000 ounces (approximately 90.2 tonnes). As at 30 November 2008, the estimated gold grades of the reserves were 8.92 g/t at the Shirengou Gold Mine, 10.10 g/t at the Nantaizi Gold Mine and 3.44 g/t at the Luotuochang Gold Mine. Furthermore, the Independent Technical Expert's Report indicates that there is potential to identify additional mineral resources at our Gold Mines.

We do not engage to a material extent in exploration and mining activities. We outsource substantially all our exploration and mining works. We select third-party contractors to undertake our exploration and mining works through a selective tendering process. Prior to engaging third-party contractors, we assess their skills, expertise and experience. All of the third-party contractors must possess the requisite qualifications for undertaking the mining, exploration or construction works for which they are commissioned. The third-party contractors work under the supervision of our management and technical teams. While works are being carried out by third-party contractors, each of our relevant departments is responsible for supervising such works ranging from reviewing engineering quality, quantifying losses and depletion of minerals to supervising and managing the progress and completion of the commissioned works. We require third-party contractors to carry out their works according to the design and plan of the relevant commission and in accordance with the requirements of our Production and Environmental Safety Department and Quality Control Department. Our Production and Environmental Safety Department supervises and inspects safety management. Our Quality Control Department supervises mineral quality to ensure that third-party contractors meet our quality standards.

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We have two ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine, which currently have ore processing capacities of approximately 990 tpd and 800 tpd, respectively. The Nantaizi Gold Mine and the Shirengou Gold Mine are adjacent to each other, and the two mines are referred to together in this prospectus as the Shirengou–Nantaizi Mining Complex. The ore processing facility located at the Nantaizi Gold Mine processes ore from both the Nantaizi Gold Mine and the Shirengou Gold Mine. At present, the ore processing facility located at the Nantaizi Gold Mine is under expansion and, when completed, is expected to have an ore processing capacity of approximately 1,480 tpd. The ore processing facility located at the Luotuochang Gold Mine is also presently under expansion and, when completed, is expected to have an ore processing capacity of approximately 1,100 tpd. The combined ore processing capacity of both ore processing facilities is expected to reach approximately 2,580 tpd by the fourth quarter of 2009.

We had a 50 tpd ore processing facility located at the Shirengou Gold Mine, which was constructed prior to our acquisition of Shirengou Mining. The production technology used at this ore processing facility was outdated and was unable to effectively extract the various types of minerals contained in our ore. We ceased the operation of the 50 tpd ore processing facility after we completed the construction and began the operation of the 500 tpd ore processing facility located at the Nantaizi Gold Mine in May 2008. The daily production capacity of this ore processing facility was subsequently augmented by 490 tonnes on completion of the construction of phase II in September 2008. All ore processing previously undertaken at the 50 tpd ore processing facility located at the Shirengou Gold Mine is now undertaken at the larger, more efficient 990 tpd ore processing facility located at the Nantaizi Gold Mine.

According to the Independent Technical Expert's Report, as at 30 November 2008, the reserves at the Shirengou-Nantaizi Mining Complex were estimated to be sufficient for production at our anticipated 2011 production level of 450 ktpa for approximately 14.2 years, and the reserves at the Luotuochang Gold Mine were estimated to be sufficient for production at our anticipated 2011 production level of 330 ktpa for approximately 24.9 years. It is estimated that our annual production of gold, silver, copper, lead and zinc contained in the concentrates we produce will reach 151,900 ounces (approximately 4.7 tonnes), 1,290,000 ounces (approximately 40.1 tonnes), 7,660 tonnes, 4,540 tonnes and 4,530 tonnes, respectively, by the fourth quarter of 2011. The gold contained in the concentrates we produce and sell contributed to 89.0% and 68.3% of our total revenue for the year ended 31 December 2007 and the ten months ended 31 October 2008, respectively. We plan to focus on gold as our core commodity by expanding production at our Gold Mines, acquiring new mines and expanding into gold smelting and refining.

We have completed trial production and commenced commercial production at phase I of our ore processing facility located at the Nantaizi Gold Mine, which has a daily ore processing capacity of approximately 500 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 9 May 2008, phase I of our ore processing facility and tailings dam located at the Nantaizi Gold Mine were granted permission to commence trial production for a period of three months commencing on 15 May 2008. Under the terms of the letter of approval, Nantaizi Mining was required to obtain a valid environmental protection permit during the trial production period in relation to phase I of our ore processing facility located at the Nantaizi Gold Mine. Following commencement of trial production at phase I of our ore processing facility located at the Nantaizi Gold Mine, Nantaizi Mining obtained the following approvals:

- the environmental protection permit on 8 June 2008. It has a validity period of three years;

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- the production safety permits for its underground mining activity on 21 July 2008. Both of the permits have a validity period of three years; and
- the production safety permit for its tailings dam on 21 July 2008. It has a validity period of three years.

The trial production period for phase I of our ore processing facility at the Nantaizi Gold Mine ended on 21 July 2008, when we obtained all necessary permits and approvals required for operations and commenced commercial production. As Nantaizi Mining obtained the permits noted above prior to the expiry of the trial production period, Nantaizi Mining is permitted to continue commercial production after the expiry of the trial production period.

We have also commenced commercial production at phase II of our ore processing facility located at the Nantaizi Gold Mine, which has a daily ore processing capacity of approximately 490 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 28 September 2008, phase II of our ore processing facility located at the Nantaizi Gold Mine was granted permission to commence trial production for a period of three months commencing on 29 September 2008. The trial production period for phase II of our ore processing facility at the Nantaizi Gold Mine ended on 20 October 2008, when we obtained all necessary permits and approvals required for operations, including an approval letter in respect of environmental protection inspection and acceptance in respect of phase II, and commenced commercial production.

Moreover, we have commenced commercial production at phase I of our ore processing facility located at the Luotuochang Gold Mine, which has a daily ore processing capacity of approximately 500 tonnes, having received all necessary permits and approvals required for operations in September 2008.

We have recently completed trial production at phase II of our ore processing facility located at the Luotuochang Gold Mine, which has a daily ore processing capacity of approximately 300 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 5 December 2008, the phase II ore processing facility located at the Luotuochang Gold Mine was granted permission to commence trial production for a period of three months commencing from 27 November 2008. We commenced sales of the products produced at phase II of our ore processing facility located at the Luotuochang Gold Mine and have begun to generate revenue therefrom since December 2008. The trial production period for phase II of our ore processing facility located at the Luotuochang Gold Mine ended on 26 December 2008, when we received an approval letter in respect of environmental protection inspection and acceptance in respect of phase II, and commenced commercial production.

Our revenue, gross profit and profit attributable to equity holders of our Company were approximately RMB173.6 million, RMB140.3 million and RMB62.3 million, respectively, for the ten months ended 31 October 2008.

Although we intend to apply a portion of the net proceeds from the Global Offering for capital expenditure in relation to our expansion of exploration activities, commercialization of newly discovered mineral resources as a result of exploration, mine development and acquisitions, our current operations and profit estimate do not depend on the discovery and commercialization of new resources or acquisitions of new mines.

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Our Directors believe that the recent financial turmoil will not have any substantial impact on our results and capital expenditure plans. No additional financing is required to enable our Group to exploit our proven reserves and commence recoveries on a commercial scale since our Group has already started to exploit its proven reserves and commenced recoveries on a commercial scale.

COMPETITIVE ADVANTAGES

We believe that we possess the following competitive advantages.

Strong exposure to gold

We consider gold as our core commodity because the value of gold contained in the concentrates we produce exceeds the combined value of all other metals contained in our concentrates. We believe that the production of gold concentrates from ore yields the highest margin in the gold value chain. We differ from comparable PRC gold producers listed on the Stock Exchange in that we source 100% of the ore for gold concentrate production from our own Gold Mines and do not engage in toll processing of third-party gold ores or concentrates. Accordingly, we believe that we are well positioned to capitalize on any increase in the market price of gold because we have a more strongly aligned exposure to gold than most of the comparable PRC gold producers listed on the Stock Exchange.

Unique high-grade poly-metallic mineral reserves

Our gold ore reserves are high-grade based on a review of comparable PRC gold producers listed on the Stock Exchange. The table below shows that our Gold Mines have a higher weighted average gold grade than comparable PRC gold producers listed on the Stock Exchange.

<u>PRC gold producer listed on the Stock Exchange</u>	<u>Weighted average gold grade (g/t)⁽¹⁾</u>
Company, as at 30 November 2008	6.18
Lingbao Gold Company Ltd. (靈寶黃金股份有限公司), as at 30 June 2005.	5.60
Sino Gold Mining Limited (澳華黃金有限公司), as at 30 April 2005	5.00
Zhaojin Mining Industry Company Limited (招金礦業股份有限公司), as at 30 June 2006	3.50
Zijin Mining Group Co., Ltd. (紫金礦業集團股份有限公司), as at 30 June 2003.	2.51

Source: Initial public offer prospectus for each listed company.

Note:

(1) Based on the weighted average of the measured, indicated and inferred resources disclosed in the independent technical expert's report contained in each listed company's initial public offer prospectus.

According to the Independent Technical Expert's Report, as at 30 November 2008, the estimated gold grades of our reserves were 8.92 g/t at the Shirengou Gold Mine, 10.10 g/t at the Nantaizi Gold Mine and 3.44 g/t at the Luotuochang Gold Mine.

Our Gold Mines also contain significant amounts of other valuable minerals. As at 30 November 2008, our recoverable ore reserves for the major types of minerals, including gold, silver, copper, lead and zinc, were estimated to be approximately 14,597,000 tonnes. According to the Independent

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Technical Expert's Report, our Gold Mines contain total gold, silver, copper, lead and zinc reserves of approximately 2,900,000 ounces (approximately 90.2 tonnes), 27,695,000 ounces (approximately 861.4 tonnes), 207,073 tonnes, 97,780 tonnes and 84,196 tonnes, respectively. These additional metal by-products are assessed and paid for by our customers when they purchase our concentrates. Please refer to "Appendix V — Independent Technical Expert's Report" to this prospectus.

As costs in the mining industry are broadly linked to the cost of extracting ore, we believe the reserves at our Gold Mines with high gold grade and significant amounts of other valuable minerals will enable us to generate greater revenue per tonne of ore relative to our mining costs.

Significant reserves position with strong organic growth potential

According to the Independent Technical Expert's Report, our Gold Mines have gold resources of 3,869,000 ounces (approximately 120.3 tonnes) and gold reserves of 2,900,000 ounces (approximately 90.2 tonnes). Ore mined from our Gold Mines is processed into gold concentrates at our ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine, which have a combined ore processing capacity of 1,790 tpd. Both ore processing facilities are currently under expansion and are expected to have a combined ore processing capacity of 2,580 tpd by the fourth quarter of 2009.

Based on the mine life analysis conducted by the Independent Technical Expert, as at 30 November 2008, we had ore reserves at the Shirengou-Nantaizi Mining Complex (the Shirengou Gold Mine and the Nantaizi Gold Mine are adjacent to one another and the ore extracted from both mines is processed at the ore processing facility located at the Nantaizi Gold Mine, accordingly their mine lives were estimated together) that were estimated to be sufficient for production at our anticipated 2011 production level of 450 ktpa for 14.2 years, and ore reserves at the Luotuochang Gold Mine were estimated to be sufficient for production at our anticipated 2011 production level of 330 ktpa for 24.9 years.

(i) Clear medium-term growth profile

As mining and production at our Gold Mines will be escalated over the next few years, we expect our medium-term growth profile to be strong. As confirmed by the Independent Technical Expert, the combined production capacity of our ore processing facilities will reach 2,580 tpd in 2010. The amount of ore to be processed at our ore processing facilities in 2010 is forecasted to be 780 kt. This results in an implied compound annual growth rate of 91.6%. Details of the forecast production capacity of our Gold Mines are set out in section 10 of the Independent Technical Expert's Report. Please refer to "Appendix V — Independent Technical Expert's Report" to this prospectus.

(ii) Additional future potential

Our Gold Mines are still in an early stage of development. So far, we have only explored a small portion of the area covered under our exploration permit at our Gold Mines. We are committed to optimizing the potential of these mines and to increase our current reserves through focused exploration efforts. We have committed an annual budget of approximately RMB4.0 million to undertake further exploratory drilling and testing at our Gold Mines. The Independent Technical Expert believes that there is potential to find additional mineral resources at our Gold Mines because:

- many of the gold containing poly-metallic veins at our Gold Mines are open laterally and sometimes also in the dip extension direction. Further exploration may define additional mineral resources for these veins; and

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- our Gold Mines are still at an early stage of development and there is a potential to find new mineralized veins in addition to the already known mineralized veins at our Gold Mines.

Accordingly, we believe we have the potential to discover gold and other mineral resources in excess of our present reserves.

Leading in efficiencies and cost position

We believe that we are one of the lowest cost producers (per ounce of gold) in the gold industry in the PRC. Our forecast cash cost estimate for 2009 is US\$197 per ounce of gold for the Shirengou-Nantaizi Mining Complex and US\$329 per ounce of gold for the Luotuochang Gold Mine. Our cash cost estimate compares favorably with gold producers globally whose average cash cost for 2007 was estimated by GFMS to be US\$395 per ounce of gold.

Our Directors believe that the main reasons why we are able to produce gold concentrates at a lower cost compared to gold producers globally are as follows:

- Our unique high-grade poly-metallic reserves enable us to enjoy lower costs associated with mining and processing ores relative to the quality of finished metal available in those ores.
- We have prepared detailed plans for our mining operations and have placed a strong emphasis on using advanced, reliable technology and equipment to ensure greater efficiencies and economic benefits for our operations.
- In choosing mining methods, we draw on successful mining practices used both within the PRC and internationally. For example, we use the latest mining technologies and modern management methods to maintain effective cost control and to achieve high ore recovery rates.
- By sub-contracting mining operations, construction and production to experienced third parties, we only have to assign a small number of management staff and technical personnel to provide guidance, supervision and management with regard to mining operations, construction and production. The consideration paid to our third-party contractors is fixed to measurable deliverables, for example by reference to meters of development or tonnes of ore drilled. In addition, our third-party contractors are penalized if developments are completed below pre-agreed quality standards or if ore mining results in significant losses.

Effective management structure with a strong senior management team

We seek to differentiate ourselves from other mining operators in the PRC by implementing a management structure we regard as modern and internal control systems which we believe have contributed, and will continue to contribute, to the growth of our business. We have also designed and implemented an employee incentive scheme which ensures that our staff are recognized and rewarded for their work and efforts.

The majority of our executive Directors and senior management, including Mr Qiu Haicheng (who has approximately 16 years of experience in mining and exploration), Mr Ma Wenxue (who has approximately 20 years of experience in ore processing), Mr Lu Tianjun (who has approximately 22 years of experience in mining and exploration) and Mr Zhao Guoming (who has approximately 20 years of experience in ore processing), has at least 16 years of experience in the gold industry. Our current senior management team was formed by the selective recruitment of prominent members of the mining

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industry and the business and academic communities in Inner Mongolia. We believe that our experienced and dedicated senior management team has contributed to the significant growth of our business and consolidation of our position as a growing producer of gold and precious metals.

In recent years, we have been able to draw on the experience and expertise of our senior management and their in-depth understanding of the mineralogy and geology of our resource base at our Gold Mines to modify or customize our equipment to develop greater efficiencies and economic benefits for our operations.

Well positioned to capitalize on opportunities in Inner Mongolia and Xinjiang

Inner Mongolia and Xinjiang are increasingly being recognized as resource rich regions of the PRC. While Inner Mongolia and Xinjiang are abundant in various kinds of mineral resources (for instance, over 120 and 138 kinds of mineral resources have been discovered in Inner Mongolia and Xinjiang, respectively), the level of gold reserves of each of the top five gold producing provinces in the PRC (for 2007 according to CEIC) may be higher than that of Inner Mongolia or Xinjiang. Also, although certain areas of Inner Mongolia (e.g. the Chifeng Municipality) and Xinjiang have a long gold mining history, large-scale gold mining operations only commenced very recently. As a result, gold production levels in Inner Mongolia and Xinjiang still lag behind those of the more traditional gold mining provinces such as Shandong, Henan, Anhui, Liaoning and Hubei. However, given the relatively short history of large-scale mining development in Inner Mongolia and Xinjiang, neither region is yet to be exploited to its full potential. Significant opportunities in gold mining exist in Inner Mongolia and Xinjiang and we believe that we are one of the most well positioned companies to be able to take advantage of these opportunities.

Our presence in Inner Mongolia provides us with strong leverage to take advantage of numerous growth opportunities such as obtaining the rights to exploit new areas and to consolidate with existing gold mines in the region. Although our business started in August 2007 when we acquired our Gold Mines, we have been able to commence operation of each of our Gold Mines within approximately one year of acquisition.

CONTROLLING SHAREHOLDER — MR WU

Historically, the role of Mr Wu, our ultimate controlling shareholder, has been to assist in identifying and acquiring our initial strategic assets (i.e. our Gold Mines). However, since acquisition of our Gold Mines, Mr Wu has hired a team of professional management for our Group and hence has neither been involved in the daily development of our Gold Mines nor in the operations of our Group. Therefore, we have been operating independently from our controlling shareholder.

Although future acquisitions are part of our growth strategy, it should be noted that we do not need to make additional acquisitions to ensure the ongoing viability of our business. This is because we are at the stage of developing and commencing commercial operation of our Gold Mines. According to the Independent Technical Expert's Report, once all our ore processing facilities operate at their full capacity of 2,580 tpd by the end of 2009, our ore reserves will be sufficient to support production at our anticipated full production level for 14.2 years for the Shirengou-Nantaizi Mining Complex and 24.9 years, in the case of the Luotuochang Gold Mine, before the reserves are fully depleted. In addition, our current operations and profit estimate do not depend on the acquisition of new mines or on the discovery and commercialization of new resources.

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We have a management team who is responsible for identifying acquisition opportunities and making investment decisions. Accordingly, we are able to operate independently without the day-to-day influence of Mr Wu. Any future acquisitions will be identified and assessed by our Acquisitions Committee which comprises Mr Wang Zhentian, Mr Qiu Haicheng (our Chief Executive Officer), Mr Ma Wenxue, Mr Lu Tianjun and Mr Cui Jie (our Chief Financial Officer), who are experienced in mining and exploration management, processing and production, mining and ore extraction, and minerals exploration and financial matters, respectively.

Mr Wu's role in the future is expected to be limited to exerting influence on our Company at the shareholder level as he is, and will continue to be after Listing, the controlling shareholder of our Company.

BUSINESS STRATEGIES

Our goal is to become a leading integrated gold producer in the PRC, which we plan to accomplish through the following strategies.

Growing production at our existing Gold Mines and outsourcing our mining and exploration works

We commenced commercial production at phases I and II of our ore processing facility located at the Nantaizi Gold Mine in July and October 2008, respectively, and phases I and II of our ore processing facility located at the Luotuochang Gold Mine in September and December 2008, respectively having received all necessary permits and approvals required for operations. We expect to significantly grow the operations at our Gold Mines by progressively ramping up our mining and production operations while maintaining their low cost.

The scale of our production operations will increase in the near future when our phase III ore processing facility is completed at the Nantaizi Gold Mine and our phase III ore processing facility is completed at the Luotuochang Gold Mine. We expect that phase III construction at both the Nantaizi Gold Mine and Luotuochang Gold Mine will be completed in late 2009. On completion of this expansion our installed daily production capacity will increase from 1,790 tonnes to 2,580 tonnes.

To minimize costs and risks, our business operating model includes outsourcing mining and exploration works and ore haulage activities to third-party contractors.

Horizontal expansion through future acquisitions of high-quality gold mines

Our growth model includes expansion through the acquisition of high-quality gold mines. In addition, and as noted above, our growth model includes expansion of the ore extraction and processing capabilities at each of the gold mines we acquire. We acquired the three Gold Mines during the Track Record Period.

We are dedicated to focusing on gold as our core commodity and intend to complement growth at our Gold Mines through continuing to acquire additional high-quality gold mines. We will carefully consider and balance some or all of the following criteria in order to pursue acquisitions prudently with a view to further growing our business and maximizing returns to our shareholders:

- the resources, reserves or mining operations of gold;
- the amount, grade, mineability and sustainability of the target resources or reserves;
- whether the cost and benefit of the acquisition meet our stringent internal financial criteria;

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- the synergies between us and potential targets in terms of technology and know-how, management expertise and business compatibility and complementability; and
- whether the acquisition can enhance the overall sustainability of our existing and future businesses.

We have a specialized team of technical experts to identify high-quality mineral resources for potential acquisition in Inner Mongolia, Xinjiang and other regions. This team is led by Mr Ma Xiwen, one of our senior management, who has been engaged in geological field work for more than 30 years and is very experienced in geological survey and mining exploration. Our strategy is to apply the significant knowledge base we have developed to identify key gold resources and exploration prospects, and to collaborate with local partners to acquire, further develop and explore these resources. We have recently entered into option agreements with two independent third parties to purchase the mining rights and assets in two gold mines in Qitai County, Xinjiang, the PRC. For further details, please refer to the subsection headed “Business — Business Developments — Option agreements in respect of two gold mines in Xinjiang” in this prospectus.

Vertical integration of our gold production process

We are committed to gold as our core commodity with a focus on gold exploration, mining and processing, as well as gold smelting and refining in the future. Expanding our operations into gold smelting and refining will make us capable of producing standard gold (Au9999 and Au9995) — the key end product in the gold industry. By reaching this capability, we will achieve our goal of becoming a vertically integrated gold producer and will strengthen our position as a leading gold company in the PRC. We believe that becoming a vertically integrated gold producer will also increase our standing and credibility in the PRC gold mining industry and, accordingly, will assist our horizontal expansion strategy of acquiring additional high-quality gold mines.

Pursuing technological innovation, effective energy savings, industrial safety and environmental protection

We are not currently undertaking any research and development projects. However, we intend to commence research and development of innovative mining and processing technologies in order to increase our recovery rate of gold, on the one hand, and to reduce our dilution and loss rate, on the other. We also plan to make use of information technology to ensure continuous monitoring and optimization of the production process.

We plan to implement the following measures:

- conduct research on and development of more effective technologies for deep-level exploration;
- advance our deep-level mining expertise to enable us to engage in the development of deep-level resources in our existing Gold Mines;
- develop smelting and refining capabilities to process gold concentrates; and
- improve our mining methods and technologies to minimize mining loss and dilution.

We have implemented, and will continue to maintain, effective measures for mining safety and environmental protection. In the course of production, we operate in compliance with production safety laws, environmental laws and other relevant PRC legislation and regulations. Supervisory staff at each

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level of operations is accountable for and must observe our accountability system. We are committed to working with our employees to uphold high standards of mining safety and to ensure compliance with environmental laws and regulations.

For further details in relation to our research and development plan, please refer to the section headed “Business — Research and Development” in this prospectus.

BUSINESS DEVELOPMENTS

Completion of trial production and commencement of commercial production at phase I of our ore processing facility located at the Nantaizi Gold Mine

We have completed trial production and commenced commercial production at phase I of our ore processing facility located at the Nantaizi Gold Mine, which has a daily ore processing capacity of approximately 500 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 9 May 2008, phase I of our ore processing facility and tailings dam located at the Nantaizi Gold Mine were granted permission to commence trial production for a period of three months commencing on 15 May 2008. Under the terms of the letter of approval, Nantaizi Mining was required to obtain a valid environmental protection permit during the trial production period in relation to phase I of our ore processing facility located at the Nantaizi Gold Mine. Nantaizi Mining obtained such permit on 8 June 2008. The trial production period for phase I of our ore processing facility located at the Nantaizi Gold Mine ended on 21 July 2008, when we obtained all necessary permits and approvals required for operations and commenced commercial production. The ores mined from both the Nantaizi Gold Mine and Shirengou Gold Mine are processed at this ore processing facility.

Completion of trial production and commencement of commercial production at phase II of our ore processing facility located at the Nantaizi Gold Mine

In September 2008, we completed the construction of phase II of our ore processing facility located at the Nantaizi Gold Mine, which has a daily ore processing capacity of approximately 490 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 28 September 2008, phase II of our ore processing facility located at the Nantaizi Gold Mine was granted permission to commence trial production for a period of three months commencing on 29 September 2008. The trial production period for phase II of our ore processing facility at the Nantaizi Gold Mine ended on 20 October 2008, when we obtained all necessary permits and approvals required for operations, including an approval letter in respect of environmental protection inspection and acceptance in respect of phase II, and commenced commercial production. The ores mined from both the Nantaizi Gold Mine and Shirengou Gold Mine are processed at this ore processing facility. Further expansion of this ore processing facility is planned in one additional phase. For further details, please refer to the section headed “Future Plans and Use of Proceeds — Future Plans — Expansion of ore processing facility located at the Nantaizi Gold Mine” in this prospectus.

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Completion of construction and commencement of commercial production at phase I of our ore processing facility located at the Luotuochang Gold Mine

In June 2008, we completed the construction of phase I of our ore processing facility located at the Luotuochang Gold Mine, which has a daily ore processing capacity of approximately 500 tonnes. Having received all necessary permits and approvals required for operations, phase I of our ore processing facility located at the Luotuochang Gold Mine commenced commercial production in September 2008. The ores mined from the Luotuochang Gold Mine are processed at this ore processing facility. For further details, please refer to the section headed “Future Plans and Use of Proceeds — Future Plans — Expansion of ore processing facility located at the Luotuochang Gold Mine” in this prospectus.

Completion of trial production and commencement of commercial production at phase II of our ore processing facility located at the Luotuochang Gold Mine

In December 2008, we completed the construction of phase II of our ore processing facility located at the Luotuochang Gold Mine, which has an additional daily ore processing capacity of approximately 300 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 5 December 2008, phase II of our ore processing facility located at the Luotuochang Gold Mine was granted permission to commence trial production for a period of three months commencing from 27 November 2008. We commenced sales of the products produced at phase II of our ore processing facility located at the Luotuochang Gold Mine and have begun to generate revenue therefrom since December 2008. The trial production period for phase II of our ore processing facility located at the Luotuochang Gold Mine ended on 26 December 2008, when we received an approval letter in respect of environmental protection inspection and acceptance in respect of phase II, and commenced commercial production. The ores mined from the Luotuochang Gold Mine are processed at this ore processing facility. Further expansion of this ore processing facility is planned in one additional phase. For further details, please refer to the section headed “Future Plans and Use of Proceeds — Future Plans — Expansion of ore processing facility located at the Luotuochang Gold Mine” in this prospectus.

Option agreements in respect of two gold mines in Xinjiang

We entered into two option agreements on 26 March 2008 and 25 April 2008, respectively, with two independent third parties in respect of two gold mines in Qitai County, Xinjiang, the PRC. One of the two independent third parties is a limited liability company established in the PRC on 12 May 2005 under the Company Law, which engages in the business of gold mining and production and is 100% owned by an individual. The other independent third party is a limited liability company established in the PRC on 24 September 2007 under the Company Law, which also engages in the business of gold mining and production and is 100% owned by the same individual. We have not paid, nor are we obliged to pay, any form of consideration to the option grantors.

Under the terms of the option agreement dated 26 March 2008, Nantaizi Mining agreed to obtain, and the grantor agreed to grant an option over all rights and assets in connection with the mining permit of a gold mine in Qitai County, Xinjiang, the PRC. The option allows Nantaizi Mining, at its sole discretion, to purchase all rights and assets in connection with the mining permit within ten years from the date of agreement at a consideration of RMB60 million.

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Under the terms of the option agreement dated 25 April 2008, Nantaizi Mining agreed to obtain, and the grantor agreed to grant an option over all rights and assets in connection with the mining permit of a gold mine in Qitai County, Xinjiang, the PRC. The option allows Nantaizi Mining, at its sole discretion, to purchase all rights and assets in connection with the mining permit within ten years from the date of agreement at a consideration of RMB80 million.

King & Wood, our PRC legal adviser, has advised that the terms of each of the option agreements are legal and enforceable according to the relevant PRC laws and regulations.

The parties to the option agreements jointly engaged an independent third party to undertake valuations of the two gold mines in Qitai and, on the basis of such valuations, the consideration payable in respect of each gold mine was negotiated between the parties. The validity periods of the mining permits for the two gold mines in Qitai are from May 2008 to April 2011 and from August 2007 to August 2009.

We did not make any payment to obtain the above two options. These options allow us, at our sole discretion, to purchase the mining rights and related assets of one or both of the mines within ten years from the respective dates of the option agreements. However, we have been advised by our PRC legal adviser that we will not be able to exercise either option until April 2009 and May 2009, respectively, because under the relevant PRC law the mining permit issued to each mine owner in respect of the relevant mine cannot be transferred until one year after the commencement of exploitation within the geological areas covered by such mining permit. We have not provided any financial assistance to the parties to the two option agreements or to their beneficial owners, and any exploration and mining costs in relation to each mine have been and shall be borne by the grantor in the respective option agreement or its beneficial owners (i.e. the owners of each mine). Prior to exercising either option, we have the right to carry out comprehensive legal, financial and business due diligence on the relevant gold mine. However, under the terms of the two option agreements, we cannot adjust the proposed purchase price of the mining rights and related assets of the gold mines based on our subsequent due diligence. Each of the mine owners has provided certain representations and warranties including, but not limited to: (i) the mining permit held in respect of the relevant gold mine is currently valid and effective and is not subject to any encumbrances; (ii) the mine owner will conduct its business in accordance with all applicable laws and regulations prior to the exercise of the relevant option; and (iii) unless prior written approval has been given by us, the mine owner will not sell, transfer, mortgage or dispose of any of the assets or the business of the relevant gold mine.

We have not verified the existence of any of the mineral resources represented by the mine owners. If we decide to exercise the options, the purchase price of the mining rights and related assets of the two gold mines will be RMB60 million and RMB80 million, respectively.

We have not determined whether to purchase one or both of the gold mines referred to in the option agreements. If we decide to purchase one or both of the gold mines, the purchase(s) will be carried out in accordance with the terms and conditions set out in the relevant option agreement. We will also comply with the requirements of the Listing Rules applicable to such purchase(s).

We believe that other significant opportunities exist to grow our business in Xinjiang through acquiring additional exploration and mining rights with significant development potential. For more information, please refer to the section headed “Business — Business Strategies — Horizontal expansion through future acquisitions of high-quality gold mines” in this prospectus.

OUR MANAGEMENT TEAM

We have sought to differentiate ourselves from other PRC mining operators by implementing a modern management structure and a series of internal controls procedures to ensure that we are able to operate efficiently. Our Chief Executive Officer (“CEO”), Mr Qiu Haicheng, has approximately 16 years of experience in the gold mining industry. Mr Qiu is assisted by a team of executive Directors and senior management who are highly experienced with respect to technical matters concerning mining, exploration, ore processing, production and environmental safety.

In order to ensure our efficient and effective operation, our business is organized into six business units. The senior manager in charge of each business unit reports directly to Mr Qiu on a regular basis. Each of the senior managers has extensive experience in the line of business of their respective business unit. In addition to reporting directly to the CEO, each senior manager is required to report to the Independent Supervisory Committee, which is described in more detail below.

The details of our six business units, the senior manager responsible for each business unit and the relevant senior manager’s relevant experience are as follows:

- **Exploration:** this business unit is responsible for selecting and managing our exploration projects and is headed by Mr Ma Xiwen. Pursuant to the certificate issued by the Ministry of Geology and Mineral Resources of the PRC (中華人民共和國地質礦產部) in May 1991, Mr Ma is qualified as a senior geological engineer (礦產地質高級工程師). Mr Ma has been engaged in geological field work for more than 30 years and is very experienced in geological survey and mining exploration;
- **Mining:** this business unit is responsible for all of our ore extraction activities and is headed by Mr Lu Tianjun. Mr Lu graduated in geology and mineral exploration, is qualified as an engineer and has over 20 years’ experience in gold mining and production. Prior to joining our Group, Mr Lu was employed by Chifeng Honghuagou mines, one of the largest state-owned gold mines in the PRC, in a number of different roles with responsibilities relating to mining, production and production safety;
- **Production and Environmental Safety:** this business unit is responsible for production safety at our Gold Mines, ensuring compliance with applicable environmental regulations and implementation of environmental protection measures. This business unit is also headed by Mr Lu Tianjun;
- **Ore Processing:** this business unit is responsible for all of our ore processing and concentrate production activities and is headed by Mr Ma Wenxue. Mr Ma graduated with a major in ore processing engineering, is qualified as a mine engineer at the intermediate level and has over 20 years’ experience in gold production and processing. Prior to joining our Group, Mr Ma was employed by Chifeng Honghuagou mines, one of the largest state-owned gold mines in the PRC, in a number of different roles including responsibilities relating to production, processing and production safety;
- **Supply and Sales:** this business unit is responsible for our trading operations, customer sales and marketing activities and is headed by Mr Guo Xiumin. Mr Guo holds a degree in economics and management and has over 10 years’ experience in trading, operations management and marketing. With respect to his experience in the gold mining industry, Mr Guo has been employed by our Group for almost four years and during this time has become experienced in mineral concentrate sales and marketing; and

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- **Business Development:** this business unit is responsible for developing and implementing strategies to expand and grow our operations. This business unit is focused on two growth strategies:
 - (1) increase production at our existing Gold Mines: we are committed to growing operations at our existing Gold Mines through:
 - (i) increasing our mining and ore extraction activities which will be achieved through enlarging the existing mining areas and excavating additional shafts and tunnels. Mr Lu, as head of the mining business unit, is in charge of this strategy and related capital expenditure; and
 - (ii) increasing our current production capacity at our ore processing facilities which will be achieved by constructing larger processing facilities with higher production capacities. Mr Ma Wenxue, as head of the ore processing business unit, is in charge of this strategy and related capital expenditure; and
 - (2) expansion through future acquisitions: we intend to compliment growth at our Gold Mines through acquiring additional high-quality gold mines. We have established an Acquisitions Committee which comprises Mr Wang, Mr Qiu (our Chief Executive Officer), Mr Ma Wenxue, Mr Lu and Mr Cui (our Chief Financial Officer) who are experienced in mining and exploration management, processing and production, mining and ore extraction, and minerals exploration and financial matters, respectively. Accordingly, the Acquisitions Committee comprises individuals who collectively have significant experience in all aspects of operating a mining and exploration business. The Acquisitions Committee is responsible for undertaking due diligence investigations in respect of potential gold mine acquisitions.

We have established an Independent Supervisory Committee to oversee the operations of each business unit. Each of the senior managers in charge of a business unit is required to report to the Independent Supervisory Committee on a regular basis. The Independent Supervisory Committee is headed by Mr Ma Xiwen, Head of our Land Exploration Department. Mr Ma Xiwen is a qualified senior geological engineer with approximately 40 years' experience in the gold mining industry. Prior to joining our Group, Mr Ma Xiwen held various positions with No. 10 Institute of Chifeng Geological Exploration (赤峰地勘十院) and was responsible for redeployment and exploration for the Chifeng region. Mr Ma Xiwen has been appointed to head the Independent Supervisory Committee because of his extensive experience in the gold mining industry. As the head of the Independent Supervisory Committee, Mr Ma Xiwen is responsible for independently assessing the operations of each business unit and the proposals and business decisions made by the senior manager in charge of that business unit. Mr Ma Xiwen independently reports his findings to Mr Qiu, the Group's CEO, on a regular basis.

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The role of the head of the Independent Supervisory Committee includes:

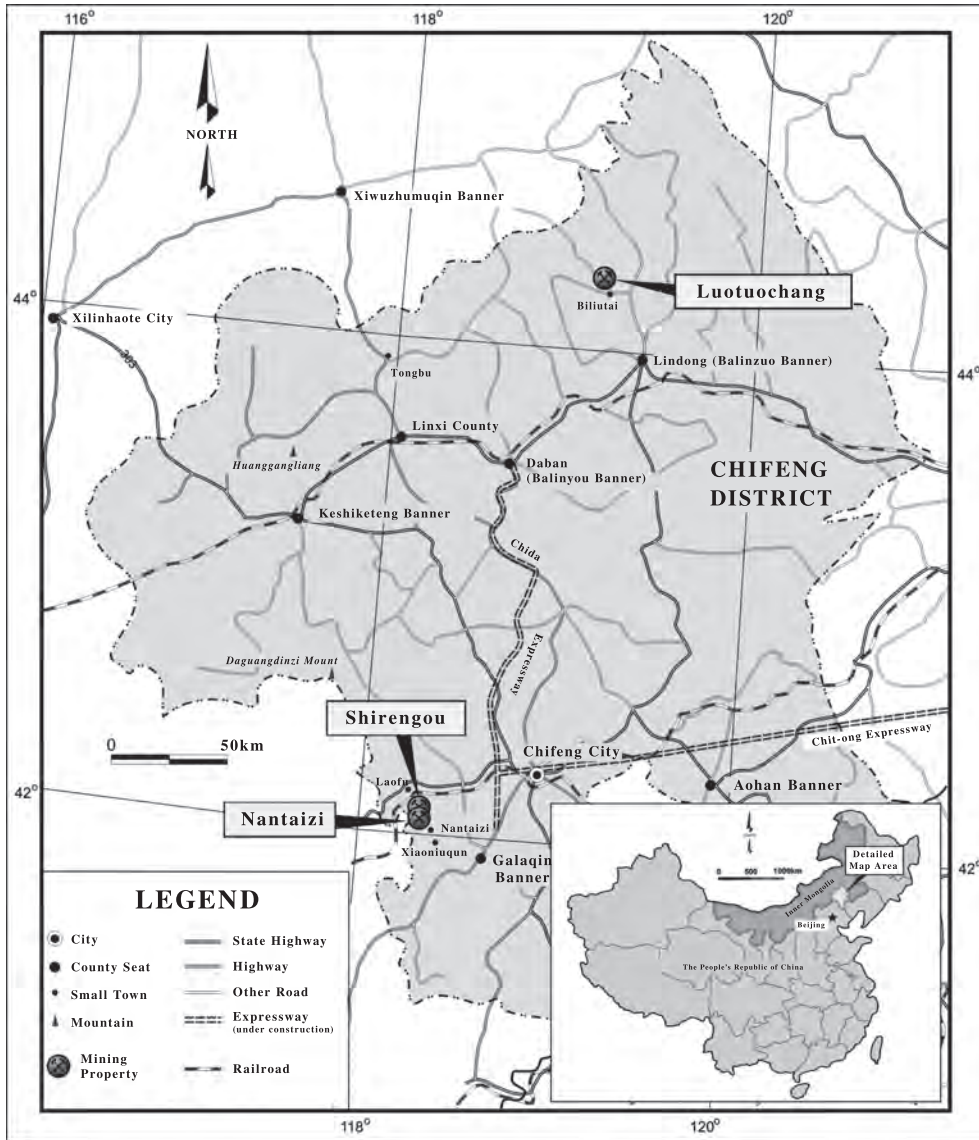
- (1) supervising the daily operation of our Group, including supervision of the progress of ore exploitation, selection of mines and other related infrastructure, supervision of completion of the processing targets, supervision of the establishment of our overall marketing strategy and policy;
- (2) supervising our major contracts and agreements, including supervision of implementation of the major contracts and agreements in order to protect the interests of our Group to the extent possible;
- (3) managing our production safety systems and ensuring that various production indicators comply with the relevant requirements of the PRC laws; and
- (4) supervising our compliance with PRC environmental protection laws in respect of our production processes.

For further information on the experience of each of our executive Directors and senior management team, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

OUR MINERAL RESOURCES

We currently own three operating mines in the Chifeng Municipality, Inner Mongolia. We have an ore processing facility located at each of the Nantaizi Gold Mine (which processes ore from both the Nantaizi Gold Mine and the Shirengou Gold Mine) and the Luotuochang Gold Mine. We have secured one exploration permit covering an aggregate area of approximately 3.19 km² and four mining permits covering an aggregate area of approximately 20.4 km² at our Gold Mines.

The map below illustrates the geographical locations of our Gold Mines in Inner Mongolia and the geographical location of the Chifeng Municipality:



Source: Independent Technical Expert's Report

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For details of our mining and exploration areas, please refer to “Appendix V — Independent Technical Expert’s Report” to this prospectus.

The following table, which appears as Table 6.2 in the Independent Technical Expert’s Report, provides information on the gold resources at our Gold Mines as at 30 November 2008 under the JORC Code. For definitions of the technical terms used in the tables, please refer to the section headed “Glossary of Technical Terms” in this prospectus.

Gold Mines Ore Resources Summary — as at 30 November 2008

(The figures below do not take into account our 97.14% proportionate ownership in each Gold Mine)

JORC Mineral Resource Category	Tonnage (kt)	Grades					Contained Metals				
		Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (koz*)	Ag (koz)	Cu (t)	Pb (t)	Zn (t)
Shirengou											
Measured	523	9.54	86.9	0.35	1.67	1.38	161	1,462	1,818	8,730	7,201
Indicated	1,573	10.03	95.6	0.32	1.96	1.49	507	4,835	5,085	30,840	23,435
Subtotal	2,096	9.91	93.4	0.33	1.89	1.46	668	6,296	6,903	39,570	30,636
Inferred	525	9.71	83.2	0.42	1.94	1.40	164	1,404	2,217	10,198	7,367
Total	2,621	9.87	91.4	0.35	1.90	1.45	832	7,700	9,120	49,768	38,003
Nantaizi											
Measured	1,037	11.03	89.6	0.44	1.45	1.38	368	2,986	4,526	14,992	14,298
Indicated	3,241	11.28	90.0	0.50	1.67	1.50	1,175	9,382	16,367	54,082	48,617
Subtotal	4,278	11.22	89.9	0.49	1.61	1.47	1,543	12,368	20,893	69,074	62,915
Inferred	1,026	11.29	90.1	0.50	1.71	1.51	372	2,972	5,166	17,564	15,510
Total	5,303	11.23	90.0	0.49	1.63	1.48	1,916	15,339	26,059	86,638	78,425
Luotuochang											
Measured	935	4.31	49.1	2.67	—	—	129	1,475	24,976	—	—
Indicated	7,007	4.02	48.4	2.60	—	—	905	10,907	181,906	—	—
Subtotal	7,942	4.05	48.5	2.60	—	—	1,035	12,383	206,883	—	—
Inferred	679	4.02	49.3	2.69	—	—	88	1,077	18,273	—	—
Total	8,622	4.05	48.6	2.61	—	—	1,122	13,459	225,156	—	—
Total											
Measured	2,495	8.20	73.8	1.26	—	—	657	5,923	31,321	23,722	21,499
Indicated	11,822	6.81	66.1	1.72	—	—	2,588	25,124	203,358	84,922	72,052
Subtotal	14,316	7.05	67.5	1.64	—	—	3,245	31,047	234,679	108,644	93,551
Inferred	2,230	8.70	76.1	1.15	—	—	624	5,452	25,656	27,762	22,877
Total	16,546	7.27	68.6	1.57	—	—	3,869	36,499	260,335	136,406	116,428

* koz – kilo troy ounce = 31,103.48 grams.

Source: Independent Technical Expert’s Report

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The following table, which appears as Table 6.4 in the Independent Technical Expert's Report, provides information on the gold reserves of our Gold Mines as at 30 November 2008 under the JORC Code. Pursuant to the Independent Technical Expert's Report, the aggregate proved ore reserves and probable ore reserves, under the JORC Code, of the Gold Mines are 14,597,000 tonnes.

Gold Mines Ore Reserves Summary — as at 30 November 2008

(The figures below do not take into account our 97.14% proportionate ownership in each Gold Mine)

JORC Ore Reserve Category	Tonnage (kt)	Grades					Contained Metals				
		Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (koz)	Ag (koz)	Cu (t)	Pb (t)	Zn (t)
Shirengou Gold-Polymetallic Deposit											
Proved.	523	8.59	78.2	0.31	1.50	1.24	144	1,315	1,636	7,857	6,481
Probable.	1,573	9.03	86.0	0.29	1.76	1.34	457	4,351	4,577	27,756	21,092
Subtotal	2,096	8.92	84.1	0.30	1.70	1.32	601	5,667	6,213	35,613	27,573
Nantaizi Gold-Polymetallic Deposit											
Proved.	1,037	9.93	80.6	0.39	1.30	1.24	331	2,687	4,073	13,493	12,868
Probable.	3,241	10.15	81.0	0.45	1.50	1.35	1,058	8,444	14,730	48,674	43,755
Subtotal	4,278	10.10	80.9	0.44	1.45	1.32	1,389	11,131	18,804	62,167	56,624
Luotuochang Gold-Silver-Copper Deposit											
Proved.	968	3.66	41.7	2.27	—	—	114	1,298	21,979	—	—
Probable.	7,255	3.42	41.2	2.21	—	—	797	9,599	160,078	—	—
Subtotal	8,222	3.44	41.2	2.21	—	—	910	10,897	182,057	—	—
Total											
Proved.	2,528	7.25	65.2	1.10	—	—	589	5,301	27,689	21,350	19,349
Probable.	12,069	5.96	57.7	1.49	—	—	2,311	22,394	179,384	76,430	64,847
Total	14,597	6.18	59.0	1.42	—	—	2,900	27,695	207,073	97,780	84,196

Source: Independent Technical Expert's Report

The following tables, which appear as Tables 10.1 and 10.2 in the Independent Technical Expert's Report, provide information on the actual milled ore and concentrate production from May to November 2008 and forecast production of ore and concentrate from December 2008 to 2011 for the Shirengou-Nantaizi Mining Complex.

Actual and Forecast Production for the Shirengou-Nantaizi Mining Complex, 2008–2011

(Our Company's share of the production in the table is 97.14%)

Item	Actual		Forecast		
	May–Nov 2008	Dec 2008	2009	2010	2011
Milled Gold-Polymetallic Ore					
Tonnage (kt)	121	30	365	450	450
Au Grade (g/t)	9.26	9.64	9.64	9.67	9.72
Ag Grade (g/t)	79.7	82.1	82.1	82.0	77.9
Cu Grade (%)	0.41	0.38	0.38	0.39	0.36
Pb Grade (%)	1.43	1.54	1.54	1.54	1.35
Zn Grade (%)	1.28	1.32	1.32	1.32	1.30
Au Metal (koz)	36.0	9	113	140	141
Ag Metal (koz)	310	80	960	1,190	1,130
Cu Metal (t)	498	120	1,410	1,750	1,620
Pb Metal (t)	1,731	460	5,620	6,910	6,080
Zn Metal (t)	1,547	400	4,800	5,920	5,850

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Item	Actual		Forecast		
	May–Nov	Dec	2009	2010	2011
	2008	2008			
Mill Recovery					
Au (%)	86.9	85.2	85.2	85.2	85.2
Ag (%)	79.9	80.0	80.0	80.0	80.0
Cu (%)	71.0	67.0	67.0	67.0	67.0
Pb (%)	73.7	74.8	74.8	74.8	74.8
Zn (%)	76.5	77.4	77.4	77.4	77.4
Final Products					
No. 1 Gold Concentrate (t)	2,024	450	5,540	6,880	6,380
Cu Grade (%)	17.5	17.0	17.0	17.0	17.0
Au Grade (g/t)	256	287	286	285	308
Ag Grade (g/t)	2,310	2,610	2,610	2,590	2,650
Cu Metal (t)	353	80	940	1,170	1,090
Au Metal (koz)	16.7	4	51	63	63
Ag Metal (koz)	150	40	460	570	540
No. 2 Gold Concentrate (t)	2,932	690	8,150	9,940	9,090
Pb Grade (%)	43.5	49.8	51.6	52.0	50.0
Au Grade (g/t)	155	167	174	176	193
Ag Grade (g/t)	1,029	1,130	1,170	1,180	1,230
Pb Metal (t)	1,276	350	4,210	5,170	4,540
Au Metal (koz)	14.6	4	46	56	57
Ag Metal (koz)	97	25	306	377	358
Zinc Concentrate (t)	2,426	610	7,450	9,210	9,060
Zn Grade (%)	48.8	50.0	49.9	49.8	50.0
Zn Metal (t)	1,183	310	3,720	4,580	4,530

Actual Monthly Production Data for the Shirengou-Nantaizi Mining Complex, May–Nov 2008

(Our Company's share of the production in the table is 97.14%)

Period	May 2008	June 2008	July 2008	August 2008	September 2008	October 2008	November 2008
Milled Gold-							
Polymetallic Ore							
Tonnage (kt)	4.20	13.94	15.17	15.86	15.75	25.73	30.16
Au Grade (g/t)	5.27	9.46	10.10	8.96	8.69	9.61	9.47
Ag Grade (g/t)	49.66	78.56	79.96	81.83	82.31	81.00	80.67
Cu Grade (%)	0.37	0.40	0.39	0.35	0.43	0.43	0.44
Pb Grade (%)	0.90	1.39	1.39	1.69	1.41	1.43	1.43
Zn Grade (%)	0.79	1.28	1.29	1.32	1.31	1.30	1.29
Au Metal (koz)	0.7	4.2	4.9	4.6	4.4	8.0	9.2
Ag Metal (koz)	7	35	39	42	42	67	78
Cu Metal (t)	15	56	60	55	68	111	132
Pb Metal (t)	38	194	210	267	222	369	431
Zn Metal (t)	33	178	195	210	206	335	390
Mill Recovery							
Au (%)	85.33	88.89	88.62	86.23	85.94	86.05	86.62
Ag (%)	74.37	77.35	82.95	79.67	79.86	80.02	79.97
Cu (%)	68.18	65.39	73.68	71.71	71.37	71.67	71.42
Pb (%)	73.52	73.56	74.31	73.60	73.54	73.73	73.56
Zn (%)	75.26	73.91	77.42	75.50	75.54	77.39	77.44

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Period	May 2008	June 2008	July 2008	August 2008	September 2008	October 2008	November 2008
Final Products							
No. 1 Gold							
Concentrate (t) . . .	111	216	255	232	263	439	509
Cu Grade (%)	9.40	16.83	17.30	17.18	18.58	18.04	18.58
Au Grade (g/t) . . .	139	275	287	279	237	257	257
Ag Grade (g/t) . . .	1,136	2,256	2,437	2,692	2,390	2,301	2,317
Cu Metal (t)	10.5	36.3	44.1	39.8	48.8	79.3	94.5
Au Metal (koz) . . .	0.50	1.91	2.35	2.08	2.00	3.62	4.21
Ag Metal (koz) . . .	4.1	15.7	20.0	20.0	20.2	32.5	37.9
No. 2 Gold							
Concentrate (t) . . .	68	338	362	439	374	621	731
Pb Grade (%)	41.1	42.2	43.2	44.9	43.7	43.8	43.4
Au Grade (g/t) . . .	51	171	173	132	148	161	160
Ag Grade (g/t) . . .	424	1,068	1,064	935	1,091	1,057	1,049
Pb Metal (t)	28	143	156	197	163	272	317
Au Metal (koz) . . .	0.1	1.9	2.0	1.9	1.8	3.2	3.8
Ag Metal (koz) . . .	1	12	12	13	13	21	25
Zinc Concentrate (t) . .	53	273	309	323	318	530	618
Zn Grade (%)	46.6	48.1	48.8	48.9	48.9	49.0	48.9
Zn Metal (t)	25	131	151	158	156	259	302

Source: Independent Technical Expert's Report

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The following tables, which appear as Tables 10.3 and 10.4 in the Independent Technical Expert's Report, provide information on the actual milled ore and concentrate production from September to November 2008 and forecast production from December 2008 to 2011 for the Luotuochang Gold Mine.

Actual and Forecast Production for the Luotuochang Gold Mine, 2008–2011

(Our Company's share of the production in the table is 97.14%)

Item	Actual		Forecast		
	Sep–Nov 2008	Dec 2008	2009	2010	2011
Milled Gold-Polymetallic Ore					
Tonnage (kt)	41.7	20	273	330	330
Au Grade (g/t)	3.40	3.44	3.44	3.44	3.49
Ag Grade (g/t)	41.2	41.2	41.2	41.2	44.7
Cu Grade (%)	2.16	2.21	2.21	2.21	2.51
Au Metal (koz)	4.6	2	30	37	37
Ag Metal (koz)	55	26	360	440	470
Cu Metal (t)	899	440	6,030	7,290	8,280
Mill Recovery					
Au (%)	85.8	86.8	86.8	86.8	86.8
Ag (%)	82.0	82.1	82.1	82.1	82.1
Cu (%)	80.0	79.3	79.3	79.3	79.3
Final Products					
Copper Concentrate (t)	2,880	1,300	17,700	21,400	24,300
Au Grade (g/t)	42.3	46.0	46.0	46.0	41.1
Ag Grade (g/t)	489	521	521	521	498
Cu Grade (%)	25.0	27.0	27.0	27.0	27.0
Au Metal (koz)	3.9	2	26	32	32
Ag Metal (koz)	45	22	297	359	389
Cu Metal (t)	720	350	4,780	5,780	6,570

Actual Monthly Production Data for the Luotuochang Gold Mine, Sep–Nov 2008

(Our Company's share of the production in the table is 97.14%)

	<u>September 2008</u>	<u>October 2008</u>	<u>November 2008</u>
Milled Gold-Polymetallic Ore			
Tonnage (kt)	11.7	14.4	15.7
Au Grade (g/t)	3.50	3.48	3.26
Ag Grade (g/t)	41.4	41.5	40.9
Cu Grade (%)	2.22	2.25	2.02
Au Metal (koz)	1.3	1.6	1.6
Ag Metal (koz)	16	19	21
Cu Metal (t)	259	323	317
Mill Recovery			
Au (%)	85.09	86.44	85.73
Ag (%)	82.12	82.45	81.35
Cu (%)	80.17	80.30	79.66
Final Products			
Copper Concentrate (t)	829	1,029	1,021
Au Grade (g/t)	41.9	42.0	42.9
Ag Grade (g/t)	479	477	510
Cu Grade (%)	25.02	25.23	24.71
Au Metal (koz)	1.1	1.4	1.4
Ag Metal (koz)	13	16	17
Cu Metal (t)	397	491	521

Source: Independent Technical Expert's Report

Chifeng Municipality

We have three operating mines in the Chifeng Municipality, namely the Shirengou Gold Mine, the Nantaizi Gold Mine and the Luotuochang Gold Mine. The Chifeng Municipality is situated in eastern Inner Mongolia, at the junction of Inner Mongolia, Hebei Province (河北省) and Liaoning Province (遼寧省), adjacent to Chengde, Hebei Province (河北承德) and Chaoyang, Liaoning Province (遼寧朝陽) and approximately 500 km from Beijing. The Chifeng Municipality is well connected to other major cities of the country through air routes, railways and highways. A number of new highways have recently been completed and have commenced operations in the Chifeng Municipality, including the Chifeng to Chaoyang (赤峰—朝陽), Chifeng to Tongliao (赤峰—通遼) and Chifeng to Daban (赤峰—大板) highways. In addition, a number of other infrastructure projects are under construction in the Chifeng Municipality, including the Chifeng to Chengde (赤峰—承德) highway and a large-scale military and civil airport.

The Chifeng Municipality is comprised of three districts, two counties and seven banners, spanning a total area of 90,021 km² and is the second largest prefecture-level city in the PRC, in terms of area, with a population of approximately 4.8 million.

The Chifeng Municipality is situated directly between the two major economic zones of north-eastern and northern China and at the junction of the Bohai Rim economic zone (環渤海經濟區), spanning across the Daxinganling poly-metallic mineralization belt (大興安嶺多金屬成礦帶) and the gold mineralization belt at the northern rim of Northern China Di Tai (華北地台緣金成礦帶).

According to the Independent Technical Expert's Report, the Chifeng Municipality is rich in mineral resources, and the area has a long history of production of precious metals and nonferrous metals. In recent years, increases in metal prices, as well as implementation of the government's favored policies, including the "Western China Development Plan", "Redevelopment of Old Industrial Headquarters of North-eastern China" (振興東北老工業基地) and "Assistance to the Eastern Region of the Inner Mongolia Autonomous Region" (自治區扶持東部地區) have created a mining boom in the Chifeng Municipality, with numerous new discoveries of mineral deposits and new development of mining properties. In 2003, the municipality commission and government of Chifeng invited over 80 experts and academics to a seminar on the development prospects of mineral resources of the Daxinganling area. Participants submitted a joint long-term recommendation, in particular, the recommendation to the State Council entitled "Joint Recommendation Regarding an Important Nonferrous Metal Resource Headquarters in Central Southern Daxinganling" (大興安嶺中南段一個重要的有色金屬資源基地的聯合建議) for the development of the nonferrous metal industry in the Chifeng Municipality. This recommendation was supported by State Council Premier Wen Jiabao and relevant ministries and commissions. Our Gold Mines are among these newly-developed mining projects. Since then, the Chifeng Municipality has become an important base for strategic mineral resources in China.

For further details of our mining and exploration areas, please refer to "Appendix V — Independent Technical Expert's Report" in this prospectus.

Shirengou Gold Mine

The Shirengou Gold Mine is located approximately 60 km southwest of the Chifeng Municipality in the southern Songshan District (松山區), bordering on Kalaqin Banner (喀喇沁旗). Gold mineralization at Shirengou is controlled by a set of north-northwest-trending fractures, and currently three auriferous complex veins have been identified in the deposit area.

BUSINESS

The following table, which appears as part of Table 5.1 in the Independent Technical Expert's Report, summarizes the characteristics of the three complex veins that have been identified in the Shirengou deposit area.

Characteristics of Auriferous Complex Veins of the Shirengou Deposit Area

Vein	Dip		Strike Length (m)	Vertical Extension (m)	Thickness (m)			Average Grades				
	Direction	Angle			Mean	Min	Max	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
No. I	78°	60°	1,006	575	1.32	0.82	1.79	9.86	95.1	0.39	1.85	1.36
No. II	70°	56°	802	375	1.26	0.95	1.59	10.11	88.6	0.32	1.93	1.55
No. III	70°	70°	548	353	1.38	1.15	1.58	9.71	84.5	0.30	1.92	1.57

Source: Independent Technical Expert's Report

The mining area designated in the mining permit covers an area of approximately 10.9 km². As at 30 November 2008, the remaining gold reserves (proved and probable) and resources (measured and indicated) of the Shirengou Gold Mine amounted to approximately 601 koz and 668 koz, respectively, and the average estimated gold grade of the reserves for the Shirengou Gold Mine was 8.92 g/t.

The Shirengou Gold Mine is an underground mine which accesses the No. I vein from the north via two levels at approximately 1,400 m and 1,360 m elevation. Ore mined at the Shirengou Gold Mine is transported to the ore processing facility located at the Nantaizi Gold Mine for processing.

We are currently implementing several development projects at the Shirengou Gold Mine to expand present production capacity and to enhance efficiency. The planned development is to establish sublevels every 40 m to extract ore from the No. I vein and to expand further the mine resources and reserves at the Shirengou Gold Mine. A blind shaft is being developed from the 1,360 m elevation level and will provide access to, and ore and waste hoisting from, the lower levels of the Shirengou Gold Mine. The development on the 1,360 m elevation level will be connected from the north to south with the Nantaizi Gold Mine, allowing all ore from the Shirengou Gold Mine to be hauled to the adit at the Nantaizi Gold Mine for processing.

Nantaizi Gold Mine

The Nantaizi Gold Mine is located south of the Shirengou Gold Mine and covers a poly-metallic mineralization belt spanning 6 km from west to east and 15 km from north to south. It is situated around Dabeiliang (大北梁) and Lishugou (梨樹溝) of Nantaizi, Kalaqin Banner. For zoning purposes, however, it belongs to Nantaizi Town of Kalaqin Banner (喀喇沁旗南台子鄉). The Shirengou Gold Mine and the Nantaizi Gold Mine mining areas share the same geological features and ore characteristics. To date, a total of four auriferous complex veins have been identified in the Nantaizi deposit area.

BUSINESS

The following table, which appears as part of Table 5.1 in the Independent Technical Expert's Report, summarizes the characteristics of the four complex veins that have been identified in the Nantaizi deposit area.

Characteristics of Auriferous Complex Veins of the Nantaizi Deposit

Vein	Dip		Strike	Vertical	Thickness (m)			Average Grades				
	Direction	Angle	Length (m)	Extension (m)	Mean	Min	Max	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
No. IV	68°	70°	1,649	534	2.07	0.71	2.91	11.75	90.1	0.48	1.58	1.44
No. V	72°	68°	653	320	1.88	0.90	2.10	11.95	90.7	0.51	1.70	1.50
No. VI	65°	58°	952	375	1.28	0.63	2.02	8.79	88.1	0.45	1.59	1.47
No. VII	65°-72°	68°	1,025	274	2.03	1.00	2.20	11.44	90.5	0.52	1.72	1.53

Source: Independent Technical Expert's Report

Nantaizi Gold Mine's exploration permit covers an area of 3.19 km² and the two mining permits cover an aggregate area of approximately 3.0 km². As at 30 November 2008, the remaining gold reserves (proved and probable) and resources (measured and indicated) of Nantaizi Gold Mine amounted to approximately 1,389 koz and 1,543 koz, respectively, and the estimated average gold grade of the reserves for the Nantaizi Gold Mine was 10.10 g/t.

The Nantaizi Gold Mine is an underground mine which accesses the No. IV vein from the south via one level at approximately 1,350 m. Ore processing at the ore processing facility located at the Nantaizi Gold Mine comprises crushing, grinding, gravity recovery, flotation and concentrate dewatering. The ore processing facility located at the Nantaizi Gold Mine processes ore produced from both the Nantaizi Gold Mine and the Shirengou Gold Mine and has a capacity of approximately 990 tpd. Concentrates produced by the ore processing facility located at the Nantaizi Gold Mine are sold directly to our customers.

We are currently implementing several development projects at the Nantaizi Gold Mine to expand present production capacity and to enhance efficiency. The planned development at the Nantaizi Gold Mine includes constructing sublevels every 40 m to extract ore from the No. IV and No. VI veins. A main shaft will be developed from the surface to hoist ore and waste from the lower levels. The development of the main shaft has commenced at the beginning of 2009 and is expected to be completed within the year to an approximate depth of 200 m. In addition, we are in the process of expanding the ore processing capacity of the ore processing facility located at the Nantaizi Gold Mine from 990 tpd to approximately 1,480 tpd. Please refer to the section headed "Future Plans and Use of Proceeds — Future Plans — Expansion of ore processing facility located at the Nantaizi Gold Mine" in this prospectus.

Luotuochang Gold Mine

The Luotuochang Gold Mine is located approximately 240 km north-northeast of the Chifeng Municipality and approximately 50 km north-northwest of the town of Lindong (林東鎮). Gold mineralization at Luotuochang is controlled by a set of west-northwest-trending fractures. To date, a total of four auriferous complex veins have been identified in the Luotuochang deposit area.

BUSINESS

The following table, which appears as part of Table 5.2 in the Independent Technical Expert's Report, summarizes the characteristics of the four complex veins that have been identified in the Luotuochang deposit area.

Characteristics of Auriferous Complex Veins of the Luotuochang Deposit

Vein	Dip		Strike Length (m)	Vertical Extension (m)	Thickness (m)			Average Grades		
	Direction	Dip Angle			Mean	Min	Max	Au (g/t)	Ag (g/t)	Cu (%)
No. I	30°	60°	1,028	445	1.72	1.17	2.43	3.99	51.5	2.03
No. II	25°	65°	846	536	1.89	1.50	2.60	4.20	57.6	3.05
No. III	30°	70°	998	550	1.95	1.69	2.23	4.04	34.8	2.57
No. IV	30°	70°	856	430	1.59	0.90	2.12	3.95	57.0	2.90

Source: Independent Technical Expert's Report

The Luotuochang Gold Mine's mining permit covers an area of approximately 6.5 km². As at 30 November 2008, the remaining gold reserves (proved and probable) and resources (measured and indicated) of the Luotuochang Gold Mine amounted to approximately 910 koz and 1,035 koz, respectively, and the estimated average gold grade of the reserves for the Luotuochang Gold Mine was 3.44 g/t.

The Luotuochang Gold Mine is an underground mine which accesses the No. I and III veins from the south via an inclined shaft, which provide access to the first and second levels. Ore processing at the ore processing facility located at the Luotuochang Gold Mine comprises crushing, grinding, gravity recovery, flotation and concentrate dewatering. The ore processing facility located at the Luotuochang Gold Mine has an ore processing capacity of approximately 800 tpd. Concentrates produced by the ore processing facility located at the Luotuochang Gold Mine are sold directly to our customers.

We are currently implementing several development projects at the Luotuochang Gold Mine to expand present production capacity and to enhance efficiency. The planned development includes constructing sublevels every 40 m to extract ore from the No. II and No. IV veins. A main shaft will be developed in the north from the surface to hoist ore and waste from the lower levels. In addition, we are in the process of expanding the ore processing capacity of the ore processing facility located at the Luotuochang Gold Mine from approximately 800 tpd to approximately 1,100 tpd. Please refer to the section headed "Future Plans and Use of Proceeds — Future Plans — Expansion of ore processing facility located at the Luotuochang Gold Mine" in this prospectus.

MINING AREAS IN OTHER PROVINCES

We are dedicated to expanding our resource base through exploration. For further details see the section headed "Business — Business Strategies" in this prospectus.

We have entered into option agreements with two independent third parties to purchase the mining rights and assets of two gold mines in Qitai County, Xinjiang, the PRC. For further details, please refer to the sections headed "Business — Business Developments — Option agreements in respect of two gold mines in Xinjiang" and "Future Plans and Use of Proceeds — Future Plans — Expansion of mining and exploration activities in Xinjiang and other regions" in this prospectus.

BUSINESS

EXPLORATION AND MINING RIGHTS

We hold a number of mining and exploration permits in respect of our Gold Mines. Our exploration permit covers an aggregate area of approximately 3.19 km² and our four mining permits cover an aggregate mining area of approximately 20.4 km². We have renewed certain exploration and mining permits, including the exploration permit for the Nantaizi Gold Mine, which will expire in July 2009, the two mining permits for the Nantaizi Gold Mine, which will expire in December 2010 and October 2011, respectively, and the mining permit for the Shirengou Gold Mine, which will expire in September 2011. Both the Shirengou Gold Mine and the Luotuochang Gold Mine had previously held exploration permits, and such permits have already been converted into mining permits. For the purposes of our current operations, the exploration work for the Shirengou Gold Mine and Luotuochang Gold Mine has been completed, as such, no exploration permit is needed for either the Shirengou Gold Mine or Luotuochang Gold Mine. For further details on the risks relating to obtaining new permits or renewing existing permits, please see the section headed “Risk Factors — Risks Relating to Our Business — There is no assurance that we can obtain or renew permits necessary for exploration, mining or production at our Gold Mines or in respect of any mines we acquire in the future” in this prospectus.

The holders of mining permits have legal ownership over the minerals mined. Such ownership is derived from the mining permits and not from the ownership of the mined land, although the holders of the mining permits often acquire the land-use rights over the land. Pursuant to PRC laws and regulations, the holder of an exploration permit can renew that exploration permit as described below and the holder of that exploration permit has a priority in obtaining the related mining permit after successful discovery of gold resources.

In accordance with the “Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey” (礦產資源勘查區塊登記管理辦法) and the “Administrative Measures on Registration of Mineral Resources Exploitation” (礦產資源開採登記管理辦法), a renewal application for an exploration permit must be submitted to the authority which approved the original application at least 30 days prior to the expiration date of the permit. Each renewal period for an exploration permit must not exceed two years.

According to the “Notice to holders of exploration permit” (探礦權人須知) issued by the Bureau of Land Resources of Chifeng (赤峰市國土資源局), a conversion of an exploration permit into a mining permit can be applied for by the holder of an exploration permit provided that the following conditions are fulfilled:

- a valuation of all the mineral resources discovered in the exploration areas set forth in the exploration permit has been carried out;
- the geological exploration carried out on the exploration areas is of an advanced level; and
- the level of the mineral reserves and the scale of development meet the minimum requirements set by the governmental authority in such autonomous area and the PRC government.

BUSINESS

Please refer to the section headed “The PRC Laws and Regulations Relating to the Industry — Renewal of Exploration and Mining Permits” in this prospectus. Further details of our mining and exploration permits are set out in “Appendix V — Independent Technical Expert’s Report” to this prospectus.

Shirengou Mining, Nantaizi Mining and Luotuochang Mining, as enterprises engaging in the exploration and mining of gold, have also obtained Gold Operating Permits (開採黃金礦產批准書).

OUR KEY ACTIVITIES

We are engaged in the business of owning mining assets and processing ore. We outsource substantially all our exploration and mining works. We select third-party contractors to undertake our exploration and mining works through a selective tendering process. Prior to engaging third-party contractors, we assess their skills, expertise and experience. All of the third-party contractors we engage must possess the requisite qualifications for undertaking the mining, exploration or construction works for which they are commissioned. The third-party contractors work under the supervision of our management and technical teams.

We are engaged in the following key activities with respect to our mineral resources:

- **overall management** — despite outsourcing substantially all of our exploration and mining works to third-party contractors, our staff manage and supervise the overall development of each Gold Mine’s mineral resources and the mineral quality in order to ensure that third-party contractors meet our quality standards. Although our third-party contractors receive payments for performing specific tasks that they undertake, they do not have any economic interest in our mineral resources. Please refer to the subsection headed “Third-Party Contractors” below;
- **exploration** — our geological team constantly analyzes data to identify potential exploration targets and to assess the prospectivity, scale, nature and timing of exploration activities for each specific location or target. Once an exploration target is identified and acquired, we then manage and execute the continued exploration at the site. Please refer to the subsection headed “Exploration” below;
- **mining** — we engage third-party contractors on medium-term contracts to extract materials from the ore body and to transport them to our ore processing facilities. Please refer to the subsection headed “Mining” below;
- **processing** — we process the extracted ore at our ore processing facilities to produce saleable mineral concentrates. Please refer to the subsection headed “Ore Processing” below; and
- **concentrates sales** — we mainly sell our products to smelters or trading entities in the Chifeng Municipality and other surrounding areas in the PRC. Please refer to the subsection headed “Sale of Products” below.

EXPLORATION

Our exploration activities are focused on the extension of existing ore bodies in the areas surrounding our existing mines. Moreover, we actively seek exploration opportunities in other regions that we consider may have potential. We have a specialized team of technical personnel, comprising employees from our exploration, production and project teams, to identify new mineral resources and deposits in Xinjiang, Inner Mongolia and other regions. Our specialized team identifies such resources and deposits through analysis and studies based on information gathered from preliminary geological work by mining and geological experts.

After potential resources and/or deposits have been identified by our specialized team, we outsource the actual exploration works (for example, drilling and sampling of ore bodies) to third-party contractors, as described below. This outsourcing strategy is similar to the approach used by some of the other PRC mineral companies listed on the Stock Exchange. Our management team supervises and monitors these third-party contractors to ensure that the exploration and mining works are carried out on time, on budget and to specification.

Upon acquisition of an exploration permit in respect of potential resources, we will organize an analysis and study based on all information gathered from preliminary geological work by mining and geological experts. A professional geological exploration team with the requisite State qualifications will be engaged to conduct exploration. Upon taking up the engagement, the exploration team will, building on their own analysis and utilization of the preliminary geological work, design and carry out exploration work in accordance with the national standard of “General Regulations on Geological Exploration in Respect of Solid Ores” (固體礦產地質勘查規範總則) (GB/T13908-2002) issued on 28 August 2002 and “Regulations on Geological Exploration of Gold Mines” (巖金礦地質勘查規範) (DZ/T0205-2002) issued on 17 December 2002.

The scope of exploration mainly covers the identification and determination of the position and occurrence of important minerals, including mineralization belts, control structure and fault structure through terrain survey, geological exploration survey and geological mapping, which provides a basis for the deployment of the geological exploration project. Exploration also includes an integrated analysis and study of the geological structure, primary ore status, occurrence, size and grade of ore through drilling, trenching and pitting; as well as comparison of mining conditions of the deposit and processing performance of ores for the estimation of reserves of gold, silver and poly-metallic resources. In designing and implementing the pitting work, the existing shafts and tunnels will be fully utilized by combining exploration and mining, so as to maximize the use of exploration work in the mining stage with the aim of accelerating infrastructure construction, lowering mining costs and enhancing profit margin.

Upon exploration of the mineral resources, we enter the infrastructure construction phase, during which mine shaft excavation and pre-mining preparation work will be carried out. In fact, by combining exploration and mining, all vertical shafts, horizontal tunnels and skylights which have been constructed during the exploration stage will meet the needs for production readily or after slight modification.

Pursuant to the relevant requirements of the State, mine construction design must be carried out by a professional mine design company with the requisite qualification prescribed by the State on the basis of the exploration report submitted to the State.

Third-party Contractors

To minimize costs and risk, our business operating model is to outsource substantially all of our exploration works to third-party contractors.

In selecting third-party contractors, we require them to provide information on their past engagements to confirm their ability in terms of capital investment, technical expertise and managerial skills to perform the work requested. While works are being carried out by third-party contractors, each of the relevant departments of our Group is responsible for supervising the works carried out by third-party contractors which ranges from reviewing engineering quality, quantifying losses and depletion of minerals to supervising and managing the progress and completion of the assignment. We require third-party contractors to carry out their works according to the design and plan of the relevant assignment and in accordance with the requirements of our Production and Environmental Safety Department and Quality Control Department. Our Production and Environmental Safety Department supervises and inspects safety management. Our Quality Control Department supervises mineral quality to ensure that third-party contractors meet our quality standards. In addition, we have specialized technical management personnel who supervise and direct the progress, quality and safety of the works performed by third-party contractors. Usually when a contract is signed, the requirements regarding the progress, quality and safety of the works will be clearly defined and we will only need to perform our supervisory functions during the project works.

Subcontracting our exploration works has reduced our costs mainly in the following ways:

- **management costs** — outsourcing substantially all of our exploration and mining activities has significantly reduced our management costs. Such management costs include administrative costs which are associated with overseeing a larger number of employees. The dual-management in production and safety has also ensured smoother operations of each Gold Mine.
- **increase in efficiency** — engagement of third-party contractors that possess the requisite experience and expertise ensures that the exploration or mining works are carried out efficiently, which has resulted in an increase in our working efficiency and a reduction in our unit production costs.

BUSINESS

Our In-house Exploration Team

As at the Latest Practicable Date, we had 34 employees engaging in exploration activities. We have a Geographic Exploration Experts Committee which comprises professional technicians with experience in exploration ranging from 17 to 48 years. Each member of the Geographic Exploration Experts Committee has rich theoretical knowledge of and extensive practical experience in solid mineral exploration field, and are collectively responsible for overall planning, design and distribution of the geographic exploration of our Gold Mines. The Geographic Exploration Experts Committee is also responsible for surveying, demonstrating and technically assessing new mine projects of any company within our Group. Details of members of the Geographic Exploration Experts Committee are as follows:

<u>Name</u>	<u>Title</u>	<u>Years of Experience in Mining Industry</u>	<u>Professional Skills/Expertise</u>
Li Ruishan	Senior Engineer in Geography	48	District Geographic Minerals Investigation
Ma Xiwen	Head of Land Exploration Department and Head of Independent Supervisory Committee	40	District Geographic Minerals Investigation
Tao Deyi	Senior Engineer in Geography and Minerals	27	General Geographic Survey and Mineral Exploration
Li Jie.	Senior Engineer in Geography	25	Mine Geography Exploration
Chen Yunzhi	Senior Engineer in Geographic Engineering	17	Mine Geography Exploration
Li Qing	Deputy Head of the Production and Environmental Safety Department	17	Mine Surveying

BUSINESS

Our Land Exploration Department and Production and Environmental Safety Department are under the direct supervision of the Geographic Exploration Experts Committee. Our Land Exploration Department is comprised of technicians in fields including geographic exploration, physical exploration and chemical exploration, while the Production and Environmental Safety Department is comprised of technicians in five professional fields including geography, mining, surveying, production planning and production statistics. Each of our Gold Mines also has their own professional technical groups which comprise 10 professional technicians in the fields of geography, surveying and mining and are responsible for geographic exploration, surveying and mining of our Gold Mines. Under the overall planning, design and supervision of the Geographic Exploration Experts Committee, each of the professional technical groups of our Gold Mines is responsible for the specific design, production organization, production direction, supervision and inspection of their respective Gold Mine, and for inspecting and ensuring our products meet our quality standards. Details of the existing ten members of the professional technical groups are as follows:

Shirengou — Nantaizi Mining Complex

<u>Name</u>	<u>Title</u>	<u>Years of Experience in Mining Industry</u>	<u>Professional Skills/Expertise</u>
Pang Guohai	Engineer in Mining	22	Mine Geography Exploration
Liu Yongqiang	Engineer in Mining Engineering	13	Mine Geography Exploration
Li Haifeng	Engineer in Mine Exploitation	13	Mine Exploitation
Jia Maosheng	Assistant Engineer in Engineering Technology	16	Mine Surveying
Hu Zhiyuan	Technician	14	Mine Surveying

Luotuochang Gold Mine

<u>Name</u>	<u>Title</u>	<u>Years of Experience in Mining Industry</u>	<u>Professional Skills/Expertise</u>
Yang Guangwu	Engineer in Mining Engineering	20	Mine Geography Exploration
Xiangli Tieshan	Engineer in Geography	29	Mine Geography Exploration
Wang Guihai	Engineer in Mining	22	Mine Exploitation
Gao Jinfeng	Technician	14	Mine Exploitation
Ou Wenbo	Assistant Engineer in Engineering	22	Mine Surveying

BUSINESS

The costs of our in-house exploration team as compared to fees paid to third-party contractors are as follows:

	<u>Jan-Dec 2005</u>	<u>Jan-Dec 2006</u>	<u>Jan-Dec 2007</u>	<u>Jan-Oct 2007</u>	<u>Jan-Oct 2008</u>
	(in RMB'000)	(in RMB'000)	(in RMB'000)	(in RMB'000)	(in RMB'000)
Cost of our in-house exploration team (including salary and cost incurred on exploration).	<u>—</u>	<u>—</u>	<u>190</u>	<u>—</u>	<u>289</u>
Fees paid to third-party contractors regarding exploration activities.	<u>—</u>	<u>—</u>	<u>3,330</u>	<u>2,000</u>	<u>4,092</u>

MINING

All of our Gold Mines are underground operations. Our mining process consists of creating access to an ore body and then mining the ore body.

Mine access and ore and waste transportation are conducted through adits and shafts. A number of internal blind shafts have been constructed to link adits to the surface. Vertical shafts are appropriated to the dip of the ore bodies, typically between 55° and 70°. Drum winders are generally used on all shafts. Access to stopes is via haulage levels mined at regular 40 m vertical intervals. The main drive size is approximately 2 m × 2 m reflecting the scale of machinery used at our Gold Mines.

The Shirengou Gold Mine and the Nantaizi Gold Mine employ a variety of mining methods which include: shrinkage stoping, cut-and-fill stoping and resuing. Shrinkage stoping involves mining from the base upwards, using the blasted ore as a working platform and only drawing sufficient ore to provide working space. Cut-and-fill stoping also involves mining from the base up, but waste is used to fill the stopes after completion of the extraction of each cut or lift. The waste fill forms the working platform for the next cut. The resuing method is suitable for mining of narrow ore veins.

The Luotuochang Gold Mine employs a combination of the shrinkage stoping and cut-and-fill stoping mining methods. Waste rock is used as fill for both methods. Haulage and submajor levels are at 40 m vertical intervals.

Both major and minor developments at our Gold Mines are typically carried out with hand-held equipment. Rail-mounted shovels are used in haulage development. For main transportation adits, ore and waste rock are hauled by 0.7 m³ mine cars pulled by 3 tonne electric trolley locomotives. For auxiliary transportation, 1.5 tonne electric trolley locomotives are used. The mine cars are currently hauled out of the surface adits, but as mining progresses deeper, the mine cars will be hoisted in cages via shafts. We use third-party contractors to carry out all development and mining operations under the supervision of our management and technical teams at each mine.

To minimize costs and risk, our business operating model is to outsource our mining works to third-party contractors. All of our mining operations and most of our mine design construction works are outsourced to third parties. We have entered into subcontracting mining agreements with two third-party contractors. Please refer to the section headed “Business —Third-Party Contractors” in this prospectus.

BUSINESS

We have planned the substantial development of all our Gold Mines over the next three years. The table below summarizes the planned mine development and production rates for 2008 to 2011:

Forecast Mine Development and Production, 2008–2011

Item	2008	2009	2010	2011
Shaft Development (m)				
Shirengou-Nantaizi Mining Complex	1,600	0	200	0
Luotuochang Gold Mine.	200	650	800	0
Adit and Haulage Development (m)				
Shirengou-Nantaizi Mining Complex	7,600	7,500	15,000	3,500
Luotuochang Gold Mine.	3,200	6,600	6,200	1,600
Production (kt)				
Shirengou-Nantaizi Mining Complex	155	365	450	450
Luotuochang Gold Mine.	65	273	330	330

Source: Independent Technical Expert's Report

ORE PROCESSING

We have two ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine, which currently have ore processing capacities of approximately 990 tpd and 800 tpd, respectively. The Nantaizi Gold Mine and the Shirengou Gold Mine are adjacent to each other, and the two mines are referred to together in this prospectus as the Shirengou–Nantaizi Mining Complex. The ore processing facility located at the Nantaizi Gold Mine processes ore from both the Nantaizi Gold Mine and the Shirengou Gold Mine. At present, the ore processing facility located at the Nantaizi Gold Mine is under expansion and, when completed, is expected to have an ore processing capacity of approximately 1,480 tpd. The ore processing facility located at the Luotuochang Gold Mine is also presently under expansion and, when completed, is expected to have an ore processing capacity of approximately 1,100 tpd. The combined ore processing capacity of both ore processing facilities is expected to reach approximately 2,580 tpd by the fourth quarter of 2009.

We had a 50 tpd ore processing facility located at the Shirengou Gold Mine, which was constructed prior to our acquisition of Shirengou Mining. The production technology used at this ore processing facility was outdated and was unable to effectively extract the various types of minerals contained in the ore. We ceased the operation of the 50 tpd ore processing facility after we completed the construction and began the operation of the 500 tpd ore processing facility located at the Nantaizi Gold Mine in May 2008. The daily production capacity of this ore processing facility was subsequently augmented by 490 tonnes on completion of the construction of phase II in September 2008. All ore processing previously undertaken at the 50 tpd ore processing facility located at the Shirengou Gold Mine is now undertaken at the larger, more efficient 990 tpd ore processing facility located at the Nantaizi Gold Mine.

We generally use the flotation method for ore processing. From time to time, we also use the gravity method in the ore processing facility located at the Luotuochang Gold Mine if coarse-grained gold is present in the ore.

BUSINESS

The average gold recovery rate at the ore processing facility located at each of the Nantaizi Gold Mine and the Luotuochang Gold Mine is approximately 85.2% and 86.8%, respectively.

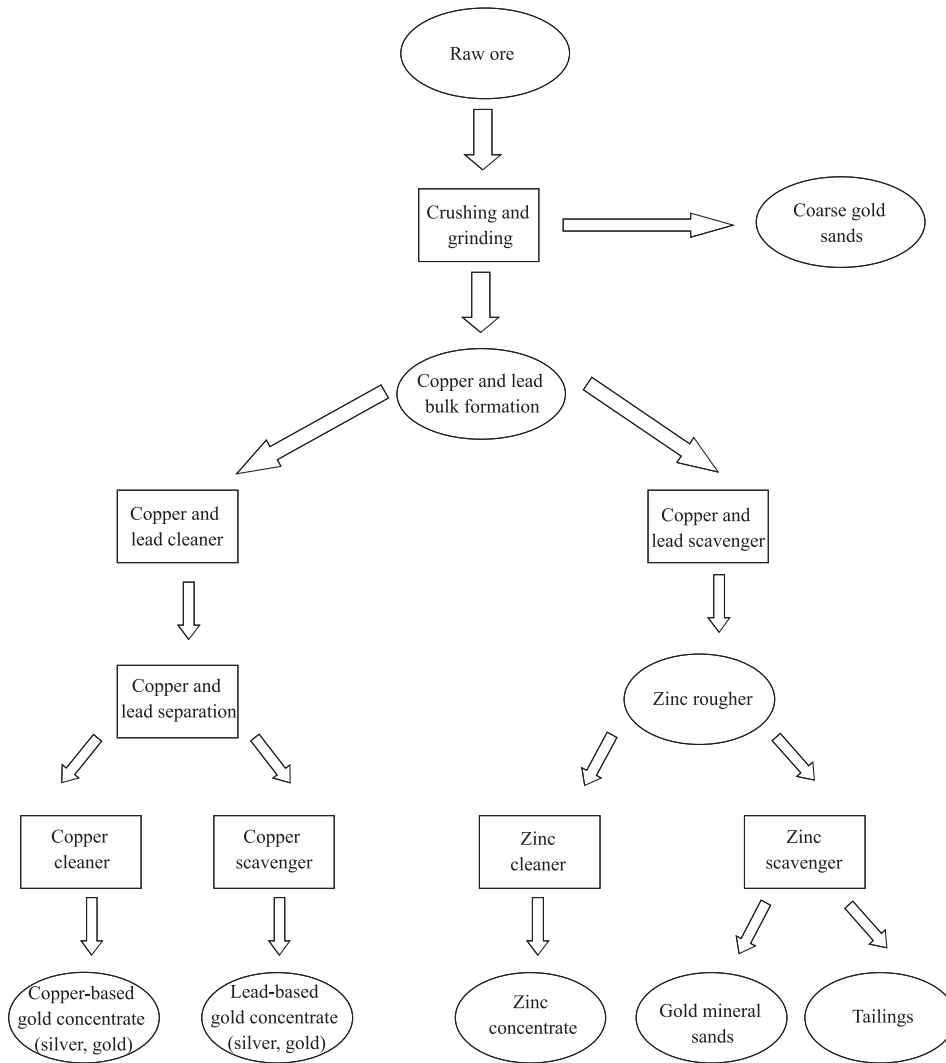
Ore processing facility located at the Nantaizi Gold Mine

The processing of ore into concentrates at the ore processing facility located at the Nantaizi Gold Mine is briefly described below.

- The raw ore, sized on a grizzly to less than 350 mm, is first crushed in a 500 mm x 750 mm jaw crusher;
- the crushed product is screened on a vibrating screen with 14 mm apertures. The oversized product from the screening process is sent to a Nordberg cone crusher. The Nordberg cone crusher works in a closed circuit with the vibrating screen. The undersized product from the screening process is sent for primary grinding;
- primary grinding takes place in a 2,400 mm x 3,600 mm ball mill. The ground product from the primary grinding process is first put through a jigger to recover the coarse gold particles then classified in a screw classifier. Classifier underflow goes back to the ball mill. Classifier overflow is classified in a battery of 300 mm cyclones. The cyclone underflow goes to a secondary 1,880 mm x 3,700 mm ball mill which works in a closed circuit with the cyclones. The cyclone overflow, sized at about 85% less than 0.074 mm, is sent to flotation;
- after conditioning with conventional reagents, the cyclone overflow is subjected to rougher bulk copper-lead flotation and then rougher zinc flotation. The rougher bulk copper-lead concentrate is cleaned three times and then subjected to copper and lead separation; galena is depressed and chalcopyrite floated. This separation yields the final No. 1 Gold Concentrate (as defined in the Independent Technical Expert's Report) and No. 2 Gold Concentrate (as defined in the Independent Technical Expert's Report). The zinc rougher concentrate is cleaned in three stages to produce the final zinc concentrate;
- all final concentrates are dewatered by thickening, and the thickener underflow is then filtered; and
- a 700 mm x 1,250 mm shaking table is used to monitor the gold in the tailings. Additional shaking tables will be installed if necessary to collect the gold in the tailings.

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The flowchart below illustrates the major steps of the ore processing procedures employed at the processing facility located at the Nantaizi Gold Mine which processes ore from both the Nantaizi Gold Mine and the Shirengou Gold Mine.



Source: Independent Technical Expert's Report

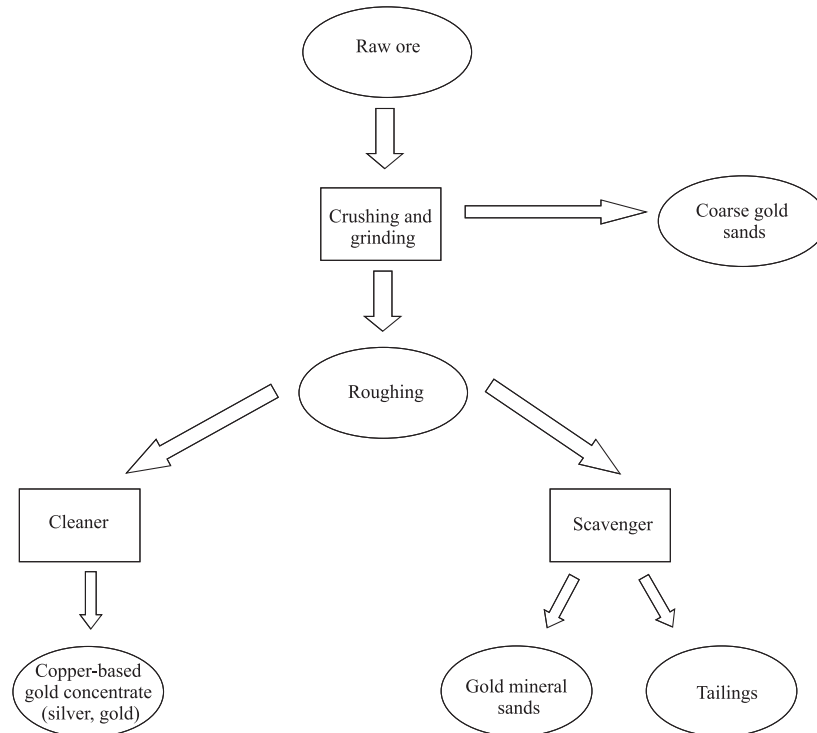
Ore processing facility located at the Luotuochang Gold Mine

The processing of ore into concentrates at the ore processing facility located at the Luotuochang Gold Mine is briefly described below.

- The raw ore, sized on a grizzly to less than 350 mm, is first crushed in a 500 mm x 750 mm jaw crusher;
- the crushed product is screened on a vibrating screen with 14 mm apertures. The oversized product from the screening process is sent to a Nordberg cone crusher. The Nordberg cone crusher works in a closed circuit with the vibrating screen. The undersized product from the screening process is sent for primary grinding;
- primary grinding takes place in a 2,400 mm x 3,600 mm ball mill. The ground product from the primary grinding process is first put through a jigger to recover the coarse gold particles then classified in a screw classifier. Classifier underflow goes back to the ball mill. Classifier overflow is classified in a battery of 300 mm cyclones. The cyclone underflow goes to a secondary 1,880 mm x 3,700 mm ball mill which works in a closed circuit with the cyclones. The cyclone overflow, sized at about 85% less than 0.074 mm, is sent to flotation;
- flotation comprises a rougher stage and four cleaner stages on the rougher concentrate as well as three scavenger flotation stages to yield the final concentrates;
- the final concentrates are dewatered by thickening, and the thickener underflow is then filtered; and
- a 700 mm x 1,250 mm shaking table is used to monitor the gold minerals in the tailings. Additional shaking tables will be installed if necessary to collect the gold minerals in tailings.

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The flowchart below illustrates the major steps of the ore processing procedures employed at the processing facility located at the Luotuochang Gold Mine.



Source: Independent Technical Expert's Report

SALE OF PRODUCTS

Concentrates produced by our ore processing facilities are sold at the prevailing market prices to smelters or trading entities in the Chifeng Municipality and other surrounding areas in the PRC. The concentrates are generally transported by truck to the smelters at their own expense.

Our customers

For the year ended 31 December 2007, sales to our five largest customers, which were all independent third parties, represented 100% of our total sales. Our single largest customer in 2007, Liaoning Xindu Gold Company Limited (遼寧新都黃金有限責任公司) (“Liaoning Xindu”), was a company incorporated in the PRC on 11 November 1999 and was principally engaged in the business of gold and silver smelting and production and sales of copper cathodes and sulfuric acid. Our other top four customers in 2007 were private individuals, who operated minerals trading and brokering enterprises. It is common, in the PRC mining industry, for minerals trading and brokering enterprises to be operated by individuals. We have maintained sales relationships with these five customers since the commencement of production at the ore processing facility at the Shirengou Gold Mine. In 2007, our sales to Liaoning Xindu represented 51.4% of our total sales. Except for Liaoning Xindu, none of our customers were end-users of our concentrates.

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All of our current customers are smelting enterprises. Smelting enterprises process gold concentrates into, among other products, standard gold for subsequent sale. In processing gold concentrates into standard gold, smelting enterprises are able to achieve a relatively constant margin independent of the market price of gold. As a result, the recent financial turmoil and gold price volatility should not have any negative impact on our customers' business and/or lower their demand for our gold concentrates.

For the ten months ended 31 October 2008, sales to our five largest customers, in aggregate represented 95.4% of our total sales. For the ten months ended 31 October 2008, sales to our five largest customers represented 48.9%, 29.2%, 7.7%, 6.5% and 3.1%, respectively, of our total sales. For the ten months ended 31 October 2008, our single largest customer was a company incorporated in the PRC which is principally engaged in the business of copper smelting. The other four customers who comprised our five largest customers for the ten months ended 31 October 2008 are also companies incorporated in the PRC.

For the ten months ended 31 October 2008, one of our top five customers was Chifeng Fubon Copper, a PRC incorporated copper smelting enterprise controlled by Mr Wu which is not within our Group. Chifeng Fubon Copper's copper smelting facility is currently under expansion, and construction in relation to such expansion is expected to be completed in early 2009 with trial production to commence at or around the same time. Our sale to Chifeng Fubon Copper in September 2008 was for the sole purpose of providing concentrates to facilitate testing of Chifeng Fubon Copper's copper smelting facility as Chifeng Fubon Copper was unable to locate a suitable supplier at the relevant time. The sale to Chifeng Fubon Copper amounted to RMB11,281,182 which represented 3.6% of our revenue for the year ended 31 December 2008. The concentrates sold to Chifeng Fubon Copper had been mined from and produced by the ore processing facility located at our Luotuochang Gold Mine because the concentrates produced by Luotuochang Mining contain a higher percentage of copper than the concentrates produced by our Nantaizi Gold Mine. Our Directors confirm that the sale agreement in respect of these concentrates was negotiated between us and Chifeng Fubon Copper on an arms' length basis, in the ordinary course of our business and on normal commercial terms that are fair and reasonable, and are in our interests and shareholders' interests as a whole. The Sole Sponsor concurs with our Directors' view. Going forward, Chifeng Fubon Copper will have its own concentrate suppliers. Our Directors confirm that if we enter into a connected transaction with Chifeng Fubon Copper in the future, we will comply with the requirements of Chapter 14A of the Listing Rules.

We specialize in the mining of gold, the processing of ore into concentrates containing gold and the selling of gold concentrates. Chifeng Fubon Copper is an enterprise which engages in the business of copper smelting, a business which operates downstream from our operations. Chifeng Fubon Copper does not produce concentrates and does not in any respect compete with our activities. Accordingly, our Directors believe that there will not be any competition issue between our controlling shareholders and us.

In 2007, only our 50 tpd ore processing facility located at the Shirengou Gold Mine was in operation, while the ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine were under construction. It was on such basis that we established cooperative relationships with customers in the Chifeng Municipality and the nearby provinces. As we only produce concentrates containing gold and other minerals and do not produce standard gold, our customers can historically be divided into two categories: (i) smelters; and (ii) trading entities (including both enterprises and private individuals). Medium- to large-scale smelters, aside from setting up branches in resources-rich regions for direct purchase of raw materials (such as concentrates) from mining enterprises, commonly cooperate

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with local trading enterprises who undertake the role of acquiring raw materials (such as concentrates) from various mining enterprises in the region before on-selling to the smelters. Due to the higher volume of each sale, smelters are typically willing to offer a relatively higher price when purchasing from trading entities. This pricing arrangement also usually translates to better pricing for mining enterprises, especially those that are of a smaller scale. Although some of our customers in 2007 were trading entities, all of our current customers are smelting enterprises.

In 2007, we established a strong relationship with a smelting enterprise who was our single largest customer in that year (Liaoning Xindu). Liaoning Xindu uses the latest technology in its operations. Its key products include gold, silver, copper and sulfate. The level of technology adopted is one of the major factors that we consider when assessing prospective customers in accordance with our customer selection procedures. The adoption of the latest smelting technology by Liaoning Xindu enables it to more effectively extract minerals from the concentrates that we produce, i.e. to obtain a higher recovery rate, which also translates to higher price for our concentrates. Due, in part, to its use of more advanced production technology, we believe that Liaoning Xindu has a greater potential for profitability and further growth than the other smelting enterprises in north-eastern China, which may translate to higher demand for our concentrates. Accordingly, we believe that it is to our advantage to have established a long-term and stable relationship with this customer.

In the PRC, currently there are three commonly used smelting technologies, namely, cyanidation, bio-oxidation and fluidization roasting:

- cyanidation is capable of processing concentrates containing gold and silver, while recovery rates of other marketable metals are low. It is a conventional technology most often used by small smelting enterprises. This method has an average recovery rate for gold of approximately 95%;
- bio-oxidation is capable of processing concentrates containing gold and other impurities such as arsenic and carbon. Not many enterprises in the PRC use this technology as it is not well developed. This method has an average recovery rate for gold of approximately 70 to 80%; and
- fluidization roasting is used by large smelting enterprises due to its reliability, recovery diversity, material adaptability, processing capacity and cost advantage. It is a relatively advanced technology and is widely used in the PRC.

Liaoning Xindu uses this fluidization roasting method. Moreover, their two-stage roasting system is a proprietary technology imported from abroad and is capable of processing complex gold concentrates. They are able to achieve a high composite recovery rate in line with the PRC market standard. With the two-stage roasting process and oxygen-enriched bottom blowing matte smelting, they can process complex gold concentrates with multiple substances waste-free and increase the recovery rates of gold, silver and copper. In 2007, only our 50 tpd ore processing facility located at the Shirengou Gold Mine was in operation, and it was on such basis that we established cooperative relationships with customers in the Chifeng Municipality and the adjacent north-eastern provinces. We believe that most smelting enterprises in the PRC use this technology in processing gold concentrates. In addition, there are smelting enterprises located near our Group's production facilities which have spare capacity to process our gold concentrates. As such, we have a broad customer base and marketplace.

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The fluidization roasting method is able to recover other marketable metals as well as gold and silver from concentrates. This smelting method creates more value for our customer, enhancing its market competitiveness and in turn the pricing factor of its major raw material, i.e. concentrates. If we were to sell our gold concentrates to smelting enterprises using conventional technology such as the cyanidation method, which focuses on the recovery of gold and silver at the expense of other marketable metals, the purchase prices that such smelting enterprises would be willing to offer for the concentrates produced by us would be significantly lower than those offered by smelting enterprises using the fluidization roasting method.

As stated above, many of the smelting enterprises in the PRC adopt the fluidization roasting method, which is able to better recover metals from concentrates containing multiple types of metals. As such, our potential market is not limited by the level of mineral content in our metal concentrates or any specified technology adopted by our customers.

During 2007, we also established strong relationships with four trading entities who are private individuals and who undertake activities similar to minerals trading and broking enterprises. In the past, we considered it more advantageous and convenient to sell a significant portion of our concentrates to those individuals instead of selling directly to smelters. However, we currently only sell our concentrates to smelters.

Memoranda of long-term cooperation

We have entered into a memorandum of long-term cooperation to sell our concentrates to Liaoning Xindu, our largest customer in 2007. This memorandum has a term of three years and is due to expire in March 2011. Pursuant to this memorandum, we may from time to time enter into sales agreements to sell concentrates. For the period to 31 December 2007 and the ten months ended 31 October 2008, our sale of concentrates to this customer contributed RMB4.1 million and RMB5.4 million, respectively, of our revenue. Under the terms of the memorandum, the price for our concentrates depends on the amount of gold, silver, copper and lead contained in those concentrates and is calculated as follows:

- **gold:** contained gold per tonne multiplied by the gold spot price on the SGE on the day of the sale applying a discount agreed with the customer;
- **silver:** contained silver per tonne multiplied by the market price of silver published on the Shanghai Huatong Net (上海華通網) applying a discount agreed with the customer;
- **copper:** contained copper per tonne multiplied by the market price of copper published on the Shanghai Nonferrous Metals Market Net (上海有色金屬網) applying a discount agreed with the customer; and
- **lead:** contained lead per tonne multiplied by the market price of lead published on the Shanghai Nonferrous Metals Market Net (上海有色金屬網) applying a discount agreed with the customer.

We have a similar memorandum of long-term cooperation with Henan Yuguang Gold and Lead Group Company Limited (河南豫光金鉛集團有限責任公司) which is one of our significant customers. This memorandum has a term of three years and is due to expire in March 2011. Pursuant to this memorandum, we may enter into sales agreements from time to time to sell concentrates. Under the terms of the memorandum, the price for our concentrates depends on the amount of gold, silver, copper and lead contained in those concentrates and is calculated on similar basis as described above.

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We also have entered into a memorandum of long-term cooperation with, a customer, Chifeng Zhongsekubohongye Zinc Company Limited (赤峰中色庫博紅燁鋅業有限公司) to sell our zinc concentrates. This memorandum has a term of three years and is due to expire in March 2011. Pursuant to this memorandum, we may from time to time enter into sales agreements to sell zinc concentrates. Under the terms of this memorandum, the price for our concentrates depends on the amount of contained zinc per tonne multiplied by the monthly average market price of zinc published on the Shanghai Nonferrous Metals Market Net (上海有色金屬網) applying a discount agreed with the customer.

For ten months ended 31 October 2008, 35.2% of our revenue was attributable to sales to these three customers:

	RMB'000	%
Customers who have entered into a Memorandum		
Liaoning Xindu Gold Company Limited (遼寧新都黃金有限公司) . .	5,353	3.1%
Henan Yuguang Gold and Lead Group Company Limited (河南豫光金鉛股份有限公司)	50,722	29.2%
Chifeng Zhongsekubohongye Zinc Company Limited (赤峰中色庫博紅燁鋅業有限公司)	5,072	2.9%
Customers who have not entered into a Memorandum	112,439	64.8%
Total revenue	173,586	100.0%

The respective parties to the three memoranda of long-term cooperation (the “Memoranda”) entered into supplemental agreements dated 10 June 2008, 12 June 2008 and 16 June 2008, respectively (the “Supplemental Agreements”). The purpose of the Supplemental Agreements is to expressly state the intention of the parties to the Supplemental Agreements that the Memoranda constitute binding agreements among the parties thereto and that the purchasers are obliged to make purchase of gold concentrates or zinc concentrates from us.

We produce two types of gold concentrates (No. 1 Gold Concentrates and No. 2 Gold Concentrates, each as defined in the Independent Technical Expert’s Report) and a zinc concentrate. The gold concentrates include minerals in addition to gold. The additional minerals included in gold concentrates are silver, copper and lead. Accordingly, these memoranda (as amended by supplemental agreements) provide us with the right to sell all of our gold, silver, zinc, copper and lead because all of these minerals are contained either in the gold concentrates or zinc concentrates that we produce.

The Memoranda cover all the products we will produce for the period from March 2008 to March 2011. According to our production plan, the production capacity will increase to 2,580 tpd by the end of year 2009, however, based on the terms of the Supplemental Agreements to the Memoranda, the customers are required to purchase whatever amounts of products that we produce and decide to sell them at our sole discretion during the term of the Memoranda.

The respective customers are obliged to purchase whatever amount of gold concentrates or zinc concentrates which we decide (at our absolute discretion) to sell them, as opposed to all of the gold concentrates or zinc concentrates produced by us. In other words, we have the right to decide, in our sole discretion, the amount of gold concentrates or zinc concentrates to be purchased by the customers.

In light of the above, we will determine which of these customers to sell our concentrates with the objective of maximizing our profits. Our determination will be based on a number of factors including the type of concentrate being sold, the pricing terms (under the relevant Memorandum or Supplemental Agreement) and other sales terms submitted by other potential customers.

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The maximum quantity and dollar value of concentrates covered under the Supplemental Agreements depend on production conditions and there is no cap or floor for either quantity or dollar value. There is no floor imposed on us with respect to quantity or dollar amount. However, the purchasers are obliged to purchase all of the concentrates that we actually provide.

As confirmed by our PRC legal counsel, King & Wood, we will not be in breach of the Memoranda or the Supplemental Agreements for selling to one party but not the other and the Supplemental Agreements are legal, valid and enforceable against each relevant customer under the laws of the PRC.

We price our concentrates based on prices of minerals with reference to the prevailing prices on the SGE, in the case of gold, the Shanghai Huatong Net, in the case of silver, and the Shanghai Nonferrous Metals Market Net, in the case of the other minerals contained in our concentrates (other than gold).

Gold is the predominant source of payment value for our concentrates. The price of gold traded on the SGE largely converges to the price of gold in international markets. For the spot gold price on the SGE and the daily New York composite spot gold price between 1 January 2005 and 30 January 2009, please refer to the section headed “Industry Overview” in this Prospectus.

Shanghai Huatong Net is a professional website for the domestic nonferrous metal prices. The prices of nonferrous metals on Shanghai Huatong Net generally have a close correlation to international market prices. Shanghai Huatong Net is registered with the PRC Ministry of Industry and Information Technology. Shanghai Huatong Net is a relatively large, professional nonferrous metal information platform for the nonferrous metal industry in China. It has become a pricing system generally used in the industry.

Shanghai Nonferrous Metals Market Net is the official website of the Shanghai Nonferrous Metals Trade Association. The Shanghai Nonferrous Metals Trade Association, founded in January 2002, is a professional group voluntarily organized by nonferrous metals enterprises, institutions and other economic organizations in Shanghai and the surrounding area. Its membership is comprised of state-owned, collectively-owned, private enterprises, joint ventures and enterprises invested in by persons outside the PRC (including Taiwan) who produce, trade and consume nonferrous metals. The Shanghai Nonferrous Metals Market Net is a professional website for the nonferrous metals industry. It covers over 100 prices for different nonferrous metal products. It has become one of the main information platforms for participants in the PRC nonferrous metal industry to release and acquire trading messages and seek business opportunities. The prices of nonferrous metals on the Shanghai Nonferrous Metals Market Net generally have a close correlation to international prices.

The PRC market prices for the other key metals concerned (silver, copper, lead and zinc) largely converge to international trading prices (subject to small differences to account for items such as duties).

Based on the above, it can be established that while specific concentrate pricing for the concentrates we produce is based on observable PRC sources, such a methodology will deliver an outcome broadly linked to international commodities pricing and movements.

Also, under the terms of the respective Memorandum, prior to each sale, both the customer and us will take a sample of the metal concentrates and conduct their own tests and verification to determine the quality of the metal concentrates.

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In terms of quantity of the metal concentrates, since the customer will inspect the volume of metal concentrates to be purchased on site, difference in quantity is not expected to occur.

In terms of quality standard, samples will be extracted and prepared for inspection in accordance with the terms stipulated in the Memoranda. Four samples will be randomly extracted on site, namely, a supplier sample, a laboratory sample, a customer sample and an arbitration sample. The relevant Mining Company will inspect the supplier sample and a laboratory owned by Chifeng Fuqiao will inspect the laboratory sample. If the difference in grading of the two samples is within the permissible range (i.e. the discrepancy is less than 2g/t), we could, at our sole discretion, choose either examination result as our test result.

Our test result will then be compared with the customer's test result, and if the difference in grading is within the permissible range (i.e. the discrepancy is less than 2g/t), the customer and we will then negotiate and agree on the mineral content in the metal concentrates, and determine the amount payable by the customer based on the formulae set out above.

If the difference exceeds the permissible range (i.e. the discrepancy is more than 2g/t), the arbitration sample would be submitted to the National Center of Quality Supervision and Inspection On Gold and Silver Products (Changchun) (國家金銀及製品質量監督檢驗中心(長春)) for arbitration and its determination would be final. The customer would then be obliged to complete the purchase of metal concentrates at a price calculated based on the final determination of this center.

Despite the abovementioned quality verification procedures, it is still possible for the quality of metal concentrates bought by a customer to be different from that of its customer sample, and according to the terms of each of the Memoranda, no recourse would be available to such customer. Since our establishment, we have not received any complaints due to quantity or quality problems of our products.

The pricing terms between the trading entities and us are substantially similar to those under the Memoranda. The metal concentrates are sold by us to those trading entities without recourse.

In respect of each sale of concentrates, the customer must prepay an amount equal to approximately 10% to 20% of the total value of the concentrates to be sold at the time of signing of the individual sales contract relating to such sale and such amount shall be transferred by the customer to an account designated by us. The 10% to 20% is a prepayment of the purchase price and is refundable on failure of delivery. In relation to each sale, depending on which of the three Mining Companies made the sale, the account designated by us would be an account belonging to the relevant Mining Company, namely, either Nantaizi Mining, Shirengou Mining or Luotuochang Mining. Approximately 80% of the total value of the concentrates sold (including the amount of the prepayment) is required to be settled by the customer in cash. The remaining 20% is treated as accounts receivable and must be paid within 30 days after the sale of the concentrates has taken place.

The delivery of our concentrates will take place at our ore processing facilities, and the customers will be responsible for all transportation and other relevant costs.

For the year ended 31 December 2007 and for the ten months ended 31 October 2008, none of our Directors or their associates or our shareholders who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in our five largest customers (except Chifeng Fubon Copper), and all our current customers are repeat customers.

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Summary of major customers

The table below contains a summary of the identity of each of our major customers, each customer's relationship with our Group and/or the controlling shareholder, each customer's business nature, the product the customer purchases from us and the basis on which the price of the product purchased by each customer is determined.

<u>Major Customers</u>	<u>Relationship with our Group/ Controlling Shareholder</u>	<u>Business Nature</u>	<u>Products Purchased by the Customer</u>	<u>Basis for Determining the Price of the Products Purchased by the Customer*</u>	<u>Remarks</u>
Liaoning Xindu Gold Company Limited (遼寧新都黃金有限責任公司)	Independent third party	Gold smelting and refining	Gold concentrates	<p>The historical selling prices for the year ended 31 December 2007 and the ten months ended 31 October 2008 depended on the amount of gold, silver, copper and lead contained in the concentrates and were calculated as follows:</p> <p>gold: contained gold per tonne multiplied by the gold spot price on the SGE on the day of the sale applying a discount agreed with the customer;</p> <p>silver: contained silver per tonne multiplied by the market price of silver published on the Shanghai Huatong Net (上海華通網) applying a discount agreed with the customer;</p> <p>copper: contained copper per tonne multiplied by the market price of copper published on the Shanghai Nonferrous Metals Market Net (上海有色金屬網) applying a discount agreed with the customer; and</p> <p>lead: contained lead per tonne multiplied by the market price of lead published on the Shanghai Nonferrous Metals Market Net (上海有色金屬網) applying a discount agreed with the customer.</p>	Under the memorandum of long-term cooperation dated 8 March 2008 and the corresponding supplemental agreement dated 10 June 2008, the customer is obliged to purchase whatever amount of gold concentrates which we decide (in our absolute discretion) to sell them, as opposed to all of the gold concentrates produced by us. In other words, we have the right to decide, in our sole discretion, the amount of concentrates sold to this customer. At the same time, the customer is obliged to purchase from us whatever amount of gold concentrates we decide to sell to the customer.

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Major Customers	Relationship with our Group/ Controlling Shareholder	Business Nature	Products Purchased by the Customer	Basis for Determining the Price of the Products Purchased by the Customer*	Remarks
Henan Yuguang Gold and Lead Group Company Limited (河南豫光金鉛集團有限責任公司)	Independent third party	Gold and lead smelting and refining	Gold concentrates	<p>The historical selling prices for the ten months ended 31 October 2008 depended on the amount of gold, silver, copper and lead contained in the concentrates and were calculated as follows:</p> <p>gold: contained gold per tonne multiplied by the average of the market prices of gold on the SGE for the 5 consecutive trading days from the day of the sale applying a discount agreed with the customer;</p> <p>silver: contained silver per tonne multiplied by the average of the market prices of silver published on the Shanghai Huatong Net (上海華通網) for the 5 consecutive trading days from the day of the sale applying a discount agreed with the customer;</p> <p>copper: contained copper per tonne multiplied by the average of the market prices of copper published on the Shanghai Nonferrous Metals Market Net (上海有色金屬網) for the 5 consecutive trading days from the day of the sale applying a discount agreed with the customer; and</p> <p>lead: contained lead per tonne multiplied by the average of the market prices of lead published on the Shanghai Nonferrous Metals Market Net (上海有色金屬網) for the 5 consecutive trading days from the day of the sale applying a discount agreed with the customer.</p>	Under the memorandum of long-term cooperation dated 12 March 2008 and the corresponding supplemental agreement dated 16 June 2008, the customer is obliged to purchase whatever amount of gold concentrates which we decide (in our absolute discretion) to sell them, as opposed to all of the gold concentrates produced by us. In other words, we have the right to decide, in our sole discretion, the amount of concentrates to be sold to this customer. At the same time, the customer is obliged to purchase from us whatever amount of gold concentrates we decide to sell to the customer.

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Major Customers	Relationship with our Group/ Controlling Shareholder	Business Nature	Products Purchased by the Customer	Basis for Determining the Price of the Products Purchased by the Customer*	Remarks
Chifeng Zhongsekubohongye Zinc Company Limited (赤峰中色庫 博紅燁鋅業有限公司)	Independent third party	Zinc smelting and refining	Zinc concentrates	The historical selling prices for the ten months ended 31 October 2008 depended on the amount of contained zinc per tonne multiplied by the market price of zinc published on the Shanghai Nonferrous Metals Market Net (上海有色金屬網) on the day of the sale applying a discount agreed with the customer.	Under the memorandum of long-term cooperation dated 10 March 2008 and the corresponding supplemental agreement dated 12 June 2008, the customer is obliged to purchase whatever amount of zinc concentrates which we decide (in our absolute discretion) to sell them, as opposed to all of the zinc concentrates produced by us. In other words, we have the right to decide, in our sole discretion, the amount of concentrates to be sold to this customer. At the same time, the customer is obliged to purchase from us whatever amount of gold concentrates we decide to sell to the customer.
Chifeng Fubon Copper (Note)	Connected party	Copper smelting and refining	Gold concentrates	The historical selling prices for the ten months ended 31 October 2008 were determined by reference to the average of the market prices quoted from the relevant website for the 5 consecutive trading days from the day of the sale of the concentrates applying a discount agreed with the customer.	No memorandum of long-term cooperation has been entered into.
Chifeng Jinjian Copper Company Limited (赤峰金劍銅業有限 責任公司)	Independent third party	Copper smelting and refining	Gold concentrates	The historical selling prices for the ten months ended 31 October 2008 were determined by reference to the average of the market prices quoted from the respective websites for the 5 consecutive trading days from the day of the sale of the concentrates applying a discount agreed with the customer.	No memorandum of long-term cooperation has been entered into.

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Major Customers	Relationship with our Group/ Controlling Shareholder	Business Nature	Products Purchased by the Customer	Basis for Determining the Price of the Products Purchased by the Customer*	Remarks
Chifeng Baiyin Nuocer Lead and Zinc Mine (赤峰市白音諾爾鉛鋅 礦)	Independent third party	Gold, lead and zinc smelting and refining	Gold concentrates	<p>The historical selling prices for the ten months ended 31 October 2008 depended on the amount of gold, silver and lead contained in the concentrates and were calculated as follows:</p> <p>gold: contained gold per tonne multiplied by the average of the market prices of gold on the SGE for the 5 consecutive trading days from the day of the sale applying a discount agreed with the customer;</p> <p>silver: contained silver per tonne multiplied by the average of the market prices of silver published on the Shanghai Huatong Net (上海華通網) for the 5 consecutive trading days from the day of the sale applying a discount agreed with the customer; and</p> <p>lead: contained lead per tonne multiplied by the average of the market prices of lead published on the Shanghai Nonferrous Metals Market Net (上海有色金屬網) for the 5 consecutive trading days from the day of the sale applying a discount agreed with the customer.</p>	No memorandum of long-term cooperation has been entered into.

Note: For the ten months ended 31 October 2008, one of our top five customers was Chifeng Fubon Copper, a PRC incorporated copper smelting enterprise controlled by Mr Wu which is not within our Group. Chifeng Fubon Copper's copper smelting facility is currently under expansion, and construction in relation to such expansion is expected to be completed in early 2009 with trial production to commence at or around the same time. Our sale to Chifeng Fubon Copper in September 2008 was for the sole purpose of providing concentrates to facilitate testing of Chifeng Fubon Copper's copper smelting facility as Chifeng Fubon Copper was unable to locate a suitable supplier at the relevant time. The sale to Chifeng Fubon Copper amounted to RMB11,281,182 which represented 3.6% of our revenue for the year ended 31 December 2008. The concentrates sold to Chifeng Fubon Copper had been mined from and produced by the ore processing facility located at our Luotuochang Gold Mine because the concentrates produced by Luotuochang Mining contain a higher percentage of copper than the concentrates produced by our Nantaizi Gold Mine. Our Directors confirm that the sale agreement in respect of these concentrates was negotiated between us and Chifeng Fubon Copper on an arms' length basis, in the ordinary course of our business and on normal commercial terms that are fair and reasonable, and are in our interests and shareholders' interests as a whole. The Sole Sponsor concurs with our Directors' view. Going forward, Chifeng Fubon Copper will have its own concentrate suppliers. Our Directors confirm that if we enter into a connected transaction with Chifeng Fubon Copper in the future, we will comply with the requirements of Chapter 14A of the Listing Rules.

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* In determining the amount of discount given to the relevant customer, our Group usually takes into account of the length of relationship with the customer, future business opportunities with the customer, importance of the customer to our Group's overall development and business strategies, and the general market conditions at the time of the sale.

Our detailed future sales strategies and marketing plans for the three years ending 31 December 2010 are as follows:

Sales strategies

- to increase sales to existing customers — under the terms of the Memoranda and Supplemental Agreements, three of our customers are obliged to purchase whatever amounts of concentrates that are produced by us. Accordingly, although we expect that our production levels will significantly increase over the next few years, we will be able to sell all of the concentrates we produce to these customers;
- to widen our customer base by commencing sales to new customers — although we are entitled to sell all of the products we produce to three of our existing customers, as noted above, in order to avoid being too reliant on just three customers, our Group will pursue a strategy of attracting new customers;
- to widen our range of products by commencing production of standard gold — if we have raised sufficient funds from the Global Offering or generated enough cash from operations, we intend to fund the construction of a gold smelting and refining facility so that we can further process some or all of the concentrates we produce into standard gold. The production of standard gold will further diversify our customer base;
- to establish reliable and high-quality sales channels through establishing strategic partnerships with smelters — No. 1 Gold Concentrates (as defined in the Independent Technical Expert's Report), No. 2 Gold Concentrates (as defined in the Independent Technical Expert's Report) and zinc concentrates will be our major products in the next three years. All of our products will be sold to smelters and/or mineral trading and brokering enterprises. The establishment of reliable and high-quality sales channels is critical to the stability of our production and operations as well as sustainable development. We have identified and begun discussions with various smelters to sell our expected increased volume of concentrates; and
- to adopt flexible marketing strategies to respond actively to changing conditions in the market, for example by selling larger quantities of our products when market prices for concentrates are high.

Marketing plans

- to establish a major raw materials supply base for gold producers and smelters in northern China and to establish our brand recognition and reputation — we identify and assess new customers based on quarterly market research materials prepared by our Sales Department and in accordance with our stringent customer selection procedures;

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- to maximize our profit by actively responding to changing market conditions and by researching on our competitors — we monitor market changes closely and formulate/adjust our marketing strategies based on analyzes and forecasts of price trends and customers' needs;
- to strengthen customer management efforts, establish stable sales channels and retain quality customers — (i) in respect of existing customers, we regularly communicate with our customers so that we can better understand and address their needs; and (ii) in respect of prospective customers who indicate an interest in entering into a long-term sales arrangement with us, we will undertake detailed due diligence in respect of that prospective customer. This will typically involve requesting the prospective customer to provide detailed relevant background information. According to our customer selection procedures, our Sales Department will review the prospective customer's business operations and our Finance Department will review the prospective customer's credit history and financial condition. After completion of such due diligence and considering any relevant risks, we will determine whether to enter into a long-term sales agreement with a prospective customer;
- to enhance our efficiency by focusing on management of our production, marketing and financial control procedures and to ensure that our products are of a consistently high quality — we have put into place a number of quality control procedures including a system of accurately weighing of our concentrates (to determine tonnage), and sampling the mineral grade of our concentrates to determine the quantity of metals contained and measuring water content; and
- to promote sales and establish relationships with customers by using our website as a marketing and informational tool and by participating in activities such as specialized academic conferences, industry forums and exhibitions organized by various institutions in the metallurgy industry.

THIRD-PARTY CONTRACTORS

We outsource substantially all our exploration and mining works. We have entered into subcontracting agreements with third-party contractors for exploration, mining and other operational activities. We select third-party contractors through a selective tendering process. Prior to engaging third-party contractors, we assess their skills, expertise and experience. In addition, we require them to provide information on their past engagement to confirm their ability in terms of capital investment, technical expertise and managerial skills to perform the work requested. During the Track Record Period, each of the third-party contractors engaged by us for mining activities held a Class C Construction Qualification for mining (丙級或以上資質證書) issued by the Ministry of Construction of the PRC. The undertaking of mining work by a contracted construction team relieves us from the need to establish our own mining construction workforce and accelerates the construction process. The third-party construction contractor must hold a safety qualification which is recognized by the State Administration of Work Safety, and independently accepts production safety liability throughout the entire construction process.

In respect of subcontracted mining works, we pay the third-party contractor a fixed fee. Usually, the fees payable to third-party contractors are settled after completion of the relevant projects and are subject to the type of engineering projects and volume of subcontracting.

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All of the third-party contractors must possess the requisite qualifications for undertaking the mining, exploration or construction works for which they are commissioned. The third-party contractors work under the supervision of our management and technical teams. While works are being carried out by third-party contractors, each of our relevant departments is responsible for supervising the works carried out by third-party contractors which ranges from reviewing engineering quality and quantifying losses and depletion of minerals to supervising and managing the progress and completion of the assignment. We require third-party contractors to carry out their works according to the design and plan of the relevant assignment and in accordance with the requirements of our Production and Environmental Safety Department and Quality Control Department. Our Production and Environmental Safety Department supervises and inspects safety management. Our Quality Control Department supervises mineral quality to ensure that third-party contractors meet our quality standards. We continue to maintain responsibility for technology support, land acquisition and overall co-ordination and planning. These measures are adopted by us to ensure they are in full compliance with the relevant government rules and regulations and detect any non-compliance with the relevant rules and regulations.

We have specialized technical management personnel who supervise and direct the progress, quality and safety of the works performed by third-party contractors. Usually when a contract is signed, the requirements regarding the progress, quality and safety of the works will be clearly defined and we will only need to perform our supervisory functions during the project works.

As at 31 October 2008 we had entered into contracts with 21 third-party contractors. We have no more than two years of relationship with each of these third-party contractors. The principal terms of these contracts are outlined below:

Production safety

We require our third-party contractors to comply with the policies and regulations promulgated by the State and possess all necessary permits and licenses which are issued by relevant regulatory departments. Prior to engaging them we will ensure that the third-party contractors:

- possess the special operating permit and safety management staff qualification permit and, where there is a specialist requirement, possess any special permits, as required under the relevant PRC regulation;
- enter employment contracts in accordance with the requirements of any applicable labor laws;
- implement the “Law of Mine Safety” and operate in accordance with the “Safety Regulations for Metal and Non-Metal Mines”;
- possess the permit required by the “Administration Measures on Explosives for Civilians in the PRC”, and follow the related stock-in and stock-out procedures, as well as the requirements of the “Regulation for Metal and Non-Metal Mines”, when using explosive devices;
- arrange for medical examinations prior to recruiting staff;
- enhance industrial hygiene administration including measures to prevent pneumoconiosis;
- establish an effective emergency rescue system for safe handling of incidents as well as ensuring regular drills to practice the system; and
- participate in safety and training education of their employees.

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The third-party contractors shall be responsible for all expenses in relation to meeting these compliance requirements and will be responsible for any consequences of not complying with the respective rules and regulations.

Other principal terms

In contracting with a third-party, we will be responsible for:

- developing a production plan in relation to the needs of the mines;
- providing draft plans and technical advice prior to the commencement of work; and
- ensuring an adequate supply of electricity for the project.

During the project, the third-party contractor will be responsible for:

- organizing technical and other staff as required for the project;
- organizing production materials and safety equipment;
- accepting instructions from, and accounting to, the responsible members of our management and technical team;
- ensuring projects are completed in a timely manner and with a high degree of engineering quality;
- complying with our policies and systems;
- insuring all staff with appropriate industrial accident insurance; and
- ensuring an adequate supply of water for mine production and employee living needs.

Subcontracting fees

The total subcontracting fees paid for mining for the year ended 31 December 2007 and for the ten months ended 31 October 2008 were approximately RMB527,000 and RMB14.5 million, respectively. The total subcontracting fees paid for construction of infrastructure at our Gold Mines for the year ended 31 December 2007 and for the ten months ended 31 October 2008 were approximately RMB12.3 million and RMB158.9 million, respectively.

Liability of the third-party contractor

During the contracting period, any claims that arise in respect of safety incidents as a result of failure to comply with PRC laws and regulations will be the responsibility of the third-party contractor, who shall bear the cost. In the event of an injury or loss of life during a project, the incident shall be reported to the relevant PRC administrative department according to the applicable regulations. In the event of a serious incident causing loss of life, the third-party contractor shall be wholly responsible for the incident and the third-party contractor will be dismissed within one month after such an incident is confirmed. As at the Latest Practicable Date, there have not been any incidents that have required us to terminate any of our third-party contractors.

Under the current subcontracting agreements between the third-party contractors and us, the third-party contractors will be wholly responsible for all the consequences that arise in the event of non-compliance with the policies and regulations promulgated by the State. Similar to comparable gold

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mining companies currently listed on the Stock Exchange, we do not maintain any insurance policy to cover possible loss or costs resulting from accidents in relation to employees of third-party contractors. Our Directors are of the view that this is a common practice in the mining industry in the PRC. In the event of an injury or loss of life during a project, the incident shall be reported to the relevant PRC administrative department according to applicable regulations. In the event of a serious incident causing loss of life, the third-party contractor shall be wholly responsible for the incident and the third-party contractor will be dismissed within one month after such an incident is confirmed.

If an accident occurs outside a contracting period, we will be liable. However, since we outsource substantially all of our mining and exploration operations to third-party contractors and there will be no operations outside a contracting period, the risk of any accident occurring outside a contracting period is minimal. To minimize our risk, we will ensure that no mining or exploration work will be undertaken outside a contracting period.

We will ensure that no mining or exploration work will be taken by third-party contractors outside the contracting period to ensure that no accidents occur outside the period of our contractual relationship with such third-party contractors. That is, the “contracting period” only applies to third-party contractors and does not apply to our employees. Although mining or exploration work could be undertaken by our own employees at any time, it is our policy to outsource all actual mining and exploration work to third-party contractors. Accordingly, it is unlikely that our own employees will undertake mining or exploration work.

As advised by our legal adviser as to PRC laws, King & Wood, the measures adopted by us to ensure third-party contractors are in full compliance with the relevant government rules and regulations are satisfactory and in compliance with the relevant PRC laws and regulations. As at the Latest Practicable Date, there have been no incidents of non-compliance by third-party contractors and we have not been liable for any non-compliance committed by third-party contractors.

While we use third-party contractors extensively, development and mining operations at our sites are carried out under the supervision of our management and technical teams. As a result of subcontracting our excavation work, we have achieved better cost controls and reduced our management expenses, while maintaining direct participation in the management of mine safety and ensuring maximum safety protection. Our Directors believe that such outsourcing arrangements, if managed appropriately, will lower our operational costs and reduce our capital expenditures.

SUPPLY OF UTILITY, RAW MATERIALS, AUXILIARY MATERIALS, AND MACHINERY AND EQUIPMENT

Utility

We have never, during the Track Record Period, experienced material interruptions to our operations due to a shortage or suspension of our power supply. Electricity for our mining operations is supplied by the local power grid and we have entered into electricity supply contracts with the relevant governmental authorities for the supply of electricity at market rates to our operating Gold Mines and processing plants. All of our operating Gold Mines are equipped with backup power generators. For the year ended 31 December 2007 and the ten months ended 31 October 2008, our electricity consumption expenditure relating to production amounted to approximately RMB285,000 and RMB8.1 million, respectively.

Since October 2007, power lines have been connected to all three Gold Mines.

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All our mine sites have identifiable water sources. Water supply for production will be derived from underground water sources. Water from the tailings ponds will also be recycled for production. During the Track Record Period, we did not experience any material water supply interruptions or shortages.

We have also adopted a two-pronged approach to water conservation, by combining advanced engineering measures with sustainable vegetation practices. Please see the section headed “Business — Environmental Protection” in this prospectus.

Our Directors believe that we should not have any difficulties in securing the supply of electricity and water to meet our expansion plans.

Raw materials and auxiliary materials

For the year ended 31 December 2007 and the ten months ended 31 October 2008, our purchases of raw materials and auxiliary materials from our five largest suppliers of accounted for 52.9% and 85.8%, respectively, of our total purchases. For the year ended 31 December 2007 and the ten months ended 31 October 2008, our purchases of raw materials and auxiliary materials from our single largest supplier accounted for 28.4% and 29.5%, respectively, of our total purchases. For the year ended 31 December 2007 and for the ten months ended 31 October 2008, none of our Directors or their associates or our shareholders who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in our five largest suppliers of raw materials and auxiliary materials.

The ore extracted from our Gold Mines is our principal raw material (as it is with others in the gold mining industry). We do not purchase ores from third parties.

The production process at our mines consumes many types of auxiliary materials including forged steel grinding balls, chemical products, explosives, lubricating oil, electric wires and cables, rubber products and fuel. These consumables are typically readily available from multiple suppliers and can be sourced at competitive market prices. All our auxiliary materials are sourced from local suppliers in the Chifeng Municipality.

As at 31 October 2008, we have engaged 57 suppliers for the provision of raw materials and auxiliary materials. We have had relationships with these suppliers for about two years.

Machinery and equipment

During the Track Record Period, we entered into contracts with independent third parties for the supply of machinery and equipment at market rates to our Gold Mines and ore processing facilities. For the year ended 31 December 2007 and the ten months ended 31 October 2008, our total purchases of machinery and equipment, amounted to approximately RMB2.3 million and RMB17.3 million, respectively. The percentage of machinery and equipment sourced from our top five suppliers for the year ended 31 December 2007 and for the ten months ended 31 October 2008 was approximately 62.4% and 95.9%, respectively. Purchases from our largest supplier accounted for approximately 23.5% and 61.5% of our total purchases of machinery and equipment for the year ended 31 December 2007 and the ten months end 31 October 2008, respectively. Purchases of machinery and equipment as a percentage of sales for the year ended 31 December 2007 and for the ten months ended 31 October 2008 was 28.2% and 10.0%, respectively. We did not purchase any machinery or equipment during the two years ended 31 December 2006 or during the ten months ended 31 October 2007.

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The exploration, mining and production processes at our Gold Mines require the purchase of many types of machinery and equipment including but not limited to drilling machines, air compressors and ore crushers. All our machinery and equipment for exploration, mining and production are sourced from local suppliers in the PRC.

As at 31 October 2008, we had engaged 12 suppliers for the provision of equipment and machineries. We have had relationships with these suppliers for about two years.

COMPETITION

Competition with gold concentrate producers

There has been increased international investment by foreign gold producers as a result of China's accession to the WTO and deregulation of the Chinese gold industry. However, we are currently not an end producer of standard gold. Instead we sell our concentrates which contain gold at the prevailing market prices to smelters in the Chifeng Municipality and other surrounding areas in the PRC. Our Directors believe that based on historical trends there is an oversupply of smelting capacity in the PRC and, accordingly, there is an excess of demand from existing and potential customers for our gold concentrates. Accordingly, our Directors are of the view that competition from other gold concentrate producers is currently not a material risk. However, if the current demand for gold concentrates in the PRC decreases, due to smelting capacity in the PRC becoming a constraint or the demand for gold decreasing, increased competition from other gold concentrate producers may adversely affect our business, financial condition and results of operations may be adversely affected.

Competition for future acquisitions

We believe that opportunities exist to grow our current mining activities through selectively acquiring gold mines in Inner Mongolia and Xinjiang. In addition, we believe that opportunities exist to acquire additional exploration rights with significant developmental potential in Inner Mongolia and Xinjiang. We may face competition in acquiring existing mines and exploration rights in these regions from other foreign or domestic gold mining companies. We compete on the basis of our ability to identify valuable gold resources and effectively negotiate with the targets. Increased competition may result in us having to pay more to acquire such gold resources. There is no assurance that competition for acquisitions in the PRC gold industry will not adversely affect our profitability or sustained development.

Industry competition

The unique market feature of determining gold price via commodities exchanges has resulted in fewer price wars when fighting for market share, as compared to other industries. As a resource based industry, the development of the gold industry will depend on various factors such as the reserve of resources owned and its quality, geological exploration technology and capability, resources development and utilization standard.

Gold is mined all over the world. Once it is processed, smelted and refined, the finished product is a standard, close to pure, commoditized product (usually 99.99% or 99.95% pure). The tradable, commoditized product is sold in identical form through market-making banks and commodities exchanges worldwide. Having a completely open market means that demand and supply is brought into equilibrium via movements in the price. This is also known as a "terminal" market, which refers to the

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fact that price-setting is not up to individual suppliers competing to sell to specific buyers but is the result of almost infinite buyers and sellers meeting their requirements to buy or sell via the exchange mechanism.

The gold trade is truly worldwide and the standardized nature of the commodity means if there is excess supply in one region, it can be easily exported. The market price is generally aligned globally and continuously fluctuates worldwide.

Individual miners of gold typically simply receive the market price for the gold contained in their concentrates less the processing cost and margin. What this means is that competition in the traditional sense where companies compete on factors such as quality, branding and marketing of their products is less relevant and hence their position in the industry (i.e. market share) is less relevant.

One key point of competition for gold miners is cost structure and ore body quality in terms of whether revenues can be enhanced with the sale of by-product metals. Those with lower costs will be in a better position to weather decline in global prices.

Market size and market share

According to the 2007 Annual Report of the World Gold Council, total global gold supply in 2007 was 3,473 tonnes (gold mine production was 2,476 tonnes) and total demand was 3,516 tonnes.

According to the China Gold Association, PRC gold production in 2007 was 270.49 tonnes, an increase of 30.41 tonnes when compared with 2006. The demand for gold jewelry in the PRC in 2007 was 302.2 tonnes, with an annual growth rate of 20% and ranked second in the world after India. According to the relevant forecast by Chinese Gold Industry Eleventh Five-Year Plan and Sustainable Development Research “《我國黃金工業“十一五”規劃及可持續發展研究》”, by 2010, market demand in the PRC for gold will be 400 tonnes and by 2020, the forecast demand will reach 600 tonnes. As the gold production in the PRC in 2007 was only 270.49 tonnes, there is substantial disparity between market demand in the PRC and supply. As the resources invested in geological exploration of the PRC have been severely limited in recent years, the identified gold reserves are unable to effectively increase production and its production can only achieve a basic growth rate of 5–6% per annum. The efforts to protect the resources are severely inadequate and steps should be taken to maintain a stable growth in gold production volume.

Our market position in the industry

We specialize in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. We believe that we are one of the lowest cost producers (per ounce of gold) in the gold industry in the PRC. Our forecast cash cost estimate for 2009 is US\$197 per ounce of gold for the Shirengou-Nantaizi Mining Complex and US\$329 per ounce of gold for the Luotuochang Gold Mine. Our cash cost estimate compares favorably with gold producers globally whose average cash cost estimate for 2007 was estimated by GFMS to be US\$395 per ounce of gold. Also, our Gold Mines are still in an early stage of development. So far, we have only explored a small portion of the area covered under our exploration permit at the Nantaizi Gold Mine, and the Independent Technical Expert believes that there is potential to find additional mineral resources at the Nantaizi Gold Mine.

We believe that, by leveraging on our unique high-grade poly-metallic mineral reserves, production efficiency, organic growth potential, and stable and effective management structure, we have a robust market position.

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Industry entry barriers

Pursuant to the “Mineral Resources Law of The People’s Republic of China”, “Administration Measures For Registering Mineral Exploration Through Blocking System”, “Administration Measures For Registering Mineral Resources Mining”, an enterprise entering this industry is required to obtain the exploration permit and mining permit issued by the Department of Land and Resources and the approval document for mining gold mines issued by the National Development and Reform Commission.

With the current intense market competition, financial capability, mining resources, technology and equipment, and seasoned production management experience are major barriers in entering this industry.

We have already obtained the exploration permit and mining permit issued by the Department of Land and Resources of Inner Mongolia Autonomous Region and the approval document for mining gold mines issued by National Development and Reform Commission. With regards to technology and management, we have a highly qualified management team comprising Mr Lu Tianjun, an experienced mining specialist, and Mr Ma Wenxue, a senior mining exploration specialist.

Our weaknesses

Our operations are still in an early stage of development. For instance, for the year ended 31 December 2007, only our 50 tpd ore processing facility located at the Shirengou Gold Mine was in operation, while the ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine were under construction. However, we have commenced commercial production of concentrates at phases I and II of both our ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine. In addition, phase III construction at both the Nantaizi Gold Mine and Luotuochang Gold Mine is expected to be completed in late 2009. The scale of our ore processing capacity will be further increased in the near future when the phase III expansion of these processing facilities is completed. On completion of this expansion our total installed daily production capacity will increase to 2,580 tonnes.

According to our production and development plan, the cash flow expected to be generated from the normal production of our Group in the next two years will sufficiently meet the requirements for increase in our production capacity. We have also planned increases to our ore extraction and processing capabilities in order to substantially increase our scale of operations.

QUALITY CONTROL

We have a quality control policy in place to ensure that the quality of our concentrates meets the standard for acceptance by our customers. As at the Latest Practicable Date, our Quality Control Department comprised ten quality control personnel. We closely monitor our various production processes. In addition, as part of our quality control policy, we require that all our third-party contractors possess the requisite qualifications for undertaking their respective works in mining, exploration or construction.

Each of our operating Gold Mines has obtained the ISO 9001:2000 “Quality Management System Certification” issued by CICC Conformity Assessment Services Co., Ltd (中國檢驗認證集團質量認證有限公司). Since our establishment, we have not received any material complaints due to quality problems with our products.

OCCUPATIONAL HEALTH AND SAFETY

We operate in a responsible manner to ensure the health and safety of our employees, third-party contractors and the communities in which we operate. We are subject to various PRC laws and regulations with respect to the prevention and treatment of occupational diseases, the prevention of worksite accidents and the handling of industrial injuries. Our customers currently do not impose any other requirements on us. Please refer to the section headed “The PRC Laws and Regulations Relating to the Industry — Laws and Regulations relating to Production Safety” in this prospectus.

Our safety policy requires that each mine organizes at least two emergency and rescue drills per year, ensuring that each worker has a good understanding of rescue procedures and escape routes. We have also adopted an internal manual on health and work safety in October 2007, which incorporated national safety standards and is implemented throughout our Group (including both our employees and third-party contractors). Our Directors believe that the adoption of the above measures will help us to minimize the risk of occurrence of accidents.

Our Gold Mines conduct their operations in accordance with specific national laws and regulations covering occupational health and safety in mining, production, underground mining, blasting and explosives handling, mineral processing, TSF design, environmental noise, construction, fire protection and fire extinguishment, sanitary provision, power provision, labor and supervision.

Production safety permits have been obtained for each of the Shirengou Gold Mine, Nantaizi Gold Mine and Luotuochang Gold Mine. Furthermore, our PRC legal adviser, King & Wood, confirms that each of the Shirengou Gold Mine, Nantaizi Gold Mine and Luotuochang Gold Mine has been and is currently in compliance with all applicable PRC safety laws and regulations.

We implement a mandatory safety training program for all our employees and third-party contractors in strict accordance with requirements under the “Law on Production Safety of the PRC” and “Law on Mine Safety”, please see the section headed “PRC Laws and Regulation Relating to the Industry” in this prospectus. Before being able to apply to work in an underground shaft, all staff are tested at an occupational disease hospital and must complete our mandatory safety training program and any other safety training programs required by the local Administration of Work Safety (安全生產監督管理局).

Our mine directors and safety inspectors are required to pass a series of training courses organized by the municipal safety supervision authority and hold a relevant permit before starting to work.

We have a medical clinic at the Shirengou-Nantaizi Mining Complex. For the Luotuochang Gold Mine, the Guotao Luotuochang hospital is used, as it is reasonably close to the mine. All employees and third-party contractors have annual medical checks, including for silicosis, and are insured for injury as required by local laws. There have been no reportable injuries at any of the mines since we acquired the mines in August 2007.

Each of our supervising staff members is accountable for their respective areas of responsibility. Each level of operations has to adhere to the accountability system. Our Production and Environmental Safety Department undertakes periodic inspections to identify and address safety hazards. Our safety management systems and practices are being continually reviewed and improved. Our Production and Environmental Safety Department makes final reviews to ensure that infrastructure design and construction cover critical safety issues.

Since our acquisitions of the mines in August 2007, we have not been subject to any investigation with regard to work safety practices by any government authority and no non-compliance incident has been recorded. However, like other companies that operate in our industry, we are subject to random inspections by government authorities.

Each of the Mining Companies have reserved a safety measure fee per annum in accordance with Clause 42 of “Implementation Regulations For Mine Safety” (《礦山安全法實施條例》) of “Mine Safety Law Of The People’s Republic Of China” (《中華人民共和國礦山安全法》). The fee will be used for (1) safety technical measures to prevent mining incidents; (2) labor hygienic technical measures to prevent occupational hazards; (3) staff safety training; (4) improving other technical measures of mine production safety conditions and ensuring accident insurance coverage for staff under the “Labour Law of The People’s Republic of China”.

We plan to provide not less than 72 hours of safety education to all our employees every year. Employees with specialized technical duties will be required to receive training directly from the relevant government authorities. All employees working in our Gold Mines will be subject to weekly safety training to enhance their awareness of safety issues, and improve their knowledge in working safety techniques in order to reduce and eliminate the occurrence of accidents.

During the contracting period, any claims that arise in respect of safety incidents will be the responsibility of the third-party contractor, who shall bear the cost. We do not carry any insurance against this risk. In the event of an injury or loss of life during a project, the incident will be reported to the relevant PRC administrative department according to the applicable regulations. In the event of a serious incident causing loss of life, the third-party contractor will be wholly responsible for the incident and will be dismissed within one month after such an incident is confirmed.

In order to ensure that a third-party contractor has the necessary financial capability to meet the claims/penalties when there is any serious injury or accident, we examine the registered capital of such third-party contractor, the kind of projects that it has been or is able to contract into and its financial capacity to bear the risks. Our PRC legal adviser, King & Wood, believes that under a third-party contractor arrangement, there is no express regulatory requirement that would hold us responsible under the PRC laws if the third-party contractor defaults on their payments. Accordingly, we do not believe we will be held responsible under the PRC laws if the third-party contractors default on their payments.

Measures to counteract various common mining industry-related accidents

Roof collapse

We plan to:

- change the traditional wooden log passive support to an anchor rod used in our Gold Mines and spray concrete active support;
- post a safety officer on every shift to patrol and oversee the condition of our Gold Mines;
- increase the general quality of equipment and tools used by engineering technicians; and
- design the mining operations in a scientific manner in order to avoid carrying out constructions in dangerous geological locations and to minimize the risk of roof collapse.

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Intoxication/suffocation

We plan to:

- purchase and install automatic hazardous gas detection equipment and alarm systems at all of our Gold Mines;
- purchase and equip each of our Gold Mines with respirators; and
- further improve the ventilation system to ensure good ventilation at each of our Gold Mines.

Mechanical accidents

We plan to:

- formulate stringent operating procedures to ensure all mechanical equipment is properly operated;
- provide training to staff who engage in specialized technical duties, and ensure that such staff are qualified to undertake such specialized technical works and are in possession of all relevant permits/licenses as required by law; and
- formulate a comprehensive maintenance plan for different types of repair works in order to ensure all mechanical equipment is in good working condition.

Falling from high ground

We plan to:

- lower the height of our work platforms from 8 m to 6 m; and
- install an anti-collision beam and video surveillance devices in each vertical shaft.

Explosion

We plan to:

- change the current use of close range fuse ignition to long range electronic pulse ignition in connection with the use of explosives;
- ensure that all staff who operate explosives have obtained proper training and all relevant permits/licenses before the commencement of work; and
- change the current periodic reporting system of use of explosives to a computerized daily reporting system in order to avoid any misuse or unauthorized handling of explosives.

Pursuant to the Provisional Rule on Finance Management of Safety Production Fees of Enterprises in High Risk Industries (高危行業企業安全生產費用財務管理暫行辦法) of the PRC, mining enterprises are required to contribute to a production safety fund RMB8 for each tonne of ore mined in a year. Accordingly, the amount of annual production safety fund requires to be paid by us is proportional to our level of production. For the year ended 31 December 2007, since only our 50 tpd ore processing facility located at the Shirengou Gold Mine was in operation, the amount of annual production safety fund required to be paid was relatively low. For the year ended 31 December 2007 and the ten months ended 31 October 2008, the annual production safety fund was RMB48,000 and RMB1.0 million, respectively. For the year ended 31 December 2008, the annual production safety fund was

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RMB1,906,000 and for the two years ending 31 December 2009 and 2010, it is expected that the annual production safety fund will be RMB5,104,000 and RMB6,240,000, respectively. However, as the production capacities of our ore processing facilities continue to expand (and with our level of production reaching these facilities' designed capacities), we anticipate that the amounts of annual production safety fund payable will substantially increase in the near future.

ENVIRONMENTAL PROTECTION

Our operations are subject to various PRC laws and regulations with respect to environmental protection and environmental rehabilitation, please see the section headed "The PRC Laws and Regulations Relating to the Industry — Laws and Regulations Relating to Environmental Protection" in this prospectus. We have adopted various measures within our operations with regard to environmental protection.

We currently have a number of environmental protection staff responsible for formulating and implementing environmental protection measures at our three Gold Mines. Our environmental protection staff has, on average, 15 to 20 years of mine environmental protection experience.

Each of the Shirengou Gold Mine, Nantaizi Gold Mine and Luotuochang Gold Mine has a valid environmental protection permit from the relevant local environmental protection department to undertake mining and processing activities at their respective mining site. Two of the major environmental issues in the gold mining industry are management of wastewater and management of tailings. Wastewater and tailings can contain substances that are potentially harmful to human beings and the environment, especially in large quantities. For further details, please refer to the section headed "Risk Factors — Risks Relating to Our Business" in this prospectus. Some of the environmental measures that are being implemented, or are planned to be implemented, at our Gold Mines are:

- **Dust mitigation:** including the use of dust collectors, exhaust fans fitted with filters, water sprays and enclosure of dust generating activity. PPE, such as face masks, to provide additional personal protection from dust are provided, and their use is strongly encouraged. Upgrading of roads, which will reduce dust generation, is also progressing.
- **Wastewater treatment:** all sites are to be zero water discharge sites, with waste water (including tailings effluent) recycled to the processing plant for use in mineral processing or used for dust suppression. With annual evaporation rates approximately four times the annual rainfall, water in this semi-arid zone is a valued resource. Top-up water is drawn from bores and any mine pump-out water is used for dust suppression in the mine. Monitoring of water quality is undertaken at regular intervals to ensure pH and other parameters are at an acceptable level. Calcium carbonate will be added to wastewater to control pH value to within a range of 7 to 8 and will not have any adverse effect on the environment so long as such wastewater is not discharged.
- **Solid waste:** waste rock from underground development is and will continue to be used for stop backfills and construction purposes, in particular for the embankment walls of the TSFs. All tailings from processing will be stored in the constructed TSFs. The ore processing facilities located at the Shirengou-Nantaizi Mining Complex and Luotuochang Gold Mine will produce approximately 423,000 tonnes and 206,000 tonnes, respectively, of solid waste per annum after they have reached design capacities. The solid waste will be stored at our

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tailings dams. As the solid waste does not contain any radioactive substance, storage of the waste will not have any adverse effect on the environment. After closure of the tailings dams, the land could easily be restored by reforestation and converted into industrial land.

- **Waste gas:** waste gas produced as a result of the use of explosives and any other poisonous elements (such as silicon dioxide) will be diluted using the machinery ventilation/dust removal method to a level lower than the level permitted by “Safety Operating Regulations for Metal and Non-Metal Mines” before discharging into the environment.
- **Noise control:** methods of noise control include use of silencers, noise and vibration dampening and absorbing materials, and isolation and enclosure of noisy equipment. Our policy requires use of PPE, such as ear plugs, for noise-affected workers.
- **Leakage prevention:** leakage prevention measures are integrated in the design of the mines with the purpose of preventing the tailings inside the tailings dam contaminating the underground water. Recycling of the tailings inside the tailings dam will reduce the use of underground water. The tailings dam also serves to prevent flood, control flood level and protect downstream farm land.
- **Repair and maintenance:** in order to prevent tailings dam slope from sand blowing causing pollution to the atmosphere, landscape measures such as reforestation and vegetation are adopted on tailings dam slope. Water-prevention resin and floor membrane technology will be adopted where necessary so as to ensure normal growth of vegetation on tailings dam slopes.
- **Environmental monitoring:** monitoring of water and air quality, noise and waste management is conducted by the relevant local environmental protection department on a quarterly basis. We also undertake our own schedule of regular water and air quality monitoring. As at the Latest Practicable Date, the mines have complied with regulatory requirements.
- **Rehabilitation:** planting programs have commenced concurrently with mining activities. Rehabilitation will include measures such as covering tailings dams with clay and rock, back filling slopes and planting vegetation to stabilize the area and to prevent erosion.

In accordance with the requirements of the approved water conservation plan, we have also adopted a two-pronged approach to ensure efficient water management. We combine vegetation practices with engineering measures in a systematic approach to conservation. Vegetation measures include forestation of the stable yard, road bank and tailings pond by combining grasses, shrubs, arbors and vines. Engineering measures include the construction of water interception and flood control facilities to prevent rainwater erosion in the form of channel flow and the construction of the residues blocking dam, the water and mud blocking dam, the tailings dam and breast walls. After a mine is built, its relative ecological balance is also maintained by planting a variety of saplings, vines, trees and grasses, thereby preventing the environment from being undermined by mine construction.

We are currently developing TSFs at our mine sites. The new TSFs will be built at the Shirengou-Nantaizi Mining Complex and be of a sufficient size to meet the phased requirements of the new mills. They will be designed to accommodate the mine’s lifetime requirements and are designed to accommodate local seismic and flooding risk history. Both surface and underground disposal options are still under consideration and flooding and seismic risk will be taken into account in any future design.

Through the use of our environmental initiatives, we aim to mitigate the environmental risk of operating in our industry. The relevant PRC environmental authorities conduct regular inspections of our facilities, and we have not received any negative comments from such PRC environmental authorities during the Track Record Period.

As far as our Directors and PRC legal advisors are aware, our current production and operating activities have been in compliance with the relevant requirements on environmental protection and there were no incident causing environmental hazards or delayed production during the Track Record Period.

Our plans to address potential future risks are as follows:

Stringent control of immersion level to prevent damage to tailings dams by an earthquake

The earthquake intensity scale of the region is VI grade and tailings are highly liquefied sand. In order to prevent tailings from generating liquefied vibration during an earthquake of a greater scale, it is required that the immersion level of a tailings dam be submerged at around 10m.

Monitoring system of tailings dams

We closely monitor the operational status of the tailings dams. The monitoring system of the tailings dams includes water-level movement detection system, dam surface sinking detection system and internal water level detection system.

Flooding prevention standard

Pursuant to the “Safety Technical Regulations For Tailings Dam” (AQ2006-2005), our tailings dams are class-4 dams and the corresponding flooding standard is: initial period 50–100 years and medium to latter period 200–500 years. Our planned flood prevention standard is once every 100 years, and later once every 500 years.

We have assigned staff specifically for managing, releasing, maintaining and patrolling the tailings dam. Their duties are to prevent any incidents that may cause damages to the tailings dam or any other safety issues, monitor abnormal situations during the operation of the tailings dams, and timely report to management any emergency situation. According to management requirements, the schedule is designed in three shifts, two staff for each shift with a total of six staff.

Save and except for the drainage fee of RMB15,000 paid in 2007, no compliance cost or other environmental-related costs have been incurred by us during the Track Record Period. Pursuant to the letters issued by the Bureau of Environmental Protection of the Songshan District of the Chifeng Municipality (赤峰市環境保護局松山區分局), the Bureau of Environmental Protection of the Kalaqin Banner (喀喇沁旗環境保護局), and the Bureau of Environmental Protection of the Balinzuo Banner (巴林左旗環境保護局) on 31 December 2008, it is confirmed that Nantaizi Mining, Shirengou Mining and Luotuochang Mining have been in compliance with all relevant PRC environmental laws and regulations. As a result, our PRC legal adviser, King & Wood, is of the view that each of Nantaizi Mining, Shirengou Mining and Luotuochang Mining has paid all environmental-related fees as required under all relevant environmental laws and regulations.

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Our relatively low compliance costs are a result of the following two factors:

- (1) our compliance costs mainly consist of the fees paid to the competent department in charge of State-owned land and resources in accordance with the relevant laws which are generally small in amount; and
- (2) in our historical records, our compliance costs are debited into the accounts as cost fees based on the compliance costs actually incurred. As the compliance costs actually incurred by us to date have been relatively low, the compliance costs shown in the historical records are low.

We do not have a non-compliance record on safety matters. For the year ended 31 December 2008, the annual environmental protection fee was RMB1,743,000 and for the two years ending 31 December 2009 and 2010, it is expected that the annual environmental protection fee will be RMB8,995,800 and RMB10,998,000, respectively.

The substantial increase in the environmental protection fee is a result of our increased production capacity. Pursuant to relevant PRC environmental laws and regulations, the environmental protection fee is calculated and paid based on the annual production volume of the company. In 2007, we operated a single small processing facility with a daily capacity of 50 tonnes. Accordingly, due to its small size the environmental protection fee for this processing facility was only RMB15,000.



In the second half of 2008, we completed constructing and began operating two production facilities which have a combined daily capacity of 1,790 tonnes. Accordingly, as a result of the significant increase in the output of our production facilities, the environmental protection fee for 2008 has increased to approximately RMB1.7 million.

In addition, the daily capacity of our two production facilities will be increased over 2009 by 790 tonnes which partially accounts for our estimated increase in the environmental protection fee to approximately RMB9.0 million and approximately RMB11.0 million in 2009 and 2010, respectively.

RESEARCH AND DEVELOPMENT

We are not currently engaging in any research and development projects. However, we plan to develop research and development capabilities, focusing initially on ore selection, processing and smelting technologies. The purpose of our research and development will be to increase the recovery rate of gold and reduce the dilution rate. We are in the process of applying for a piece of land in Xishan Village, Niujiayingzi Town, Kalaqinqi, Chifeng, the PRC for the construction of a research and development center. We have neither paid any land premium to the relevant PRC authorities nor obtained any governmental approval in respect of this application.

INTELLECTUAL PROPERTY RIGHTS

In August 2008, we filed an application with the Trademark Office of State Administration for Industry and Commerce of the PRC for registration of the trademark . We have also applied for the registration of the trademark  in Hong Kong in August 2008.

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CUSTODY OF ASSETS AND ACCESS CONTROL

Gold concentrates are kept in secure storage at our Gold Mines with access restricted to authorized personnel. Each storage facility is equipped with electric security and alarm systems.

INSURANCE

We have taken out insurance on certain of our assets (including certain new buildings, equipment, and motor vehicles) which are subject to certain operating risks. We have also maintained mandatory social security insurance for our employees. Save as disclosed above, we have not maintained any other insurance coverage with respect to our operations. For the year ended 31 December 2007 and the ten months ended 31 October 2008, the amount of insurance premiums paid by us was approximately RMB26,000 and RMB66,000, respectively. Our Directors are of the view that the insurance coverage on our assets is consistent with the industry practice in the PRC.

Pursuant to the agreements we entered into with the third-party contractors for our construction, exploration and mining works, all legal liabilities arising from any accidents caused by such third-party contractors in the course of operations at our mines are borne by our third-party contractors.

According to the “Work-Related Injury Insurance Regulations” (工傷保險條例), employers of all types of enterprises and sole traders shall participate in work-related injury insurance and pay work-related injury insurance premiums for all employees in their work unit in accordance with the regulations. Our Group and our third-party contractors have personal injury insurance and we are in compliance with the relevant PRC laws and regulations relating to work-related injury insurance.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 89 full-time employees. They can be categorized as follows according to their roles. The following table shows a breakdown of our employees by function.

<u>Function</u>	<u>Number</u>
Management	7
Operations	47
Marketing	2
Quality control	10
Safety	1
Others	22
	<u>89</u>

We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. For the year ended 31 December 2007 and the ten months ended 31 October 2008, our contributions to the state-managed defined contribution retirement scheme were approximately RMB443,000 and RMB573,000, respectively. The percentage of salary being contributed by our employees and us respectively to the state-managed defined contribution retirement scheme is listed in the table below.

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	Endowment Insurance		Unemployment Insurance		Medical Insurance		Occupational Injury Insurance		Maternity Insurance		Housing Provident Funds	
	Enterprise	Individual	Enterprise	Individual	Enterprise	Individual	Enterprise	Individual	Enterprise	Individual	Enterprise	Individual
	Fubon Industrial	20%	8%	2%	1%	6%	2%	4.8%	0.70%	10%	10%	10%
Chifeng Fuqiao	20%	8%	2%	1%	6%	2%	4.8%	0.70%	10%	10%	10%	10%
Shirengou Mining	20%	8%	2%	1%	6%	2%	4.8%	0.70%	10%	10%	10%	10%
Nantaizi Mining	20%	8%	2%	1%	6%	2%	4.8%	0.70%	10%	10%	10%	10%
Luotuochang Mining	20%	8%	2%	1%	6%	2%	4.8%	0.70%	10%	10%	10%	10%

As confirmed by relevant government authorities and our Directors, we have complied with relevant national and local labor and social welfare laws and regulations in the PRC.

Considering that we have already established a high standard for protecting the interests and rights of our employees, the new PRC Labor Contract Law (“New Labor Law”) did not have any material impact on our business and operations, except that the law superseded the terms of the original employment contracts between our employees and us. In response to the New Labor Law, we have entered into a new employment contract with each of our employees. As advised by our PRC legal adviser, King & Wood, our new employment contracts comply with the New Labor Law in every respect.

PROPERTIES

Land

As at 31 December 2008, we owned the land use rights of three parcels of land with a total site area of approximately 90,044.00 sq.m. The total gross floor area of the completed buildings or structures is approximately 4,166.75 sq.m.

As confirmed by our PRC legal adviser, King & Wood, Shirengou Mining, Nantaizi Mining and Luotuochang Mining have respectively obtained the land use right for each parcel of land. As confirmed by our Directors, all gold mines and related area which Shirengou Mining, Nantaizi Mining and Luotuochang Mining have operations are covered under the relevant land use rights.

Owned buildings

As at 31 December 2008, we had obtained two certificates of building ownership. We obtained one certificate of building ownership for Nantaizi Mining on 8 July 2008, and another certificate of building ownership for Luotuochang Mining on 4 August 2008.

Leased Properties

As at 31 December 2008, we leased 3 offices units that support our business activities and operations in the PRC and Hong Kong, with a total gross floor area of approximately 2,587.83 sq.m.

Details of the property valuation together with the summary of valuation and valuation certificates from our property valuer are set out in Appendix IV to this prospectus.

LITIGATION AND REGULATORY MATTERS

As at the Latest Practicable Date, we were not a party to any legal or administrative proceedings, and none of our Directors are aware of any proceedings contemplated by government authorities or third parties, which, if adversely determined, would materially and adversely affect us.

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We are required by the laws and regulations of the PRC to obtain a number of licenses, permits and approvals from the relevant authorities in the PRC to conduct mining activities in the PRC. The following table shows the licenses, permits and approvals we have already obtained and their respective validity periods or the status of our application.

Permit	Business license	Gold operating permit	Mining permit	Exploration Permit	Project assessment approval	Production safety permit	Environmental protection permit	Land use certificate	Certificate of approval for storage of explosives	Certificate of approval for use of explosives	Social insurance registration certificate
Mine											
Nantaizi Gold Mine (Date of commencement of commercial production: 22 July 2008)	11/07/2007 to 30/12/2010	18/07/2008 to 17/07/2018	12/2007 to 12/2010 ⁽¹⁾ 27/10/2008 to 27/10/2011 ⁽²⁾	21/7/2008 to 21/7/2009 ^{(5)(6)Δ†}	Mining 300 tpd 17/04/2008 to 16/04/2010 Mining 200 tpd 24/04/2008 to 23/04/2010 Mining 490 tpd 17/09/2008 to 16/09/2010	21/07/2008 to 20/07/2011	08/06/2008 to 07/06/2011 ^Δ	12/05/2008 to 03/03/2058	18/12/2008 to 18/12/2009	18/12/2008 to 18/12/2009	March 2008 to February 2012
Luotuochang Gold Mine (Date of commencement of commercial production: September 2008)	01/07/2005 to 30/06/2025	02/07/2008 to 02/07/2018	02/2008 to 02/2011 ⁽³⁾	N/A ⁽⁷⁾	Mining 150 tpd 11/03/2008 to 10/03/2010 Mining 350 tpd 22/04/2008 to 21/04/2010 Mining 300 tpd 17/09/2008 to 16/09/2010	29/07/2008 to 28/07/2011	18/07/2008 to 17/07/2011	09/05/2008 to 29/03/2058	Effective from 01/12/2008	Effective from 01/12/2008	May 2008 to April 2012
Shirengou Gold Mine (Date of commencement of ore mining: 18 August 2007)	10/11/2004 to 09/11/2024	19/09/2005 to 19/09/2010	09/2008 to 09/2011 ⁽⁴⁾	N/A ⁽⁷⁾	No new construction project ⁽⁸⁾	01/12/2008 to 31/12/2011	10/08/2007 to 09/08/2010	05/05/2008 to 29/02/2058	15/07/2008 to 15/07/2009	15/07/2008 to 15/07/2009	June 2008 to May 2012*

Notes:

- (1) This permit (with a reference number of 1500000720684) was granted on 14 December 2007, and was renewed from the mining permit with a reference number of 1500000730498 and a validity period from August 2007 to August 2008.
- (2) This mining permit (with a reference number of 1500000810520) was granted on 27 October 2008, and was converted from the exploration permit with a reference number of T15120080502007825 and a validity period from 16 May 2008 to 16 September 2009.
- (3) This mining permit (with a reference number of 1500000810063) was granted on 27 February 2008, and was converted from the exploration permit with a reference number of 1504000630693 and a validity period from 30 December 2006 to 30 December 2007.
- (4) This mining permit (with a reference number of 1500000820448) was granted on 19 September 2008, and was renewed from the mining permit with a reference number of 1500000830312 and a validity period from June 2008 to December 2008.
- (5) This exploration permit (with a reference number of T15120080702012284) was granted on 21 July 2008, and was renewed from the exploration permit with a reference number of 1500000722002 and a validity period from 16 September 2007 to 20 July 2008.

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- (6) We have applied for conversion of this exploration permit to mining permit and expect the mining permit to be granted in June 2009.
 - (7) As each of Shirengou Mining and Luotuochang Mining has completed its planned program of exploration and neither intends to carry out further exploration at the present time, neither Shirengou Mining nor Luotuochang Mining holds any exploration permits.
 - (8) Shirengou Mining conducts ore mining activities at the Shirengou Gold Mine but does not conduct ore extraction. This is because all the ore mined by Shirengou Mining at the Shirengou Gold Mine will be directly transported to the Nantaizi Gold Mine through an underground shaft which connects the two Gold Mines. Accordingly, the ore mined at Shirengou Gold Mine will be extracted at the Nantaizi Gold Mine and hence Shirengou Mining does not require any project assessment approvals.
- △ The permit was obtained after commencement of the trial production of Nantaizi Gold Mine.
- † The permit was obtained after commencement of the exploration operations of Nantaizi Gold Mine.
- * The permit/certificate was obtained after commencement of the mining operations of Shirengou Gold Mine.

We confirm that, as of the Latest Practicable Date, we are not aware of any claims in relation to exploration rights made or notified either by third parties against us or vice versa.

Shirengou Mining has obtained all the necessary permits and approvals required for its operations. Although Shirengou Mining did not hold a social insurance registration certificate when it commenced ore mining, on 4 August 2008, the Chifeng City Songshan District Work and Social Insurance Bureau (赤峰市松山區勞動社會保障局) issued to Shirengou Mining a confirmation letter stating that, as Shirengou Mining has applied for and completed social insurance registration before Shirengou Mining obtained the social insurance registration certificate, Shirengou Mining did not breach any relevant laws and regulations.

Nantaizi Mining has obtained all of the necessary permits and approvals required for its operations including:

- all necessary production safety permits issued by Inner Mongolia Autonomous Region Administration of Work Safety on 21 July 2008. The production safety permits will expire on 20 July 2011; and
- the approval letter in respect of environmental protection inspection and acceptance (竣工環境保護驗收) for its 300 tpd and 200 tpd ore exploitation and extraction projects which was obtained on 7 July 2008.

In relation to Nantaizi Mining's exploration activities, Nantaizi Mining held all necessary permits when it commenced its exploration activities, and thus Nantaizi Mining's exploration did not and will not breach relevant laws and regulations.

From the date of commencement of exploration in Nantaizi Gold Mine to 17 May 2008, the date Nantaizi Mining commenced its trial production, Nantaizi Mining held an exploration permit, but did not hold a trial production permit. As a trial production permit is issued by the authorities to allow the mining enterprises to conduct trial production of mining and ore extraction, not exploration, a mining enterprise can legally conduct exploration after it has obtained an exploration permit. There is no requirement for a mining enterprise to hold a trial production permit if it is only undertaking exploration. Accordingly, Nantaizi Mining did not breach relevant PRC laws and regulations in this regard during this period.

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Since 17 May 2008, the date Nantaizi Mining commenced its trial production in relation to its phase I ore processing facility, Nantaizi Mining has held two mining permits, one exploration permit and a trial production permit. As such, from this date, Nantaizi Mining was authorized to legally conduct its exploration activities (pursuant to its exploration permit) and to also legally conduct its trial production of mining and ore extraction (pursuant to its trial production permit and mining permits). In relation to Nantaizi Mining's trial production at its phase I ore processing facility, although Nantaizi Mining did not hold an environmental protection permit when it commenced trial production, Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) and the Bureau of Administration of Work Safety Supervision of Inner Mongolia (內蒙古安全生產監督管理局), which are the competent authorities that respectively issued the approval letter in respect of environmental production inspection and acceptance (竣工環境保護驗收) on 7 July 2008 and the production safety permit (安全生產許可證) to Nantaizi Mining on 21 July 2008 and are in charge of supervising Nantaizi Mining's environmental protection and work safety, have each issued confirmation letters to Nantaizi Mining to conduct trial production. Accordingly, the trial production commenced at the Nantaizi Gold Mine in relation to its phase I ore processing facility did not and will not breach relevant laws and regulations. Our PRC legal adviser, King & Wood, confirmed that we are in compliance with, and there was no breach of, PRC laws and regulations when Nantaizi Gold Mine commenced trial production as all the permits and approvals required to commence such production had been received, and, in addition, there was no historical breach of PRC laws and regulations notwithstanding our pending permits and approvals.

Nantaizi Gold Mine began commercial production at the phase I ore processing facility, and the relevant trial production period ended, on 21 July 2008, when we obtained all necessary permits and approvals required for operations of the Nantaizi Gold Mine.

We have also commenced commercial production at phase II of the mining and ore processing facility located at the Nantaizi Gold Mine, which has a daily ore processing capacity of approximately 490 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 28 September 2008, the phase II ore processing facility located at the Nantaizi Gold Mine was granted permission to commence trial production for a period of three months commencing from 29 September 2008. The trial production period for phase II of our ore processing facility at the Nantaizi Gold Mine ended on 20 October 2008, when we obtained all necessary permits and approvals required for operations, including an approval letter in respect of environmental protection inspection and acceptance in respect of phase II, and commenced commercial production.

Luotuochang Mining has obtained all of the necessary permits and approvals required for its operations including:

- the gold operating permit on 2 July 2008. It has a validity period from 2 July 2008 to 2 July 2018;
- all necessary production safety permits issued by Bureau of Administration of Work Safety Supervision on 29 July 2008. The production safety permits will expire on 28 July 2011;
- the environmental protection permit issued by Balinzuo Banner Environmental Protection Bureau on 18 July 2008. It has a validity period of three years; and

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- the approval letter in respect of environmental protection inspection and acceptance (竣工環境保護驗收) for its 350 tpd and 150 tpd ore exploitation and extraction projects on 11 August 2008, and another approval letter for its 300 tpd ore exploration and extraction projects on 26 December 2008.

We have commenced commercial production at phase I of the mining and ore processing facility located at the Luotuochang Gold Mine, which has a daily ore processing capacity of approximately 500 tonnes after having obtained all necessary permits and approvals required for operations in September 2008.

We have also recently finished trial production at phase II of our ore processing facility located at the Luotuochang Gold Mine, which has an additional daily ore processing capacity of approximately 300 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 5 December 2008, the phase II ore processing facility located at the Luotuochang Gold Mine was granted permission to commence trial production for a period three months commencing from 27 November 2008. We commenced sales of the products produced at phase II of this ore processing facility and have begun to generate revenue therefrom since December 2008. We have also commenced commercial production at phase II of this ore processing facility on 26 December 2008 when we obtained the approval letter in respect of environmental protection inspection and acceptance for phase II of this ore processing facility.

To avoid any non-compliance with PRC laws and regulations from occurring in the future, we will enter into a retainer with an external PRC legal adviser who will be consulted by us on any general legal and regulatory matters. Any significant matters will be reported to the CEO for further handling. In addition, a comprehensive compliance manual has been prepared for listing and compliance purposes. Once approved by our Directors, all major operating departments of our Group will be given training on all laws and regulations applicable to our Group. In order to ensure compliance with all legal and regulatory requirements, we will also consider conducting regular reviews through an independent third party such as a compliance adviser or through our audit department. Our Directors will approve the scope of responsibilities for any such review prior to the review being conducted and the results of the review will be reported to our Directors immediately after completion.

Save as disclosed above, our Directors confirm that we have complied with all relevant laws, regulations and obtained all the necessary licenses, approvals and permits for conducting our business activities. We undertake that our Group will obtain all relevant permits, licenses and approvals before Listing.

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NON-COMPETITION UNDERTAKING

Mr Wu (the “Covenantor”), one of our controlling shareholders, has confirmed that other than his interest in our Group, he is not engaged in, or interested in any business which, directly or indirectly, competes with our business.

Mr Wu is interested in certain other mining assets relating to molybdenum, lead and zinc. Our Group has a strong focus on gold as our core commodity and does not focus on molybdenum, lead or zinc as our core commodity. Although lead and zinc are contained in the concentrates produced by us, lead and zinc are by-products contained in the ore mined by us. For the ten months ended 31 October 2008, the lead and zinc contained in the concentrates produced and sold by us contributed to 6.0% and 2.9%, respectively, of our revenues. Accordingly, the lead and zinc contained as by-products in the concentrates produced and sold by us are not significant contributors to our Group’s revenues. For this reason, Mr Wu’s other mining assets are excluded from our Group’s business. Our Directors believe and Mr Wu confirms that these companies currently do not compete with our Group’s existing business and business expansion plans as described in this prospectus. Mr Wu does not intend to inject these companies into our Group.

For information about Mr Wu’s other mining assets, please refer to the table set out below.

<u>Name of mining company</u>	<u>Status</u>
Chifeng Balinzuo Banner Wanhua Mining Company Limited (巴林左旗萬華礦業有限公司) . .	Chifeng Balinzuo Banner Wanhua Mining Company Limited (巴林左旗萬華礦業有限公司) has not commenced any production or trading activities. The only assets owned by Chifeng Balinzuo Banner Wanhua Mining Company Limited (巴林左旗萬華礦業有限公司) are two lead and zinc mines, namely Inner Mongolia Balinzuo Banner Majiashan Polymetallic Mine (內蒙古自治區巴林左旗馬架山多金屬礦) and Inner Mongolia Balinzuo Banner Henghezixi Lead & Zinc Polymetallic Mine (內蒙古自治區巴林左旗橫河子西鉛鋅多金屬礦). Mr Wu plans to dispose of his interests in Chifeng Balinzuo Banner Wanhua Mining Company Limited (巴林左旗萬華礦業有限公司) in the near future, and in any event, prior to the commencement of operations. Therefore, Chifeng Balinzuo Banner Wanhua Mining Company Limited (巴林左旗萬華礦業有限公司) is not and will not be a competitor of our Group.
Balinzuo Banner Xinyuan Mining Company Limited (巴林左旗鑫源礦業有限公司) . .	Balinzuo Banner Xinyuan Mining Company Limited (巴林左旗鑫源礦業有限公司) has not commenced any production or trading activities. Even if Balinzuo Banner Xinyuan Mining Company Limited (巴林左旗鑫源礦業有限公司) commences its operations, we do not consider that it will compete with the business of our Group since it intends to engage in the business of lead and zinc mining and processing whereas our Group’s business is the production of concentrates containing gold.

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<u>Name of mining company</u>	<u>Status</u>
Chifeng Zhongtai Mining Company Limited (赤峰中泰礦業有限公司)	Chifeng Zhongtai Mining Company Limited (赤峰中泰礦業有限公司) is a non-operating, holding company. Its sole subsidiary is Chifeng Balinzuo Banner Wanhua Mining Company Limited (巴林左旗萬華礦業有限公司), which has not commenced any production or trading activities.
Chifeng Fubon Copper	Chifeng Fubon Copper is an enterprise which engages in the business of copper smelting, a business which operates downstream from our operations. Chifeng Fubon Copper does not produce concentrates and does not in any respect compete with our activities.
Chifeng Haozhou Mining Company Limited (赤峰浩州礦業有限公司)	Chifeng Haozhou Mining Company Limited (赤峰浩州礦業有限公司) has not commenced any production or trading activities. It intends to engage in the business of mining and processing of molybdenum only. Given that the concentrates produced by our Group only contain minerals such as gold, silver, copper, lead and zinc, but not molybdenum, Chifeng Haozhou Mining Company Limited (赤峰浩州礦業有限公司) is not and will not be a competitor of our Group.

One of our executive Directors, Mr Wang Zhentian, is a director of each of Balinzuo Banner Xinyuan Mining Company Limited (巴林左旗鑫源礦業有限公司) and Chifeng Zhongtai Mining Company Limited (赤峰中泰礦業有限公司). For the reasons set out above, we do not consider that these companies will compete with the business of our Group.

We are satisfied that our Company is capable of carrying on its business independently of Mr Wu. In accordance with the non-competition undertakings set out in the deed of non-competition dated 5 February 2009 (the “Deed of Non-Competition”), the Covenantor has irrevocably agreed, undertaken and covenanted with our Company (for itself and on behalf of its subsidiaries) that during the period commencing from the Listing Date and ending on the occurrence of the earliest of (i) the day on which our Shares cease to be listed on the Stock Exchange or another recognized stock exchange; (ii) the day on which the Covenantor ceases to be interested in 30% or more of the entire issued share capital of our Company; and (iii) the day on which the Covenantor beneficially owns or is interested in the entire issued share capital of our Company:

- he will not and he will procure that none of his spouse and children under the age of 18 and persons to whom the Covenantor provides financial assistance to set up and operate any business (the “Controlled Persons”) or any companies controlled, whether directly or indirectly, by him (the “Controlled Companies”) will, and he will use his best endeavors to procure that none of his associates or associated companies not controlled by him, will, except through his/her/its/their interests in our Company, whether as principal or agent and whether undertaken directly or indirectly through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition

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with or similar to or is likely to be in competition with the business of our Group as described in this prospectus (the “Restricted Business”) within any of the territories within the PRC where any member of our Group carries on business from time to time (the “Restricted Territories”);

- if he and/or any of the Controlled Persons and/or any of the Controlled Companies is offered or becomes aware of any business opportunity directly or indirectly to engage or become interested in a Restricted Business in any of the Restricted Territories, he/she/it/they:
 - will promptly notify our Company in writing and refer such business opportunity to our Company for consideration and provide such information as reasonably required by our Company in order to come to an informed assessment of such business opportunity; and
 - will not and procure his/her/its/their Controlled Persons and/or Controlled Companies will not invest or participate in any project or business opportunity unless such project or business opportunity will have been rejected by our Company and the principal terms on which the Covenantor or his/her/its/their Controlled Persons and/or Controlled Companies invest or participate are no more favourable than those made available to our Company.

The Covenantor has irrevocably agreed, undertaken and covenanted with our Company (for itself and on behalf of its subsidiaries) that they will not and they will procure that none of the Controlled Persons and/or the Controlled Companies will:

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person’s contract of employment or consultancy (as applicable); or
- at any time employ any person who has been a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- alone or jointly with any other person through or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, or solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

The Covenantor has further irrevocably agreed, undertaken to and covenanted with our Company (for itself and on behalf of its subsidiaries) that, with effect from the Listing Date:

- the Covenantor will procure that none of the Controlled Persons or the Controlled Companies will sell any concentrates containing gold or other minerals to our Company’s existing customers; and

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- the Covenantor, the Controlled Persons and the Controlled Companies may only enter into an agreement to sell concentrates containing gold or other minerals to a person if our Company has first decided that it will not enter into an agreement to sell such concentrates to that person.

If our Company has made a decision pursuant to the above paragraphs not to enter into an agreement to sell concentrates containing gold or other minerals to a person but later decides that it intends to sell such concentrates to that person, the Covenantor has irrevocably agreed, undertaken to and covenanted with our Company (for itself and on behalf of its subsidiaries) to use all commercially reasonable endeavors to procure that the person enters into an agreement to purchase such concentrates from our Company.

If a potential customer approaches the Covenantor, a Controlled Person or a Controlled Company proposing a new business opportunity which falls within the scope of the Restricted Business, the Covenantor has irrevocably agreed, undertaken to and covenanted with the Company (for itself and on behalf of its subsidiaries) to use all commercially reasonable endeavors to procure that the person approaches our Company regarding the proposed new business opportunity to offer our Company the opportunity to undertake the proposed new business opportunity.

In the event that our Company has made a decision referred to in the paragraphs above not to enter into an agreement to sell concentrates containing gold or other minerals to a person or not to undertake a proposed new business opportunity and the Covenantor or his/her/its/their Controlled Persons and/or Controlled Companies decide to proceed to enter into an agreement to sell concentrates containing gold or other minerals to the person or to undertake the proposed new business opportunity, our Company will announce such decision by way of an announcement setting out therein the basis for the Company not entering into the agreement to sell concentrates containing gold or other minerals to the person or not undertaking the proposed new business opportunity.

The decision-making process in relation to the Deed of Non-Competition will be governed and monitored as follows:

- our independent non-executive Directors will be responsible for deciding, without attendance by any executive Director (except as invited by our independent non-executive Directors to assist them), whether or not to take up a new business opportunity referred to us under the terms of the Deed of Non-Competition;
- the Covenantor will undertake to keep us informed of new business opportunities and to provide all information reasonably required by the independent non-executive Directors to assist them in their consideration of any new business opportunity; and
- our independent non-executive Directors will also review, on an annual basis, any decisions in relation to new business opportunities referred to us and state their views with basis and reasons in our annual report.