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10 February 2009

The Directors
Real Gold Mining Limited (瑞金礦業有限公司)

and

The Directors
Citigroup Global Markets Asia Limited
50/F, Citibank Tower, Citibank Plaza
3 Garden Road, Central
Hong Kong

Gentlemen,

Behre Dolbear Asia, Inc. ("BDASIA"), a wholly-owned subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), herewith submits a report on the Independent Technical Review of Gold-Polymetallic Mining Properties of Real Gold Mining Limited (瑞金礦業有限公司) (the "Company"), in Chifeng, Inner Mongolia Autonomous Region, the People's Republic of China. The address for BDASIA is noted above. This letter of transmittal is part of the report.

The review covers three underground mining properties: the Shirengou gold-polymetallic mine, the Nantaizi gold-polymetallic mine, and the Luotuochang gold-silver-copper mine, all of which are currently 97.14%-owned by the Company indirectly through its subsidiaries. These three properties constitute the primary mining assets of the Company. BDASIA's project team visited these three mining properties in early October 2007.

The purpose of this report is to provide an independent technical assessment of the Company's three mining properties to be included in the prospectus for the Company's initial public offering ("IPO") on the main board of The Stock Exchange of Hong Kong Limited ("SEHK"). This technical report has been prepared in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), in particular, Chapter 18. Although the Company is engaged in some exploration, its principal business is the exploitation of the mineral reserves at the Company's three mining properties, accordingly Listing Rule 18.09 is not applicable to the Company. However, in the interests of completeness, the Company has requested BDASIA to comply with all the content requirements set out in Rule 18.09. The reporting standard adopted by this report is the VALMIN Code and Guidelines for Technical Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and updated in 2005. Mineral resources and ore reserves defined at each property have been reviewed for conformity with the Australasian Code for Reporting Exploration

Results, Mineral Resources and Ore Reserves (the "JORC Code") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1999 and revised in 2004.

The evidence upon which the estimated mineral resources and ore reserves are based includes the deposit geology, drilling and sampling information and project economics. The basis upon which BDASIA forms its view on the mineral resource and ore reserve estimates includes the site visits of BDASIA's professionals to the subject mining properties, interviews with the Company's management, site personnel and consultants, and analysis of the drilling and sampling database and of the procedures and parameters used for the estimates.

The BDASIA project team consisted of senior-level mining professionals from Behre Dolbear's Denver office in the United States, Sydney office in Australia, and London office in the United Kingdom. The scope of work conducted by BDASIA included site visits to the three mining properties, technical analysis of the project geology, mineral resource and ore reserve estimates, and review of mining, processing, production, environmental management, occupational health and safety, operating costs, and capital costs.

BDASIA has not undertaken an audit of the Company's data, re-estimated the mineral resources, or reviewed the tenement status with respect to any legal or statutory issues.

BDASIA's report comprises an Introduction, followed by reviews of the technical aspects of Geology, Mineral Resources and Ore Reserves, Mining, Processing, Production, Operating and Capital Costs, Environmental Management, and Occupational Health and Safety issues, as well as a Risk Analysis of the mining properties. We trust that the report adequately and appropriately describes the technical aspects of the projects and addresses issues of significance and risk.

BDASIA is independent of the Company and all of its mining properties. Neither BDASIA nor any of its employees or associates involved in this project holds any share or has any direct or indirect pecuniary or contingent interests of any kind in the Company or its mining properties. BDASIA is to receive a fee for its services (the work product of which includes this report) at its normal commercial rate and customary payment schedules. The payment of our professional fee is not contingent on the outcome of this report.

This report documents the findings of BDASIA's review of the Company's three mining properties completed to the date of this transmittal letter. The sole purpose of this report is for the use of the Directors of the Company and its Sponsor and Advisors in connection with the Company's IPO prospectus and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without BDASIA's written consent to the form and context in which it appears. BDASIA consents to the inclusion of this report in the Company's IPO prospectus for the purpose of the IPO on the SEHK.

Yours faithfully,

BEHRE DOLBEAR ASIA, INC.

Qingping Deng
President and Chairman, Ph.D., CPG of AIPG

Bernard J. Guarnera
President and Chairman, Behre Dolbear Group, Inc. (Parent Company of Behre Dolbear)
CMA, PE, RPG, Chartered Professional (Geology) of the AusIMM

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1.0 INTRODUCTION

Real Gold Mining Limited (瑞金礦業有限公司) (the "Company") is a company registered in the Cayman Islands. Through its subsidiaries, the Company has three 97.14%-owned mining properties in Chifeng, Inner Mongolia Autonomous Region of the People's Republic of China ("PRC" or "China") as shown in Figure 1.1.

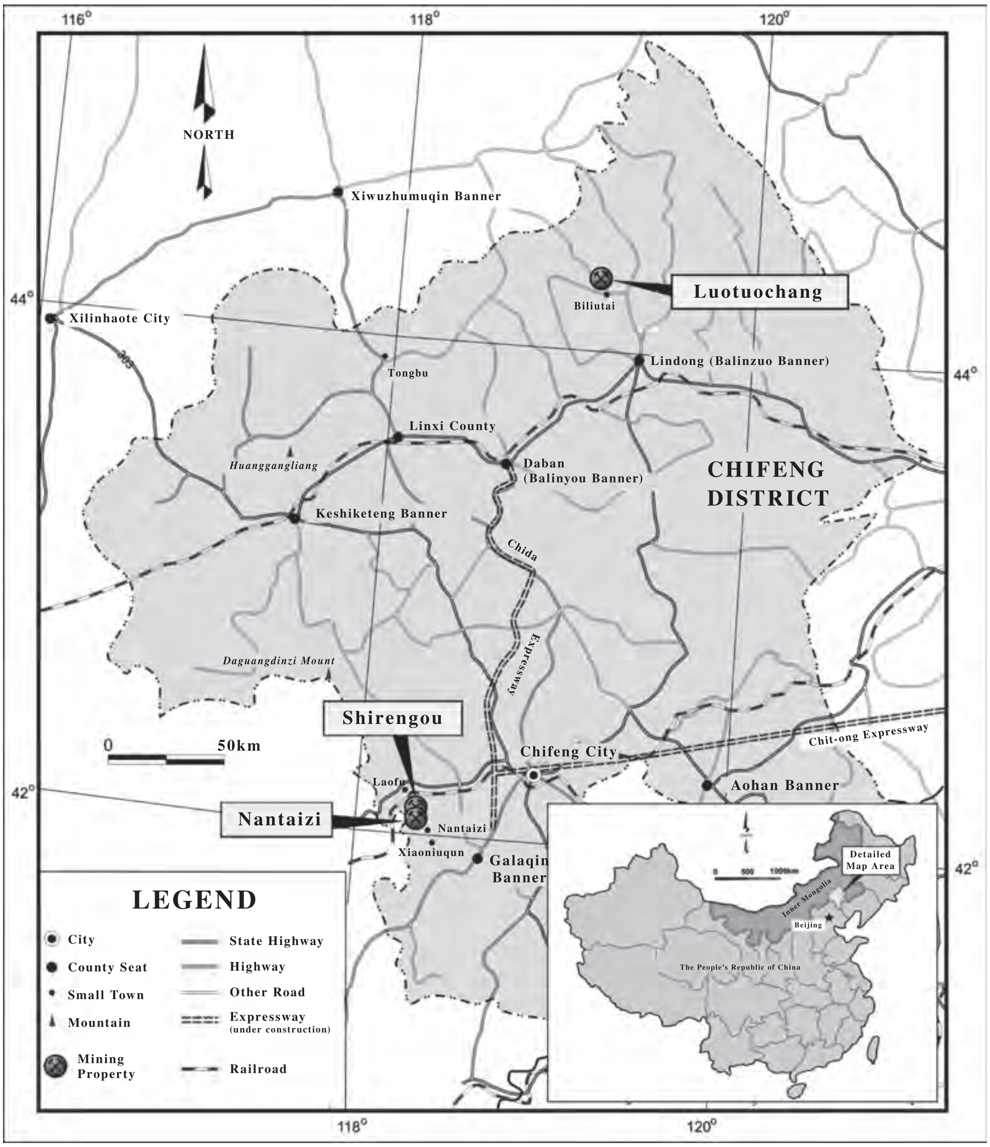

Figure 1.1 Location Map of the Company's Mining Properties

The following properties constitute the primary mining assets of the Company.

- the Shirengou gold-polymetallic mine (the "Shirengou Mine") currently under expansion;
- the Nantaizi gold-polymetallic mine (the "Nantaizi Mine") currently under expansion. Mineralization of the Shirengou Mine and the Nantaizi Mine actually belongs to the same mineral deposit crossing an administrative boundary. The Nantaizi Mine has a small mill, with an operating capacity of 50 tonnes per day ("tpd"), used for treating gold-polymetallic ore and producing a bulk concentrate containing gold, silver, copper, lead and zinc metals. Production from this small mill was terminated in early 2008. The Shirengou Mine and Nantaizi Mine are under a phased expansion program to form a single production complex (the "Shirengou-Nantaizi Mining Complex") with a designed production capacity of 1,480 tpd of ore, or 0.45 million tonnes per annum ("Mtpa") based on approximately 300 working days per year. This expansion is scheduled to reach its intended capacity level in late 2009. Construction of the Phase I mill, with a production capacity of 500 tpd, was completed at the end of April 2008 and trial production for the mill was initialized in May 2008. Full production capacity for the Phase I mill was reached in July 2008. Construction of the Phase II mill, with a production capacity of 490 tpd was completed in September 2008 and full production from the Phase II mill was reached in November 2008. The Shirengou-Nantaizi Mining Complex produces three different concentrates as final products for sale: a copper concentrate containing a significant amount of gold and silver (referred to as "No. 1 Gold Concentrate" in this report), a lead concentrate containing a significant amount of gold and silver (referred to as "No. 2 Gold Concentrate" in this report), and a zinc concentrate. When the complex reaches full production capacity, annual production of metals in concentrates is expected to total approximately 120,000 troy ounces ("oz") of gold, 900,000 to 1,000,000 oz of silver, 1,100 to 1,200 t of copper, 4,500 to 5,500 t of lead and 4,400 to 4,800 t of zinc; and
- the Luotuochang gold-silver-copper mine (the "Luotuochang Mine") currently under construction. The phased construction program is expected to be complete late in 2009, with a designed production capacity of 1,100 tpd (0.33 Mtpa) of ore. Construction of the Phase I mill with a production capacity of 500 tpd was completed; production started in September 2008 and full production from the Phase I mill was reached in November 2008. The mine produces a copper concentrate containing a significant amount of gold and silver as the final product for sale. When the mine reaches full production capacity, annual production of metals in concentrates is expected to total approximately 32,000 oz of gold, 360,000 to 390,000 oz of silver and 5,700 to 6,700 t of copper.

The Company proposes to prepare a prospectus to be issued in support of an initial public offering ("IPO") for listing on the main board of The Stock Exchange of Hong Kong Limited ("SEHK") and to raise capital for exploration, construction and expansion of its three mining properties and for project acquisitions. Citigroup Global Markets Asia Limited ("Citigroup") is the Company's Sponsor for the IPO.

The Board of Directors of the Company engaged Behre Dolbear Asia, Inc. ("BDASIA"), a wholly-owned subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), as their independent technical advisor to undertake an independent technical review of the Company's three mining properties and to prepare an independent technical report in connection with the Company's IPO. This BDASIA report is intended to be included in the Company's IPO prospectus.

BDASIA's project team for this technical review consists of senior-level professionals from Behre Dolbear's offices in Denver of the United States, Sydney of Australia, and London of the United Kingdom. Behre Dolbear personnel contributing to the study and to this technical report include:

- **Dr. Qingping Deng** (B.S. and M.S. in geology from The Central South Institute of Mining and Metallurgy in China and Ph.D. in economic geology from the University of Texas at El Paso in the United States), President and Chairman of BDASIA and Global Director of Ore Reserves and Mine Planning for Behre Dolbear, was BDASIA's **Project Manager** and a **Project Geologist** for this technical review. Dr. Deng is a geologist with more than 24 years of professional experience in the areas of exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geostatistics, cash-flow analysis, project evaluation/valuation, and feasibility studies in North, Central and South America, Asia, Australia, Europe and Africa. Dr. Deng is a Certified Professional Geologist of the American Institute of Professional Geologists, a Qualified Professional Member of Mining and Metallurgical Society of America and a Registered Member of The Society of Mining, Metallurgy, Exploration, Inc. ("SME") and meets all the requirements for "Competent Person" as defined in the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code") and all the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101. In recent years, he has managed a number of independent technical report studies for filling with SEHK and other securities exchanges. Dr. Deng is fluent in both English and Chinese.

- **Ms. Weiping Chen** (B.S. in geology from The Central South Institute of Mining and Metallurgy in China and M.S. in geology from the University of Texas at El Paso in the United States), an Associate of Behre Dolbear's Denver office, was a BDASIA **Project Geologist** for this technical review. Ms. Chen is a geologist with more than 25 years of professional experience in the areas of geology, deposit modeling, mineral resource and ore reserve estimation and geostatistics. She has worked on projects in North and South America, China and Russia. Ms. Chen is fluent in both English and Chinese.

- **Mr. Peter Ingham** (B.S. in mining from Leeds University in the United Kingdom and M.S. in mineral production management from Royal School of Mines, London University in the United Kingdom), General Manager mining of Behre Dolbear's Sydney office, was BDASIA's **Project Mining Engineer** for this review. Mr. Ingham has over 30 years of professional experience in the mining industry in Europe, Africa, Australia and Asia. His experience includes operational expertise in operations management, mining contract management, project assessment and acquisition, operational audits and trouble-shooting and tenement and title issues. He is experienced in a range of commodities, primarily copper, gold and platinum, in both surface and underground mining. Mr. Ingham is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of Institute of Materials, Minerals and Mining.

- **Mr. Vuko Lepetic** (B.S. in mining engineering from University of Belgrade in Yugoslavia and M.S. in mineral engineering from Henry Krumb School of Mines, Columbia University in the United States), a Senior Associate of Behre Dolbear's London office, was BDASIA's **Project Metallurgist**. Mr. Lepetic has over 30 years of worldwide experience in mineral processing and metallurgy. He has worked with and has extensive knowledge of processes employed and products produced by the Company. Mr. Lepetic holds patents for stibnite and cassiterite flotation (both industrially employed) as well as records of invention for the processing of iron, lead and zinc oxide minerals, rare earths and phosphates.

- **Ms. Janet Epps** (B.S. in geology from University of New England in Australia and M.S. in environmental studies from Macquarie University in Australia), a Senior Associate of Behre Dolbear's Sydney office, was BDASIA's **Project Environmental and Occupational Health and Safety Specialist**. She has over 30 years experience in environmental and community issues management, sustainability, policy development and regulatory consultancy services. Ms. Epps has worked extensively with the private sector, government and the United Nations, the World Bank, the IFC and the Multilateral Investment Guarantee Agency ("MIGA"), as well as with the mining industry. She has provided policy advice to governments of developing countries on designated projects and contributed toward sustainable development and environmental management strategies. She has completed assignments in Australasia, the Pacific, Asia, the Middle East, the CIS countries, Africa, Eastern Europe, South America and the Caribbean. Ms. Epps is a Fellow of the Australasian Institute of Mining and Metallurgy.

- **Mr. Bernard J. Guarnera** (B.S. in geological engineering and M.S. in economic geology from Michigan Technological University in the United States), President and Chairman of Behre Dolbear Group, Inc., parent company of Behre Dolbear & Company, Inc., was BDASIA's **Project Advisor**. He is a Certified Mineral Appraiser, with extensive experience in the valuation of mineral properties and mining companies. He is a registered Professional Engineer, a Registered Professional Geologist and a Chartered Professional (Geology) of the Australasian Institute of Mining and Metallurgy. Mr. Guarnera has over 30 years of professional experience, and his career has included senior-level positions in exploration and development at a number of major U.S. natural resource companies. Mr. Guarnera meets all the requirements for "Competent Person" in Australia and "Qualified Person" in Canada.

BDASIA's project team, with the exception of Mr. Guarnera, traveled to China and visited the Company's three mining properties in Chifeng that are reviewed in this report from 1 October to 10 October 2007. During BDASIA's visit, discussions were held with technical and managerial staff at the mine sites and with technical and management personnel in the Company's head office. Production schedules, budgets and forecasts for 2007–2011 were reviewed, together with longer-term development plans. Dr. Deng and Ms. Chen also went to Dalian City in Liaoning Province from 28 September to 30 September 2007 to discuss the mineral resource estimates of the Company's three mining properties with the Company's consultant, Liaoning Geological Exploration Institute (the "Liaoning Institute"), which conducted the estimates.

This BDASIA report contains forecasts and projections prepared by BDASIA, based on information provided by the Company. BDASIA's assessment of the projected production schedules and capital and operating costs is based on technical reviews of project data and project site visits.

The metric system is used throughout this report. The currency used is the Chinese Yuan ("RMB") and/or the United States dollar ("US$"). The exchange rate used in the report is RMB6.83 for US$1.00, the rate of the People's Bank of China prevailing on 28 November 2008.

2.0 QUALIFICATIONS OF BEHRE DOLBEAR

Behre Dolbear & Company, Inc. is an international minerals industry advisory group which has operated continuously in North America and worldwide since 1911, currently with offices in Beijing, Denver, Guadalajara, London, New York, Santiago, Sydney, Toronto, Vancouver, and Hong Kong.

The firm specializes in performing mineral industry studies for mining companies, financial institutions, and natural resource firms, including mineral resource/ore reserve compilations and audits, mineral property evaluations and valuations, due diligence studies and independent expert reviews for acquisition and financing purposes, project feasibility studies, assistance in negotiating mineral agreements, and market analyzes. The firm has worked with a broad spectrum of commodities, including base and precious metals, coal, ferrous metals, and industrial minerals on a worldwide basis. Behre Dolbear has acted on behalf of numerous international banks, financial institutions and mining clients and is well regarded worldwide as an independent expert engineering consultant in the minerals industry. Behre Dolbear has prepared numerous independent technical reports for mining projects worldwide to support securities exchange filings of mining companies in Hong Kong, China, the United States, Canada, Australia, the United Kingdom, and other countries.

Most of Behre Dolbear's associates and consultants have occupied senior corporate management and operational roles and are thus well-experienced from an operational view point as well as being independent expert consultants.

BDASIA is a wholly-owned subsidiary of Behre Dolbear established in 2004 to manage Behre Dolbear's projects in China and other Asian countries. Project teams of BDASIA commonly consist of senior-level professionals from Behre Dolbear's offices in Denver of the United States, Sydney of Australia, London of the United Kingdom and other worldwide offices. Since its establishment, BDASIA has conducted approximately 30 technical studies for mining projects in China or mining projects located outside of China to be acquired by SEHK-listed Chinese companies, including preparing independent technical reports for the SEHK IPO prospectuses of Hunan Nonferrous Metals Corporation Limited, Zhaojin Mining Industry Company Limited, and Hidili Industry International Development Limited and for the Shanghai Stock Exchange ("SSE") IPO listing of Western Mining Company Limited. These four companies were successfully listed on the SEHK/SSE in 2006 and 2007.

3.0 DISCLAIMER

BDASIA has conducted an independent technical review of the Company's mining properties and holdings. A site visit was made to the project sites by BDASIA professionals involved in this study. BDASIA has exercised all due care in reviewing the supplied information and believes that the basic assumptions are factual and correct and the interpretations are reasonable. BDASIA has independently analyzed the Company's data, but the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data. BDASIA does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from investment or other financial decisions or actions.

4.0 PROPERTY DESCRIPTION

4.1 Location, Infrastructure and Access

The Company's three mining properties are all located within the administration area of Chifeng City (Figure 1.1). The city is located in the eastern portion of the Inner Mongolia Autonomous Region ("Inner Mongolia") in China. Its administrative district, which includes both the urban and surrounding rural areas, covers a total area of 90,021 square kilometers ("km^2") and is divided into three districts, two counties and seven banners (equivalent administrative unit of the county for minority-dominated regions in Inner Mongolia). In this report, the urban area of Chifeng will be referred to as Chifeng City, and the entire administrative district of Chifeng will be referred to as the Chifeng District. The current population of the Chifeng District is approximately 4.8 million. Chifeng City is located approximately 500 kilometers ("km") northeast of Beijing, the capital city of China, and is well connected with Beijing and other major cities in China through well-developed highway systems and railroads. There is also a regional airport in Chifeng City, with flights to Beijing and other major cities in the surrounding areas.

The Chifeng District is rich in mineral resources. The area has a long history of production of precious metals and nonferrous metals. For historical reasons, the area had been underdeveloped as to mineral resource exploration and mining. However, sharp metal price increases in recent years and the government's favored policies for the western, remote, minority-dominated regions in China have created a mining boom in Chifeng, with numerous new discoveries of mineral deposits and new development of mining properties. The Company's three mining properties are among these newly-developed mining projects in Chifeng. The Chifeng District has now become an important base for mineral resources in China.

The Shirengou Mine is located approximately 60 km southwest of Chifeng City and in the southern portion of the Songshan District of the Chifeng District. The distance by road from Chifeng City to the mine is approximately 76 km. The first 40 km is a paved highway, and the remaining is generally reasonably-maintained gravel and dirt roads.

The Nantaizi Mine is located due south of the Shirengou Mine but is within the administration area of Kalaqing Banner of the Chifeng District. Road distance from Chifeng City to the mine is approximately 95 km. The first 70 km is a paved highway, and the remaining is generally reasonably-maintained gravel and dirt roads. The Shirengou Mine and Nantaizi Mine are located on two sides of a rugged ridge, and there is no road on the surface to connect the two mines. During the Phase I expansion, the underground mining systems of the two mines has been connected, and ore from the Shirengou Mine will be transported via underground haulage drifts to the mill located on the Nantaizi Mine side of the ridge. Therefore, the access road to the Nantaizi Mine will be the primary access to the Shirengou-Nantaizi Mining Complex.

The Luotuochang Mine is located approximately 240 km north-northeast of Chifeng City and approximately 50 km north-northwest of the town of Lindong, the banner seat for the Balinzuo Banner of the Chifeng District. Road distance from Chifeng City to Lindong is approximately 280 km via newly-constructed Chifeng-Daban expressway and the road condition is excellent. Road distance from Lindong to the mine is approximately 80 km. The first 65 km is a paved highway, and the next 15 km comprises reasonably-maintained gravel and dirt roads.

Electricity supply in the Chifeng District is generally in surplus at present. Electricity for the Company's mining operations will be supplied by the local power grid. During BDASIA's site visit in early October 2007, power lines had been connected to the three mining properties. Some of the local substations and distribution systems in the mines have subsequently constructed following BDASIA's visit.

Water sources have been identified for the three mining properties. Water supply for production is from pumped-out underground mine water and from wells drilled in the nearby valleys. Water from the tailings ponds will also be recycled for production.

4.2 Climate and Physiography

The Shirengou-Nantaizi Mining Complex is located in a mountainous region, with a local elevation difference of approximately 700 meters ("m"). The highest elevation of 1,696 m is found at the Shirendawa ridge between the Shirengou Mine and Nantaizi Mine. The elevation drops to the south and north of the ridge to lows of approximately 1,000 m. The northern slope of the ridge is generally covered by planted forests and/or shrubs, but the southern slope is generally barren. Land in the valleys and plains is generally used for agricultural purposes. Primary crops in the area include corn, millet, sorghum and soybean. Ranching of cattle, goats and sheep is also an important part of the local economy.

Climate in the Shirengou and Nantaizi area is semi-arid continental with clear seasonal alternation. Summer is hot with a maximum temperature of approximately 37ºC; winter is extremely cold with a minimum temperature of approximately -31ºC. Average annual temperature ranges from 3ºC to 7ºC. There are only 110 to 150 frost-free days per year. The maximum depth of frozen soil in the winter is approximately 1.5 m. Annual precipitation generally ranges from 330 millimeters ("mm") to 360 mm. Annual evaporation is significantly higher than annual precipitation, and rivers in the area are mostly seasonal.

The Luotuochang Mine is located approximately 250 km north-northeast of the Shirengou-Nantaizi Mining Complex. It is located on a southeast facing slope of the southwestern section of the main ridge of the Daxinganling Mountains. The topographic surface is high in the northwest and low in the southeast, with an elevation range from 750 m to 1,027 m.

Climate in the Luotuochang area is also semi-arid continental with clear seasonal alternation. Summer is hot with a maximum temperature of approximately 40ºC; winter is extremely cold, with a minimum temperature of approximately -32ºC. Average annual temperature ranges from 3ºC to 5ºC. From late October to April of the following year is the frozen season. Annual precipitation generally ranges from 350 mm to 380 mm, and July and August is the rainy season. Annual evaporation is significantly higher than annual precipitation, and rivers in the area are mostly seasonal. Agriculture and ranching are important parts of the local economy.

4.3 Property Ownership

Under the "Mineral Resource Law of the PRC", all mineral resources in China are owned by the state. A mining or exploration enterprise may obtain a permit for the mining or exploration right for conducting mining or exploration activities in a specific area during a specified period of validity. The permits are generally extendable at the expiration of their period of validity. The renewal application should be submitted to the relevant state or provincial authorities at least 30 days before the expiration of a permit. To renew an exploration permit, all exploration permit fees must be paid and the minimum exploration expenditure should have been made for the area designated under the exploration permit. To renew a mining permit, all mining permit fees and resource compensation fees must be paid to the state for the area designated under the mining permit. A mining permit has both horizontal limits and elevation limits, but an exploration permit has only horizontal limits.

Details of the effective dates and geographic areas of the permits for mining and exploration rights relating to the Company's three mining properties reviewed in this technical report have been provided to BDASIA by the Company, as listed in Table 4.1. BDASIA has not undertaken a legal due diligence review of these permits as such work is outside the scope of BDASIA's technical review. BDASIA has relied upon the Company's advice as to the validity of these mining and exploration rights. BDASIA understands that the legal due diligence review of these mining and exploration rights has been undertaken by the Company's PRC legal advisers.

Table 4.1
Permits for Mining and Exploration Rights for the Company

Mine	Permit Name	Permit Type	Number	Area (km^2)	Elevation Range (m)	Term
Shirengou	Shirengou Gold Mine	Mining	1500000820448	10.9035	1,059 – 1,680	Sep 2008 – Sep 2011
Nantaizi	Nantaizi Lishugou Gold Mine	Mining	1500000720684	1.5869	900 – 1,230	Dec 2007 – Dec 2010
	Nantaizi Gold Exploration	Mining	1500000810520	1.4168	1,078 – 1,620	Oct 2008 – Oct 2011
	Nantaizi Hard Rock Gold Exploration	Exploration	T15120080702012284	3.19	—	Jul 2008 – Jul 2009
Luotuochang	Luotuochang Gold Mine	Mining	1500000810063	6.48	669 – 895	Feb 2008 – Feb 2011

As shown in Table 4.1, the Shirengou Mine holds a permit for a mining right of 10.9035 km^2 in area; the elevation range for the mining right is from 1,059 m to the current topographic surface. This mining right is valid until September 2011. The permit covers three disconnected areas, with some small gaps in between. All mineral resources and ore reserves of the Shirengou Mine defined in this report are located within the boundary of this mining right.

The Nantaizi Mine has two permits for mining right. The first one is of 1.5869 km^2 in area, with an elevation range of 900 m to the current topographic surface and is valid until December 2010; the second one is of 1.4168 km^2 in area, with an elevation range of 1,078 m to the current topographic surface and is valid until October 2011. In addition, the mine also holds a permit for an exploration right that has an area of 3.19 km^2. This exploration right is valid until July 2009. The Company intends to submit application to convert the exploration right with reference number T15120080702012284 and an area of 3.19 km^2 to a mining right. Approximately 74% of the mineral resources and ore reserves for the Nantaizi Mine defined in this report are located within the boundaries of the mining rights; the remaining 26% of the mineral resources and ore reserves for the Nantaizi Mine are located within the boundary of the exploration right.

The Luotuochang Mine holds a permit for a mining right of 6.48 km^2 in area, with an elevation range of 669 m to the current topographic surface. This mining right is valid until February 2011. All mineral resources and ore reserves of the Luotuochang Mine defined in this report are located within the boundary of this mining right.

BDASIA notes that permits for all mining rights and exploration rights for the Company have been issued by the Department of Land and Resources of Inner Mongolia or the Bureau of Land and Resources of Chifeng City. The Company's permits for mining rights generally have terms of three years (although, the current mining permit for the Shirengou Mine is an exception, as the Company is in the process of applying to revise the lower limit of the permit to a lower elevation), while its permits for exploration rights have terms of up to one and a half years. Therefore, the Company will need to regularly renew these permits. The Company has advised BDASIA that it expects the relevant government authorities to regularly renew the Company's existing permits in the normal course as long as the Company submits its renewal applications on time and has paid the relevant permit fees.

BDASIA is not aware of anything the Company has done that would likely jeopardize the renewal of its permits, and BDASIA is also not aware of any claims made or notified by third parties to the Company's mining and exploration rights.

4.4 The Shirengou-Nantaizi Mining Complex

The Shirengou Mine is currently managed by Chifeng Shirengou Gold Mine Company Limited, an indirectly 97.14%-owned subsidiary of the Company. The Nantaizi Mine is currently managed by Chifeng Nantaizi Gold Mine Company Limited, also an indirectly 97.14%-owned subsidiary of the Company. These two mines will be developed together and constitute the Shirengou-Nantaizi Mining Complex.

Gold-polymetallic mineralization in the Shirengou and Nantaizi area was reportedly discovered by local prospectors over 100 years ago in the late Qing dynasty, and since then, small-scale artisanal gold miners have been active in the area from time to time. In 2001, a 50 tpd flotation mill was constructed at the Shirengou Mine by a private mining company and another 50 tpd flotation mill was also constructed at the Nantaizi Mine in 2001 by another private mining company to process gold ore produced in the area. The processing rate reportedly was only 3,000 to 4,000 tonnes per annum ("tpa") at the Shirengou Mine and 3,000 to 5,000 tpa at the Nantaizi Mine. In 2003, the two mines were purchased by the local government, and were contracted to Shirengou Gold Mining Company Limited ("Shirengou Gold") and Nantaizi Gold Mining Company Limited ("Nantaizi Gold"), respectively. In August 2006, Shirengou Gold and Nantaizi Gold engaged Liaoning Geological Exploration Institute to conduct exploration for the two deposits, and three gold-polymetallic veins at the Shirengou Mine and four gold-polymetallic veins at the Nantaizi Mine were defined by drilling, surface trenching and underground drifting. Exploration reports with preliminary mineral resource estimates were submitted for each of the two properties in June 2007. Shirengou Gold and Nantaizi Gold were acquired by the Company in May 2007, with continued small-scale production. Further exploration work was carried out by the Liaoning Institute from July to September 2007, with additional drilling and underground drifting, and in September 2007, an exploration report with an updated mineral resource estimate was submitted for each of the two deposits.

The Company completed a feasibility study for the Shirengou-Nantaizi Mining Complex in September 2007, based on the gold-polymetallic mineral resources defined by the recent exploration work, metallurgical test work completed by Shenyang Nonferrous Metals Research Institute in Shenyang City, Liaoning Province in May 2007 and project design completed by Chengde Xincheng Mining Engineering and Design Company Limited in Chengde City, Hebei Province in August 2007. Construction of a Phase I mining project with a production capacity of 500 tpd (0.15 Mtpa) was completed at the end of April 2008 and trial production from the mill has been initialized in May 2008. Full production capacity at the Phase I mill was reached in July 2008. Phase II expansion of the project was completed in September 2008 and is currently in full production. Phase III expansion of the project is currently underway, and the total designed production capacity of 1,480 tpd (0.45 Mtpa) is expected to be reached late in 2009.

The Shirengou-Nantaizi Mining Complex uses underground mining and flotation processing methods to produce three concentrates as the final products for sale. The mine development and mining operation are contracted. Concentrates produced are sold to smelters in Chifeng and other surrounding areas in China. Transportation of the concentrates, generally by truck, is arranged and paid for by the smelters.

During BDASIA's site visit in October 2007 additional exploration work at the Nantaizi Mine was being carried out by the Company to define the extensions of the known gold-polymetallic veins as well as some new mineralized veins.

4.5 The Luotuochang Mine

The Luotuochang Mine is currently managed by Balinzuo Banner Guotao Minerals Products Trading Company Limited, an indirectly 97.14%-owned subsidiary of the Company.

Similar to the Shirengou and Nantaizi area, gold mineralization in the Luotuochang area was also discovered by local prospectors reportedly over 100 years ago. The current copper-gold-silver mineralized vein system was found in 1985 to 1986 by the No. 6 Branch of the Gold Armed Police by surface trenching and limited underground drifting following a geophysical anomaly. In October 2006, the property was acquired by the Company from a private owner, followed by the issuance of a permit for an exploration right on the property. The Liaoning Institute, engaged by the Company, conducted two phases of drilling, surface trenching and underground sampling on the property from August 2006 to June 2007 and from July to September 2007. A copper-gold-silver deposit consisting of four mineralized veins was defined by this work. Mineral resources estimated by the Liaoning Institute based on the sampling data, as well as metallurgical test work completed by Shenyang Nonferrous Metals Research Institute in April 2007 and project design completed by Chengde Xincheng Mining Engineering and Design Company Limited in August 2007, were used by the Company as the basis for a feasibility study on the project which was completed in September 2007 and the Company's current mine development plan. Development of an access decline was underway and development of the main shaft was initialized during BDASIA's site visit in early October 2007.

A Phase I mining project with a production capacity of 500 tpd (0.15 Mtpa) was put in production in September 2008. Full production capacity at Phase I mill was reached in November 2008. Phases II and III expansions of the project have also been planned and the total designed production capacity of 1,100 tpd (0.33 Mtpa) is expected to be reached late in 2009.

The Luotuochang Mine uses underground mining and flotation processing methods to produce a copper concentrate containing significant amounts of gold and silver as the final product for sale. The mine development and mining operation are contracted. Concentrates produced are sold to smelters in Chifeng and other surrounding areas in China. Transportation of the concentrates, generally by truck, is arranged and paid for by the smelters.

5.0 GEOLOGY AND DATABASE

5.1 Geology

5.1.1 *Geology of the Shirengou-Nantaizi Gold-Polymetallic Deposit*

Gold-polymetallic mineralization at the Shirengou-Nantaizi deposit area consists of auriferous sulfide quartz complex veins hosted by high-angle north-northwest-trending structures.

Stratigraphy outcropping in the area includes Archean Jianping Group gneisses, amphibolites, migmatites and quartzites, Middle Jurassic Xinming Formation andesites, andesitic tuffs and conglomerates, Upper Jurassic Manitu Formation dacites with interbedded andesites, and Quaternary alluvium. The stratigraphy was intruded by a late-Jurassic potash-feldspar granite as well as some granitic dikes. It is believed that the potash-feldspar granite is the source for gold-polymetallic mineralization in the area.

Mineralization is generally controlled by a set of north-northwest-trending fractures. To date, a total of seven auriferous complex veins have been identified in the deposit area, three for the Shirengou Mine in the north (No. I, No. II and No. III veins) and four for the Nantaizi Mine in the south (No. IV, No. V, No. VI, and No. VII veins). Characteristics of the seven complex veins are summarized in Table 5.1. Wall rocks of the complex veins are mostly Xinming Formation andesites, with minor amounts of Manitu Formation dacites and the potash-feldspar granite intrusive.

Table 5.1
Characteristics of Auriferous Sulfide Quartz Complex Veins of the Shirengou-Nantaizi Gold-Polymetallic Deposit

Vein	Dip Direction	Dip Angle	Strike Length (m)	Vertical Extension (m)	Thickness (m)			Average Grades				
					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
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

BDASIA's observation in the underground workings shows that each of the seven veins generally consists of a true sulfide quartz vein in the middle with a thickness of generally 0.1 to 0.5 m and a number of smaller sulfide veins and veinlets surrounding the main vein. The complex vein thickness in Table 5.1 represents the total thickness of the true quartz vein plus the surrounding smaller sulfide veins and veinlets. The sulfide-quartz vein is generally the high-grade portion of the complex veins, but the smaller sulfide veins and veinlets are also economic, and they will be mined together. The altered fracture zones are generally 3 m to 6 m wide and are generally wider than the complex veins. Alteration in the fracture zones includes silicification, pyritization and chloritization. Controlled strike length of the veins ranges from 548 to 1,649 m, and controlled vertical extension ranges from 274 m to 575 m. These complex veins are generally not closed by drilling along strike, sometime also in the dip direction.

Mineral compositions of the complex veins are very similar. Sulfide minerals include pyrite, chalcopyrite, bornite, galena, sphalerite and argentite. Gold occurs as native gold and electrum. Gangue minerals include quartz, calcite, chlorite, and fluorite. The average grades of the complex veins are shown in Table 5.1. These complex veins are generally exposed on the surface, and the near surface portions are generally slightly oxidized along the fractured surfaces, where sulfide minerals have been partially oxidized to limonite, malachite and covellite. As the oxidation is generally minor because of the semi-dry weather condition, there is no need to separate the slightly oxidized material from the sulfide ore in mineral processing.

Figure 5.1 is a geological plan map of the Shirengou-Nantaizi gold-polymetallic deposit showing the spatial distribution of the seven sulfide quartz complex veins, and Figure 5.2 is a cross section for Exploration Section Line 154 at the Nantaizi Mine showing the section view of the No. IV and No. VI veins of the deposit.

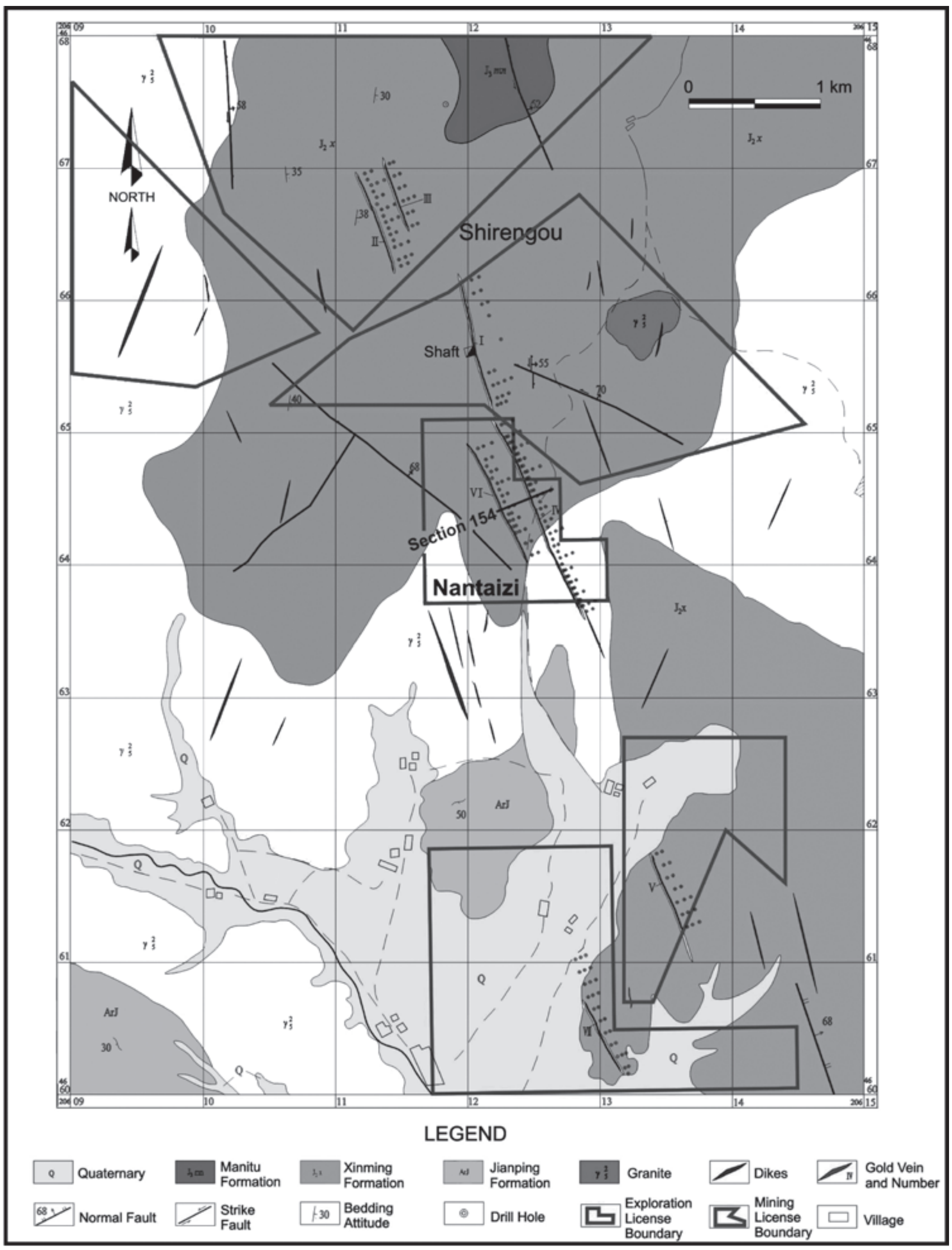

Figure 5.1 Geology Plan Map of the Shirengou-Nantaizi Gold-Polymetallic Deposit

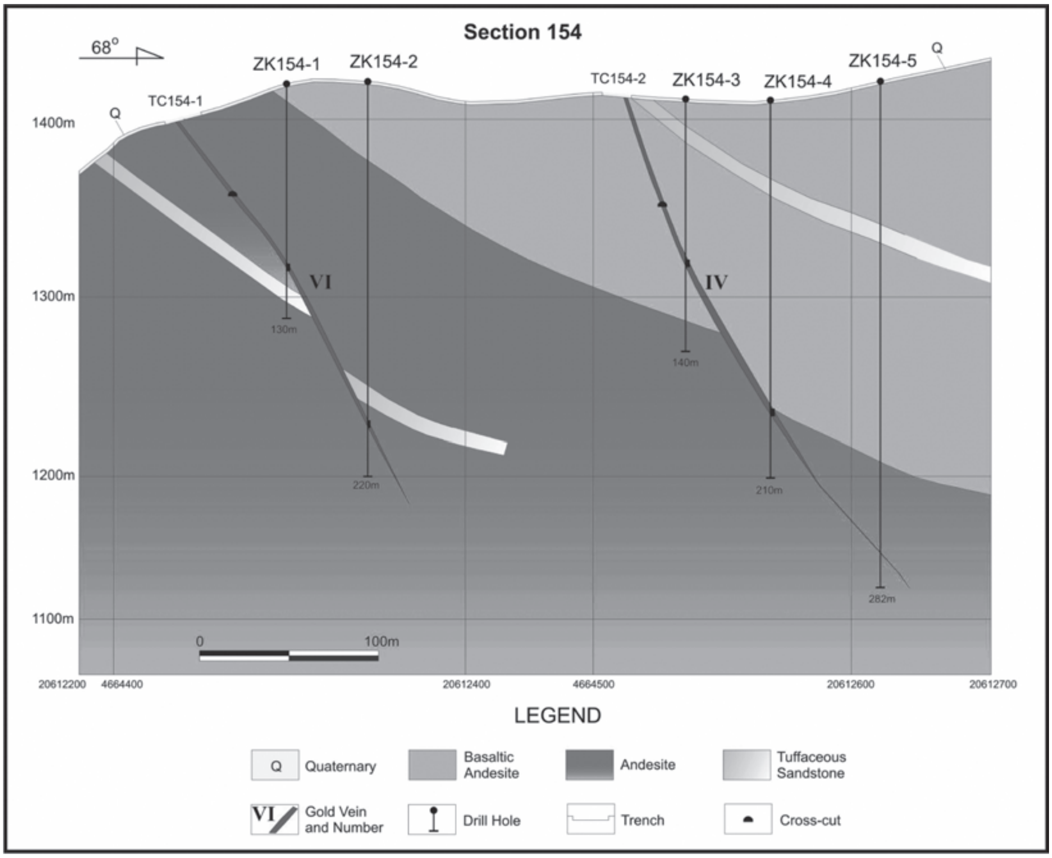

Figure 5.2 A Typical Cross Section of the Shirengou-Nantaizi Gold-Polymetallic Deposit (Location of the section is shown in Figure 5.1.)

5.1.2 *Geology of the Luotuochang Gold-Silver-Copper Deposit*

Gold-silver-copper mineralization at the Luotuochang deposit area consists of auriferous sulfide quartz veins hosted by high-angle west-northwest-trending structures.

Stratigraphy outcropping in the area includes Lower Permian Dashizhai Formation andesites, tuffs, sandstones and siltstones, Lower Permian Huanggangliang Formation conglomerates, sandstones, slates and marlites, Upper Permian Linxi Formation arkoses, siltstones and slates, and Quaternary alluvium. The stratigraphy was intruded by a Triasic quartz monzodiorite as well as some late granitic dikes. The quartz monzodiorite contains some ultramafic and mafic inclusions. The auriferous sulfide quartz veins are mostly hosted by the quartz monzodiorite, which is believed to be the source for the copper-gold-silver mineralization in the area.

Mineralization is generally controlled by a set of west-northwest-trending fractures. A total of four auriferous sulfide veins, No. I, No. II, No. III, and No. IV, have been identified to date in the deposit area. Characteristics of the four veins are summarized in Table 5.2.

Table 5.2
Characteristics of Auriferous Sulfide Quartz Veins of the Luotuochang Gold-Silver-Copper Deposit

Vein	Dip Direction	Dip Angle	Strike Length (m)	Vertical Extension (m)	Thickness (m)			Average Grades		
					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

BDASIA's observation shows that the mineralization consists of a true sulfide quartz vein in the middle with a thickness of generally 0.1 to 1.0 m and an alteration zone with disseminated mineralization surrounding the vein. Alteration along the mineralized structures generally includes silicification, chloritization and pyritization. The vein thickness in Table 5.2 represents the total thickness of the true quartz vein and the surrounding alteration zone with economic mineralization. The sulfide-quartz vein is generally the high-grade portion of the vein system, but part of the alteration zone with disseminated mineralization is also economic, and they will be mined together. Controlled strike length of the veins ranges from 846 to 1,028 m, and controlled vertical extension ranges from 430 to 550 m. These veins are generally not closed by drilling along strike and sometimes to the depth.

Mineral compositions in the vein systems are very similar. Sulfide minerals include pyrite, chalcopyrite, tetrahedrite and pyrrhotite. Gold occurs as native gold and electrum. Gangue minerals include quartz, chlorite, and fluorite.

The exploration report produced by the Liaoning Institute states that oxidation of the deposit is minor and only limited to a 10 m to 15 m depth from the surface. BDASIA's observation from the underground workings and drill cores, however, indicates that oxidation is more extensive and that significant amounts of copper sulfide minerals along the fractured zones have been oxidized to malachite and azurite. The Company has informed BDASIA that recent underground development in the mine shows that oxidation only occurs in local areas, especially along some structural zones, and overall will not have a significant impact on mineral processing.

Figure 5.3 is a geological plan map of the Luotuochang gold-silver-copper deposit showing the spatial distribution of the four mineralized veins and a cross section for the Exploration Section Line 0 showing the No. I and No. III veins of the deposit.

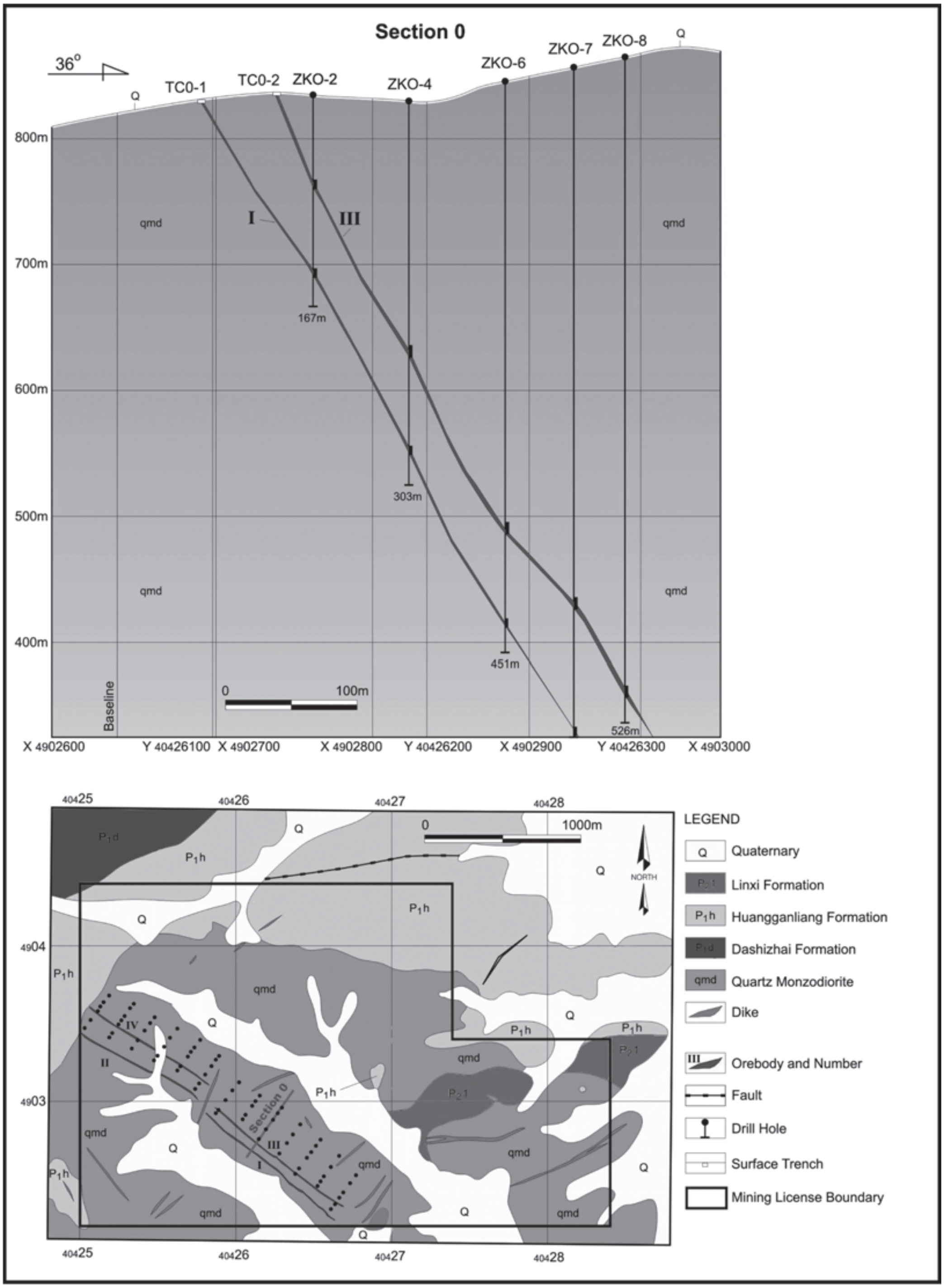

Figure 5.3 Geology Plan Map and Cross Section of the Luotuochang Gold-Silver-Copper Deposit

5.2 Geological Database

5.2.1 *Database Used for Mineral Resource Estimates*

Databases used for mineral resource estimation are generated by licensed exploration entities and/or by the mines in China. Guidelines specifying the appropriate sampling, sample preparation and assaying techniques and procedures for different types of mineral deposits are issued by the relevant government authorities. The databases used for mineral resource estimation are generally produced following these set guidelines.

The principal sample types included in the assay database for the mining properties reviewed in this report comprise surface core drilling as well as surface trench and underground channel sampling.

Table 5.3 summarizes the database used for the mineral resource estimation for the Company's three gold-polymetallic deposits reviewed in this report.

Table 5.3
Mineral Resource Database Statistics for the Company's Three Mining Properties

Sample Type	Shirengou	Nantaizi	Luotuochang
Core Drilling			
Holes	62	105	114
Meters	12,240	24,897	25,237
U/G Development			
Meters	4,073	1,576	3,660
Surface Trenching			
Cubic Meters	1,500	1,950	2,389
Assays			
Core Samples	320	872	1,754
Channel Samples	447	578	1,235
Density Measurements			
Core/Rock	62	68	35

5.2.2 *Drilling, Logging and Survey*

For the Company's three mining properties reviewed in this report, surface diamond core drilling is one of the principal exploration and sampling methods. The Shirengou-Nantaizi gold-polymetallic deposit was drilled out on a 100 m × 100 m grid, whereas the Luotuochang gold-silver-copper deposit was drilled out on a drill hole spacing of 80 m to 160 m.

Drilling was conducted by Liaoning No. 10 Geological Team using Chinese-made drill rigs. Drill hole size was generally 91 mm at the top, reducing to 75 mm at the bottom of the hole. Core recovery was generally good, averaging around 90%.

Drill hole collar locations were surveyed and down-hole deviation was generally measured using down hole survey techniques. Drill cores were logged in detail by a project geologist before sampling.

BDASIA notes that all the drill holes were drilled vertically for the three deposits while the mineralized veins dip at angles from 56° to 70°. Therefore, the angle between the drill hole traces and the mineralized planes is only 20° to 34°. This small angle may cause the thickness of the veins determined from drill holes to be less accurate, which in turn brings some moderate uncertainty to the mineral resource estimates.

5.2.3 *Sampling, Sample Preparation and Assaying*

Generally, drill core was split by a mechanical splitter; half of the core was sent for assay, and the other half was retained for record and for metallurgical tests. The entire core was sometimes sent for assay in an attempt to reduce sample grade variance. Typically the core was sampled in 1 m lengths, although variable intervals may be used to coincide with geological contacts. Generally, the mineralized intervals plus 1 additional host rock sample at the contact zone on each side were sampled and assayed.

In addition to drilling, surface trenches at a spacing of 40 m to 50 m have also been excavated to sample the mineralized zones. Trench channel samples were generally taken at the trench bottom and were cut 10 centimeters ("cm") wide and 5 cm deep.

Underground channel samples were routinely taken where the development intersects a mineralized zone. The channel samples were generally taken from the drift walls at around waist height or from the ceilings and were cut 5 cm wide and 3 cm deep.

The sample length for surface trench and underground channel samples was also typically 1 m, but variable lengths may be used based on geological characteristics.

Sample preparation and analysis were mostly conducted by the assay laboratory of Liaoning No. 10 Geological Team located in Fushun City of the Liaoning Province. Samples were generally prepared by two-stages of crushing and one-stage of grinding to produce a sample sized at 160 to 200 mesh (0.075 to 0.1 mm). A sample of approximately 140 to 150 grams ("g") in weight was sent for assaying, and a duplicate sample of 350 to 400 g was retained for checking.

Analytic methods adopted include wet chemical analyzes and atomic absorption spectrometry. These analytical methods are widely used in the mining industry in China and generally produce reliable results if conducted correctly.

5.2.4 *Quality Control and Quality Assurance*

Assay quality control and quality assurance programs include internal check assays, external check assays, and analysis of assay standards. For samples used for mineral resource estimation (i.e. samples within the orebody boundary), approximately 10% were subject to an internal check assay, and approximately 5% were sent for external check assays. The internal check assays were conducted by a different operator at the same laboratory and the external check assays were conducted by a supervisory and independent assay laboratory, Shenyang Mineral Resource Supervisory and Testing Center under the Ministry of Land and Resources of China in Shenyang City of Liaoning Province. To determine the assay quality, check assay results were compared with the original assay results, and the variance was compared to permitted random error limits specified by government regulation for various grade ranges. It was reported that the internal and external checks assay results for the Company's three mining properties were all within the permitted range.

From analysis of sample preparation and analysis procedures and check assay results, BDASIA concludes that the analytical methods used for the Company's three mining properties produce acceptable results with no material bias.

5.2.5 *Bulk Density Measurements*

Bulk density data were collected using core/rock samples. The bulk density of core or rock samples was generally measured using a wax-coated water immersion method. The number of bulk density measurements is 62 for the Shirengou Mine, 68 for the Nantaizi Mine and 35 for the Luotuochang Mine. The average bulk density determined based on these measurements is 2.94 to 2.96 tonnes per cubic meter ("t/m^3") for the Shirengou-Nantaizi gold-polymetallic deposit and 2.86 t/m^3 for the Luotuochang gold-silver-copper deposit. BDASIA considers that the ranges of bulk densities adopted are reasonable and appropriate, based on the mineral composition of the ore deposits.

6.0 MINERAL RESOURCES AND ORE RESERVES

6.1 Mineral Resource/Ore Reserve Classification System

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004 ("the JORC Code") is a mineral resource/ore reserve classification system that has been widely used and is internationally recognized. It has also been used previously in independent technical reports for mineral resource and ore reserve statements for other Chinese companies reporting to SEHK. The JORC Code is used by BDASIA to report the mineral resources and ore reserves of the Company's three mining properties in this report.

A Mineral Resource is defined in the JORC Code as an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered. Mineral Resources are classified as Measured, Indicated or Inferred according to the degree of confidence in the estimate:

- a Measured Resource is one which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known;
- an Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability; and
- an Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

An Ore Reserve is defined in the JORC Code as that part of a Measured or Indicated Resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting. Ore reserve figures incorporate mining dilution and allow for mining losses and are based on an appropriate level of mine planning, mine design and scheduling. Proved and Probable Ore Reserves are based on Measured and Indicated Mineral Resources, respectively. Under the JORC Code, Inferred Mineral Resources are deemed to be too poorly delineated to be transferred into an ore reserve category, and therefore no equivalent Possible Ore Reserve category is recognized or used.

The general relationships between exploration results, mineral resources and ore reserves under the JORC Code are summarized in Figure 6.1.

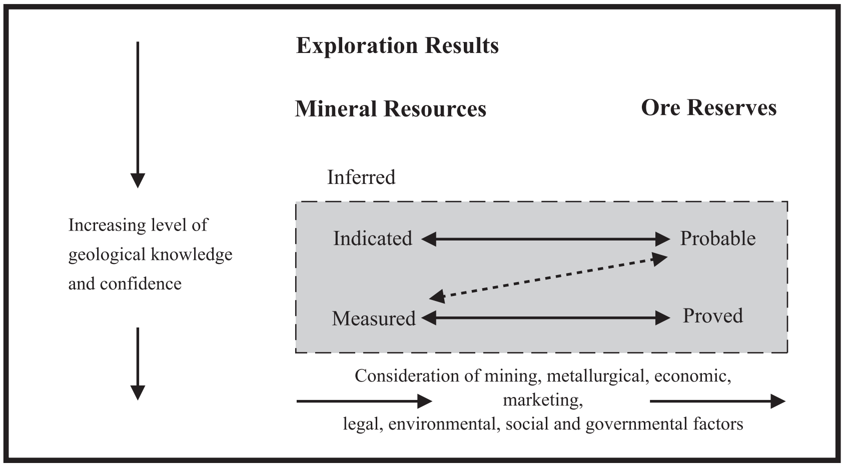

Figure 6.1 Schematic Mineral Resources and Their Conversion to Ore Reserves

Generally, ore reserves are quoted as comprising part of the total mineral resource rather than the mineral resources being additional to the ore reserves quoted. The JORC Code allows for either procedure, provided the system adopted is clearly specified. In this BDASIA report, all of the ore reserves are included within the mineral resource statements.

6.2 General Procedure and Parameters for the Company's Mineral Resource Estimation

The methods used to estimate mineral resources and the parameters used to categorize the mineral resources for a particular type of mineral deposit are generally prescribed by the relevant PRC government authorities. The mineral resource estimates are based on strictly defined parameters, which include minimum grades, minimum thicknesses, and cutting procedures for high grades. The mineral resources for a deposit can be estimated by the mine geologists and engineers or by an independent engineering entity.

In order to provide a consistent mineral resource base for the IPO, the Company retained the Liaoning Institute, an independent, licensed, government-owned exploration entity in China, to conduct independent exploration work and mineral resource estimations in 2006 and 2007 for the Company's three properties. The Liaoning Institute's address is Friendship Street, Jinzhou District, Dalian City, Liaoning Province, China. The latest mineral resource estimates by the Liaoning Institute for the Company's three mining properties were dated 31 July 2007; these mineral resource estimates have been updated to 30 November 2008 by BDASIA based on production of mineral resource consumption data from 31 July 2007 to 30 November 2008 provided by the Company.

The drill hole or channel sampling density required to define a certain class of mineral resource depends on the type of deposit. Based on the orebody size and complexity, a deposit is classified into certain exploration types before mineral resource estimation. The primary mineralization at the Company's three mining properties generally comprises large tabular mineralized bodies of hundreds of meters in dimension, with good continuity in both grade and thickness; these deposits are categorized as exploration type I.

For the purpose of mineral resource estimation, all drilling and sampling data, along with other relevant geological information, were digitized into the MAPGIS system by the Liaoning Institute. MAPGIS is a computer software system widely used in China for preparation of plans and sections for mineral resource estimation. Sections and plans used for the July 2007 mineral resource estimation were produced by MAPGIS.

The geological block method, a polygonal method, on projected long sections is one of the most commonly used resource estimation methods in China for high-angle, large, tabular mineralized bodies, and mineral resources for the Company's three mining properties reviewed in this report have been estimated using this approach. Based on information provided by the Liaoning Institute and discussions with the Liaoning Institute's technical personnel, the general procedures and parameters used in the resource estimation are described as follows.

6.2.1 *Determination of "Deposit Industrial Parameters"*

The economic parameters for mineral resource estimation are referred to as "deposit industrial parameters" ("DIP") in Chinese literature or technical reports and are normally approved by government authorities for each deposit or based on the government's industry specification. These parameters generally include the cutoff grades (separated into boundary cutoff grade and block cutoff grade), minimum mining width, and minimum waste exclusion width. The DIP used for the mineral resource estimates of the Company's three mining properties reviewed in this report are summarized in Table 6.1.

Table 6.1
Deposit Industrial Parameters for Mineral Resource Estimation

Deposit	Metal	Cutoff Grade		Minimum Width	Minimum Waste Exclusion Width
		Boundary	Block		
Shirengou-Nantaizi	Au	2 g/t	4.5 g/t	0.8 m	2 m
Luotuochang	Au	1 g/t	2 g/t	0.8 m	2 m

Where the orebody width is less than the minimum width but the gold grade is relatively high, the minimum grade-thickness (= minimum width × minimum gold grade) can be used as an alternative cutoff criterion to define the orebody boundary

BDASIA has reviewed the parameters under current economic conditions and found them generally reasonable. As there are significant amounts of other metals of economic value in these deposits, BDASIA believes that it would be more appropriate to use a gold-equivalent cutoff grade to define the orebody boundary. This is particularly true for the Luotuochang gold-silver-copper deposit, as copper is actually the metal with the highest economic value. Nevertheless, BDASIA considers that the cutoff grades determined by only gold grades are acceptable, and they might be slightly conservative in determining the orebody boundary as other metals in the deposits also carry some economic value.

6.2.2 *Grade Capping*

Samples with extremely high metal grades (outliers) have generally been capped in the mineral resource estimates of the Company's three mining properties. Generally, a sample with a metal grade more than six or seven times the average metal grade of the orebody is considered as an outlier. The outlier metal grade was replaced by a value based on the average drill hole or channel metal grade for a relatively thick orebody (more than seven times the minimum mining width) or by the average block metal grade for a relatively thin orebody.

BDASIA would normally recommend the use of a grade probability distribution curve to determine an appropriate capping grade for use in replacing the outlier grades in each orebody and/or deposit. BDASIA nevertheless, considers that the procedure adopted by the Liaoning Institute is a reasonable and relatively conservative method to treat the outlier samples.

6.2.3 *Determination of Block Boundaries and Confidence Level*

In the geological block resource estimation process, an orebody was separated into a number of blocks, with each block assigned a resource confidence class based on the type and density of available geological data. In general, Measured category blocks were based on channel samples in surface trenches and underground development or close-spaced drilling, with the limit of Measured blocks generally not extending beyond any data point. Sample spacing for the Measured category is generally 40 m to 50 m. Indicated category blocks were based on drill hole intersections, with a sample spacing of generally 80 m to 100 m, and were limited to the boundary formed by the economic drill hole intersections with no extrapolation. Inferred category blocks were extrapolated from existing drilling or sampling points for one quarter of the drill hole spacing if there were no other sampling points beyond and for one half of the drill hole spacing if there was a sample point with grade below the cutoff grade. Figure 6.2 shows the block mineral resource classification for the No. I vein of the Shirengou-Nantaizi gold-polymetallic deposit.

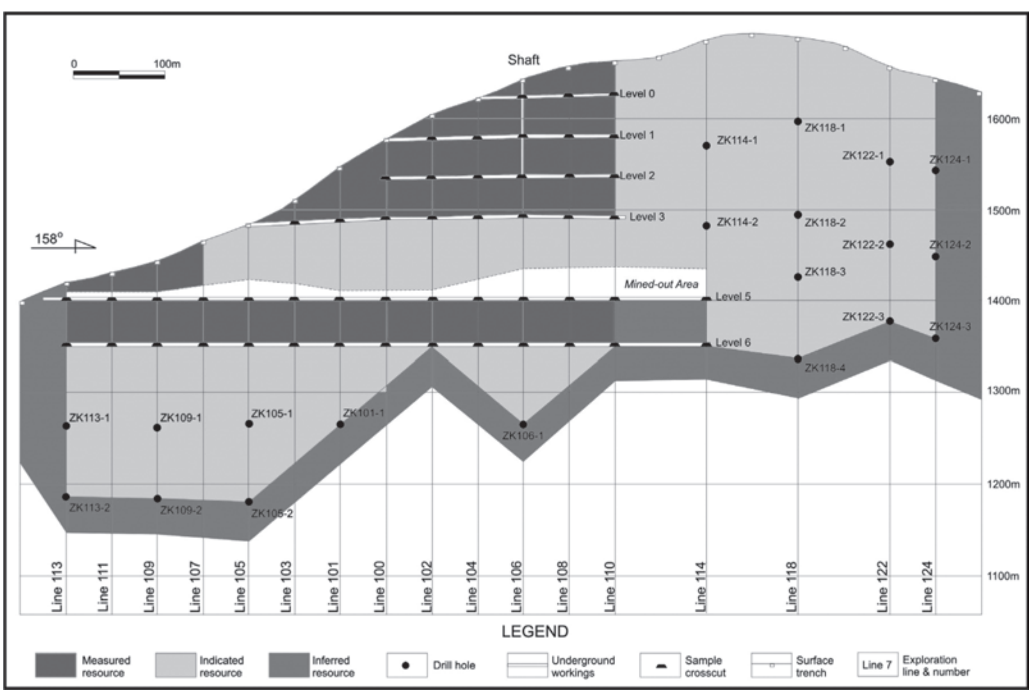

Figure 6.2 Block Mineral Resource Classification for the No. I Vein of the Shirengou-Nantaizi Gold-Polymetallic Deposit

6.2.4 *Mineral Resource Estimation*

In the resource estimation process, the average drill hole or channel sample metal grades were calculated using the length-weighted average of all the drill hole or channel samples within the orebody intersection. The block average metal grades were calculated using the length-weighted average of all drill hole or channel intersections inside the block. The orebody metal grade was calculated using the tonnage weighted average of all blocks inside the orebody. The deposit metal grade was calculated using the tonnage weighted average of all the orebodies in the deposit.

The block horizontal width was the arithmetic average of all drill holes or channels within the block. Block tonnages were calculated based on the block areas, as measured by MAPGIS on computer, block horizontal width and the appropriate bulk density. Orebody and deposit tonnages were based on the sum of the block tonnages.

6.2.5 *Discussion*

Based on our review, BDASIA considers the mineral resource estimation procedures and parameters applied by the Liaoning Institute to the Company's three mining properties to be generally reasonable and appropriate. While a polygonal method, such as the geological block method used by the Liaoning Institute, can produce an over-estimate of grade when outlier samples are present in a deposit, the Liaoning Institute has adopted relatively conservative grade-cutting procedures to minimize this risk. The Measured blocks were generally defined by channel sampling from surface trenches and underground workings as well as surface drilling at a data spacing of 40 m to 50 m and have a high level of geological control. The Indicated category blocks were also reasonably defined based on the detailed sampling and development in the Measured blocks above or nearby and the indicated continuity from drilling data. There was no extrapolation from data points for the Measured and Indicated category mineral resource blocks. The Inferred category blocks were also defined conservatively by limited extrapolation from any drill hole data point.

BDASIA notes that no production data was available to conduct meaningful production reconciliation, as there was very limited production from the Company's three deposits. BDASIA believes that it is very important to conduct production reconciliation to increase the confidence level of the resource estimation when significant amounts of production data become available.

Based on reviewing the drilling and sampling data and procedures and parameters used for the estimation of mineral resources, BDASIA is of the opinion that the Measured, Indicated and Inferred mineral resources estimated under the 1999 Chinese mineral resource system for the Company's three mining properties by the Liaoning Institute also conform to the equivalent JORC mineral resource categories. The economic portion of the Measured and Indicated resources can be used to estimate Proved and Probable ore reserves, respectively.

6.3 Mineral Resource Statement

The mineral resource estimates under the JORC Code as of 30 November 2008 for the Company's three mining properties, as reviewed by BDASIA, are summarized in Tables 6.2. The mineral resources estimated by the Liaoning Institute for the three mining properties were dated 31 July 2007. Mineral resource statements in the following table have subtracted the consumed mineral resource between 31 July 2007 and 30 November 2008 at the mining properties. The mineral resource estimates are inclusive of mineralization comprising the ore reserves.

Table 6.2
Mining Property Mineral Resource Summary — 30 November 2008
(The Company's share of the mineral resources in the table is 97.14%.)

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.

6.4 Procedure and Parameters for the Company's Ore Reserve Estimation

Ore reserves comprise that portion of the Measured and Indicated mineral resources that are planned to be mined economically and delivered to the mill for processing. In line with most Chinese mining companies, the Company does not produce an external ore reserve statement, rather this is an exercise that is carried out by the mining teams on each mine in order to produce short- and medium-term mine plans and production schedules. However, given the requirements for the IPO, BDASIA has formalized the Company's mine production planning processes and estimated an ore reserve for each of the operating mines. These ore reserve estimates have been produced from the in-situ mineral resource estimates based on the economic Measured and Indicated resource categories for which a mine plan has been generated.

For the purpose of converting the economic Measured and Indicated mineral resources to ore reserves, the overall mining dilution factor and mining recovery factor between the in-situ mineral resources and the ore delivered to the mill for processing have to be determined as converting factors. As there was only a small historical mine production from Shirengou, the production data was insufficient to produce a meaningful comparison between the in-situ mineral resources and the mined-out ore delivered to the mill. Therefore, the mining dilution factors and mining recovery factors for ore reserve estimation were based on design parameters as listed in Table 6.3. It was assumed that the dilution waste has a zero metal grade when calculating the mining dilution factor and mining recovery factor.

Table 6.3
Mining Dilution Factor and Mining Recovery Factor for Ore Reserve Estimation

Mine	Mining Dilution Factor	Mining Recovery Factor
Shirengou-Nantaizi Mining Complex	11.1%	90.0%
Luotuochang Mine	17.6%	88.0%

It should be noted that the definition of the mining dilution factor in China is different from that in most Western countries. The mining dilution factor in China is defined as the ratio of the waste tonnage in the mill feed to the total mill feed tonnage, while the mining dilution factor in the West is defined as the ratio of the waste tonnage in the mill feed to the ore tonnage in the mill feed. Therefore, when using the same data for calculation, the Western mining dilution factor is always higher than the Chinese mining dilution factor, with the difference getting larger when the dilution factor is higher. For example, the Chinese mining dilution factor of 5.0% is equivalent to a Western mining dilution factor of 5.3%, and the Chinese mining dilution factor of 10.0% is equivalent to a Western mining dilution factor of 11.1%. As the JORC Code is used for mineral resource/ore reserve reporting for this BDASIA report, the Western definition of the mining dilution factor is used throughout this report.

Although all mining for the Company's mines will be conducted by contractors, there will be a penalty for the contractors if significant amounts of mining dilution and/or mining losses occur in mining of the ore.

Based on BDASIA's experiences with similar types of deposits using similar mining methods in China, BDASIA considers these mining dilution and mining recovery factors achievable considering the mining methods used and the orebody characteristics of the three mines. However, there is also a possibility that the actual mining dilution factor and mining recovery factor will be quite different from the designed parameters. BDASIA recommends close monitoring of mining dilution and mining recovery as production proceeds and use of the actually achieved mining dilution and mining recovery factors in future ore reserve estimation.

The mine design loss has been reflected in the overall mining recovery factors. The Proved ore reserves are estimated from the economic Measured mineral resources, and the Probable ore reserves are estimated from the economic Indicated mineral resources.

6.5 Ore Reserve Statement

Ore reserve statements as of 30 November 2008 generated by BDASIA for the Company's three mining properties are summarized in Tables 6.4. The ore reserve estimates include both Proved and Probable ore reserves, and the Probable ore reserves were estimated for the long-term future of the Company's three mining properties. The Proved and Probable ore reserves have been estimated from the Measured and Indicated mineral resources respectively. Mining dilution factors and mining recovery factors for the ore reserve estimates are as shown in Table 6.3.

Table 6.4
Mining Property Ore Reserve Summary — 30 November 2008
(The Company's share of the ore reserves in the table is 97.14%.)

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**

6.6 Mine Life Analysis

BDASIA has conducted a mine life analysis for the Company's three mining properties reviewed in this study based on 30 November 2008 ore reserve estimates and the anticipated 2011 production rate at the full designed capacity (Table 6.5). The Shirengou Mine and Nantaizi Mine will be mined as one mining complex and therefore their mine lives were estimated together. It can be seen that the ore reserves are sufficient to support production at the anticipated 2011 production level for 14.2 years for the Shirengou-Nantaizi Mining Complex and 24.9 years for the Luotuochang gold-silver-copper deposit. These ore reserve mine lives may change significantly in the future due to the following reasons:

- additional exploration and development of the mines could convert some of the Inferred mineral resources to Measured and Indicated mineral resources, which in turn might be converted to Proved and Probable ore reserves. These new ore reserves would increase the mine life;
- additional exploration may also find additional mineral resources within the areas designated under the Company's mining permit and exploration permit. Some of these additional mineral resources might be converted to ore reserves, which would extend the mine life; and

- changes in the production rate would also change the mine life. The mine life would be shortened if the production rate is increased to a level higher than the anticipated 2011 production level.

Table 6.5
Mine Life Analysis

Mine	2011 Production Rate (ktpa)	Ore Reserve Mine Life		Additional Resource Mine Life	
		Ore Reserve (kt)	Mine Life (a)	Additional Resource (kt)	Mine Life (a)
Shirengou-Nantaizi	450	6,374	14.2	1,551	1.7 – 3.4
Luotuochang	330	8,222	24.9	679	1.1 – 2.0

Note: Additional resource mine life is estimated based on extracting 50–100% of the mineable portion of the additional mineral resources.

7.0 EXPLORATION POTENTIAL

7.1 Exploration Potential

BDASIA believes that there is a potential to find additional mineral resources for the Company's three mining properties reviewed in this report because of the following reasons:

- many of the gold-polymetallic veins in the Company's three mining properties are open laterally and sometimes also in the dip extension direction. Further exploration may define additional mineral resources for these veins; and
- there is a potential to find new mineralized veins in addition to the seven known mineralized veins at the three mining properties.

7.2 Planned Exploration Work

The Company plans to carry out additional exploration work when commercial mine production commences at the three mining properties.

The first priority for exploration is to define the extensions of the currently-defined mineralized veins along strike and dip directions as most of the veins are generally open in these directions. This exploration work will be carried out using underground development and underground drilling from existing underground mine workings. A small amount of surface drilling will also be conducted to trace the strike extensions of the mineralized veins. In addition to the known mineralized veins with identified mineral resources, this exploration work may also find other mineralized veins parallel or echelon to the currently known veins on their footwalls and hangingwalls as auriferous veins commonly occurs as multiple-vein groups. Many gold mining properties located in China and elsewhere in the world have found substantial additional mineral resources by conducting additional exploration work near the identified orebodies which have extended their mine life significantly.

The second priority for exploration is to undertake additional exploration in other areas within the Company's mining and exploration right boundaries that may also contain other unidentified mineralized bodies. Using geological mapping, geophysical and geochemical prospecting methods, and remote sensing may identify additional targets for further exploration. Drilling and sampling will follow if the targets identified have merit for further work.

8.0 MINING

The Shirengou-Nantaizi Mining Complex and Luotuochang Mine are both underground mines. The Shirengou-Nantaizi Mining Complex currently has a production capacity of 990 tpd to fit the new Phase I and Phase II flotation mills, whereas Luotuochang Mine is a new mine started in production in September 2008 with a current production capacity of 500 tpd. Both mines are planned to be substantially expanded or developed over the next two years. Planned mine development and extraction rates for 2008 to 2011 are shown in Table 8.1. The Company commissioned Chengde Xincheng Mining Engineering and Design Company Limited in Chengde City, Hebei Province, a licensed mining engineering firm, to carry out mine designs for feasibility studies for development of both the Shirengou-Nantaizi Mining Complex and Luotuochang Mine. The mine plans reflect these studies.

Table 8.1
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 Mine	200	650	800	0
Adit and Haulage Development (m)				
Shirengou-Nantaizi Mining Complex	7,600	7,500	15,000	3,500
Luotuochang Mine	3,200	6,600	6,200	1,600
Mine Production (kt)				
Shirengou-Nantaizi Mining Complex	155	365	450	450
Luotuochang Mine	65	273	330	330

Mine access and ore and waste transportation are planned to be by adit access and by shaft. A number of internal blind shafts are also planned to link with adits to surface. The vertical shafts are appropriated to the dip of the orebodies, typically between 55º and 70º. Drum winders are planned to be employed on all shafts. Access to stopes is via haulage levels to be mined at regular vertical intervals of 40 m. The main drive size is approximately 2.0 m × 2.0 m reflecting the scale of machinery planned for the two operations.

Ground conditions are generally good, with the relatively competent host rocks. Stress levels are generally low reflecting the shallowness of the operations. Ground support is required in localized areas, particularly where mineralization is close to major structures or where larger excavation spans are mined. Ground water is not expected to be a significant issue in the two operations, and planned pump capacity will be adequate to cope with the projected water flows.

Both major and minor developments 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 m^3 mine cars pulled by 3 t electric trolley locomotives. For auxiliary transportation, 1.5 t electric trolley locomotives are used. The mine cars are currently hauled out of the surface adits, but as mining progresses deeper, then the mine cars will be hoisted in cages via shafts.

8.1 The Shirengou-Nantaizi Mining Complex

Currently, the Shirengou-Nantaizi Mining Complex can be accessed from two separate locations: either from the north at the Shirengou Mine or from the south at the Nantaizi Mine. Planned development is streamlining the project to produce all ore through the southern access. The present development accesses the No. I vein from the north at the Shirengou Mine via two levels at approximately 1,400 m and 1,360 m elevation. In the south, the Nantaizi Mine accesses the No. IV vein via one level at approximately 1,350 m elevation. The No. VI vein, approximately 40 m from the footwall of the No. IV vein, is not currently accessed by development. At the time of BDASIA's site visit, the two sections were not connected underground, but the connection has subsequently been completed by the Company following BDASIA's visit.

Present production at a rate of approximately 500 tpd comes from mining stopes at both the Shirengou Mine and the Nantaizi Mine is treated by the newly-constructed 500 tpd Phase I mill. Mine production will be expanded when the Phase II and Phase III mills are completed.

The planned development is to establish sublevels every 40 m to extract ore from the No. I, IV and VI veins. A main shaft will be developed at the Nantaizi Mine from surface to hoist ore and waste from the lower levels, while a blind shaft is currently being developed from the 1,350 m elevation level and will provide access to, and ore and waste hoisting from, the lower levels at the Shirengou Mine. The development on the 1,350 m elevation level is connected from the north to the south, allowing all ore from the Shirengou Mine to be hauled to the adit at the Nantaizi Mine for processing. At the completion of the development there will be one main shaft, a production blind shaft in the north and an auxiliary blind shaft in the south for materials and personnel. In addition, a ventilation shaft will be sunk in each of the two areas. The blind shaft currently under development is scheduled for completion in January 2009 and will be 180 m deep, accessing four haulage levels. Development of the main shaft commenced at the beginning of 2008 and will be completed within the year to an approximate depth of 200 m.

In addition to shaft development, the Company is planning to carry out a significant capital development program over three years that will see production ramp up from 155,000 tpa in 2008 to 450,000 tpa by 2010. The Company is forecasting adit and haulage development rates of 7,500 m per year for the next two years increasing to approximately 15,000 m in 2010. Table 8.1 indicates the planned development rates over the next four years to meet short- and medium-term production targets. In addition there will be stope preparation and ventilation development. While the development requirement is high early in the project, the depth of the work will be relatively shallow as upper levels are developed above the current access. Also, the substantial strike length of the resources, in excess of 2 km, keeps the rate of depth advance of the mining to less than one sublevel per year.

The proposed development rates are at the upper range of attainable rates but are considered achievable based on the data presented. Proposed production rates also are considered achievable but depend on development rates being met. BDASIA believes that there is a moderate chance that the Company's development work will fall behind schedule and that it will take a longer time to ramp up to the full production capacity than is indicated by current planning.

The geotechnical conditions at the Shirengou-Nantaizi Mining Complex are generally good. The country rock is mostly andesites, which are both strong and stable. The ore-control structures are generally narrow and relatively steeply dipping, comprising mineralized quartz veins.

The orebodies are narrow and high grade, with an average mining width of 1.3 m for the No. I and No. IV veins and 2.1 m for the No. VI vein. The mining methods employed are shrinkage stoping, cut and fill 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. Haulage and major sublevels are at 40 m vertical intervals.

Ground water flow, water control and pumping are not considered significant operational issues at the Shirengou-Nantaizi Mining Complex. Investigations indicate low ground water inflows as the mining progresses deeper.

8.2 The Luotuochang Mine

The Luotuochang Mine was at the early stage of development during BDASIA's site visit. Planned development calls for mining of four mineralized veins, the northern No. II and No. IV veins and the southern No. I and No. III veins. Currently, there is only one access to the southern veins via an inclined shaft at 28º, which provides access to the first and second levels. Shaft sinking has just commenced on the main vertical shaft in the north.

The planned development is to establish sublevels every 40 m to extract ore from the four veins. A main shaft will be developed in the north from surface to hoist ore and waste and will be located centrally to the two northern veins. The shaft will be sunk to a depth of 160 m during the initial development of the mine, but subsequently will be deepened to a final depth of 480 m. Capacity of this shaft is planned to be 600 tpd. An inclined shaft, currently being sunk, will provide for hoisting of ore and waste from southern veins. This shaft is presently 130 m deep and will reach a final depth of 290 m. Capacity of this shaft is planned at 500 tpd. Two ventilation shafts will also be sunk to provide return airways from each area of the mine. The two sets of lenses are approximately 120 m apart but will be connected at various levels, assisting general access, providing flexibility to material and personnel access and improving mine productivity.

In addition to the shaft development the Company is planning to carry out a significant capital development program over three years that will see production ramp up from 65,000 tpa to 330,000 tpa by 2010. The Company is forecasting haulage development rates of 3,200 m in 2008, increasing to about 6,000 m for 2009 and 2010. The development rate drops in 2011 once initial development is completed. Table 8.1 indicates the planned development rates over the next four years to meet short- and medium-term production targets. In addition to the haulage development there will be stope preparation and ventilation development. While the development requirement is high early in the project, the depth of the work will be relatively shallow as the orebodies outcrop. Also the substantial strike length of the resources, in excess of 2 km, keeps the rate of depth advance of the mining to less than one haulage level per year.

The proposed initial development rates are at the upper range of attainable rates but are considered achievable based on the data presented. Proposed production rates are also considered achievable but it depends on development rates being met. BDASIA believes that there is a moderate chance that the Company's development work will fall behind schedule, and that it will take longer to ramp up to the full production capacity than is currently planned by the Company.

The geotechnical conditions at the mine appear good. The country rock is mostly quartz monzodiorite, which is relatively strong and stable. The ore-control structures are generally narrow and relatively steeply dipping. The ore is generally weathered to a depth of over 40 m, but this is unlikely to affect the competence of the planned stope wall rock.

The orebodies are narrow, with an average mining width of 1.7 m to 2.0 m within the four veins. The dip of the veins averages between 60º and 70º. The mining methods planned to be employed are shrinkage stoping and cut and fill. Waste rock will be used as fill for both methods. Haulage and major levels are planned at 40 m vertical intervals.

Ground water flow, water control and pumping are not expected to be significant operational issues at the Luotuochang Mine. Unidentified structures may be conduits for flows when the mine gets deeper, but initial investigations indicate low ground water inflows.

8.3 Mining and Development Contractors

The Company uses contractors to carry out all development and mining operations under its management and technical teams at each of the mines. These contractors use equipment purchased by the Company but are required to maintain this equipment during the term of the contract.

The contractors are generally experienced mine construction and mine operating companies from Chifeng and other parts of China. The contractors are generally compensated based on meters of development and/or tonnes of ore mined at the pre-agreed unit prices, and will be penalized if the development is below the pre-agreed quality standards, if significant amounts of mining dilution and/or mining losses occur in mining of the ore, and if the development and/or mining is behind a pre-agreed schedule. For mine development, a bonus will generally be paid to the contractors if the development is ahead of the pre-agreed schedule.

9.0 METALLURGICAL TESTING AND PROCESSING

9.1 The Shirengou-Nantaizi Mining Complex

The gold-silver-copper-lead-zinc ore extracted at the Shirengou-Nantaizi Mining Complex will be processed in two conventional flotation concentrators. Construction of the first 500 tpd plant was completed at the end of April 2008 and the mill is currently in full production. The second plant, a short distance away, will be constructed in two phases of 490 tpd each. The first phase of the second plant was put in production in October 2008 and the second phase of the plant is expected to begin operating in September 2009. The small 50 tpd flotation mill at the Shirengou Mine ceased production in early 2008.

When in full operation, the two concentrators will have a combined throughput of 1,480 tpd (450,000 tpa). The processing of the ore will yield three concentrates: copper (with gold and silver, referred to as "No. 1 Gold Concentrate"), lead (also with gold and silver, referred to as "No. 2 Gold Concentrate") and zinc (with minor precious metals).

9.1.1 *Metallurgical Testing*

The metallurgical test work was carried out by the Shenyang Nonferrous Metals Research Institute in Shenyang City, Liaoning Province. The results were reported to the Company in May 2007. The objective of the test work was to establish the required processing parameters.

The sample used for the laboratory work was provided by the Shirengou-Nantaizi Mining Complex. The Company's technical staff considers it representative. The sample, of approximately 300 kilograms ("kg"), was prepared for the laboratory work by standard procedures that included crushing, screening, quartering and splitting into 1,000-g test charges.

The chemical composition of the test sample was 9.81 g/t Au, 78.9 g/t Ag, 0.39% Cu, 1.37% Pb, 1.25% Zn, 2.59% Fe, 5.03% S, 1.74% C, 0.039% As, 3.33% CaO, 4.89% MgO, 3.78% $A1_2O_3$ and 47.66% SiO_2.

The mineralogical examination showed the presence of pyrite (4.38%), chalcopyrite (1.20%), galena and sphalerite (3.45%, combined) and pyrrhotite (1.30%) as major metallic minerals. The minor metallic minerals were bornite and limonite. The major nonmetallic minerals were quartz (47.66%), chlorite (32.71%) and sericite (9.30%).

Gold occurs as electrum and native gold, mainly free or in the fractures of galena, chalcopyrite and pyrite (64.2%) or between the grains of chalcopyrite, galena, sphalerite, pyrite and gangue (28.4% total). Minor gold inclusions appear in both chalcopyrite and galena (5% total) as well as in gangue (2.4%).

Generally, the ore is of a rather finely disseminated type, with as many as 21% of the chalcopyrite grains smaller than 0.01 mm, indicating the need for relatively fine grinding to achieve satisfactory liberation of minerals. A satisfactory fineness of grind was determined to be 85% minus 200 mesh (0.074 mm). The conventional flotation method and reagents were adopted, i.e. bulk flotation of copper and lead minerals (including their separation by flotation into individual concentrates) followed by selective flotation of the zinc sulfide. After a series of tests necessary to determine adequate pH, reagents and their dosages, the most promising set of conditions was employed to run a final, closed-circuit laboratory test. The test produced the following concentrate grades and recoveries:

- **No. 1 Gold Concentrate:** the grades were 271 g/t Au, 2,332 g/t Ag and 17.3% Cu, with recoveries of 45.0%, 48.2% and 72.4%, respectively. Also present in the concentrate were lead (5.32%), zinc (0.72%) and sulfur (3.64%);
- **No. 2 Gold concentrate:** the grades were 166 g/t Au, 1,058 g/t Ag and 42.5% Pb. The respective recoveries were 40.2%, 31.8% and 74.8%. Also detected in the concentrate were copper (2.1%), zinc (0.71%) and iron (3.31%); and
- **Zinc concentrate:** the concentrate grade was 48.6% Zn, while the zinc recovery was 77.4%. Gold (58 g/t) and silver (593 g/t) were recovered at the rate of 11.5% and 14.6%, however, there will be no credits for gold and silver when selling the zinc concentrate. Copper (0.38%), lead (2.63%) and iron (4.03%) were present as well.

As gold and silver recovered in zinc concentrate do not have economic value, the total effective recovery is only 85.2% for gold and 80% for silver.

9.1.2 *Processing*

The basis for the processing flowsheet shown in Figure 9.1 as well as design parameters was the closed-cycle test that gave the optimum metallurgical results. The processing is briefly described below.

- The ore, sized on the grizzly to minus 350 mm, is crushed in a 500 mm × 750 mm jaw crusher.
- The crusher product is screened at 14 mm, the oversize is sent to a hydrocone Nordberg crusher working in a closed circuit with the screen, and the screen undersize is sent to grinding.
- The ground product of a 2,400 mm × 3,600 mm ball mill is classified in a spiral classifier and cyclones; the underflows are fed to a regrinding 1,880 mm × 3,700 mm ball mill that works in a closed circuit with the classifier and cyclones.
- A 400 mm × 600 mm jigger between the first ball mill and the spiral classifier is used to collect the coarse gold grains.
- The cyclone overflow, i.e. the fine product at 85% minus 200 mesh (0.074 mm), is the flotation feed.
- After conditioning with conventional reagents, the feed is subjected to rougher bulk copper-lead flotation and then rougher zinc flotation.
- The rougher bulk copper-lead concentrate is cleaned three times, and the third cleaner concentrate is then subjected to copper and lead separation; galena is depressed and chalcopyrite floated. This separation yields final No. 1 Gold Concentrate and No. 2 Gold Concentrate.

- 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.
- A 700 mm × 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.

The proposed flowsheet and reagents are fairly standard for this ore type, and BDASIA concurs with their choice. The equipment that has been selected is conventional and appropriate for this application. All of the equipment is all simple and made in China, with the exception of the Nordberg hydrocone crushers.

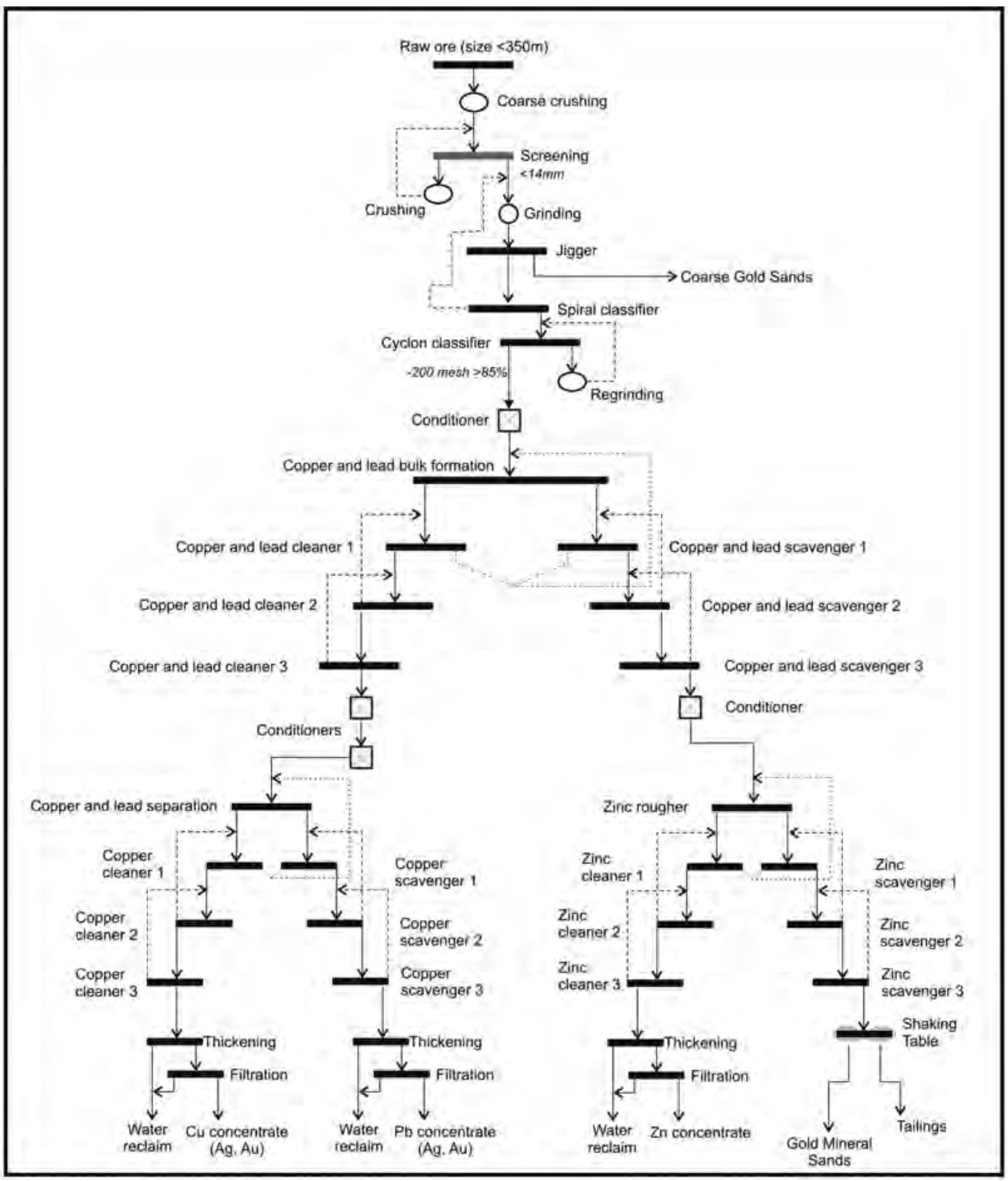

Figure 9.1 Ore Processing Flowsheet for the Shirengou-Nantaizi Mining Complex

9.2 The Luotuochang Mine

Gold-silver-copper ore extracted from the Luotuochang Mine will be processed in two concentrators that will be constructed in three phases. Phase I mill (500 tpd) construction was completed in June 2008 and production in the mill started in September 2008; Phase II (300 tpd) construction was completed in November 2008, and Phase III (300 tpd) construction is expected to be completed in August 2009. When fully operational, the concentrators will process 1,100 tpd (0.33 Mtpa) of ore. A copper concentrate containing gold and silver values will be the only product.

9.2.1 *Metallurgical Testing*

The Shenyang Nonferrous Metals Research Institute conducted the laboratory metallurgical testing. The test results were reported in April 2007. Below is a brief description of the test sample, test work, results and conclusions.

The test sample was collected by the Company from underground workings. Sample preparation involved conventional crushing, screening, blending, quartering and splitting of test charges, which were used for chemical and mineralogical analyzes as well as for the metallurgical testing.

Chemical analysis of the test sample gave the following results: 3.56 g/t Au, 44.8 g/t Ag, 2.47% Cu, 0.11% Pb, 0.03% Zn, 5.07% S, 0.86% Fe, 0.60% P_2O_5, 55.64% SiO_2, 6.1% CaO, and 0.39% MgO.

The mineral composition of the sample showed that chalcopyrite (7.36%) is the major metallic mineral. Pyrite (0.82%), galena, sphalerite, pyrrhotite and azurite are the minor minerals. Gold is present as native gold and electrum. Silver occurs as native silver and in electrum. The major nonmetallic gangue minerals are quartz (55.64%), feldspar and chlorite (26.64%), as well as various carbonates (6.25%). The grain sizes of chalcopyrite and pyrite, the major sulfides, are 98% and 99% above 0.01 mm, respectively.

The distribution of the gold grain sizes was found to be 8.2% +0.1 mm, 7.8% from 0.074 to 0.1 mm, 25.8% 0.037 to 0.074 mm, 44.6% 0.010 to 0.037 and 13.6% -0.010 mm.:

About 29% of the gold was found as inclusions (22% with pyrite, 7% with gangue). Some 55% was free, between sulfide grains, while 16% was found in pyrite fractures.

BDASIA considers that given the grain sizes, degree of liberation and close association with pyrite, some of the gold will be slow to report in the flotation concentrate and that, consequently, gravity separation for additional gold recovery, could be applicable to flotation tailings. Installing a shaking table to continuously monitor and concentrate gold minerals from the final flotation tails is strongly recommended. If the scavenging of the tailings shows economically attractive results, installing a Knelson gold concentrator at some point in the process can be financially advantageous for the operation. BDASIA notes that the Company has taken BDASIA's advice and that a jigger has been added between the primary grinding ball mill and the classifier to recover the coarse gold particles in the ore and a shaking table has been added for treating the tailings to monitor the existence of any remaining gold minerals in the flowsheets for both the Shirengou-Nantaizi Mining Complex and the Luotuochang Mine.

Given the ore mineral composition and its characteristics, bulk flotation of gold, silver and copper was the correct choice of process. The laboratory testing involved determinations of the fineness of grinding, flotation pH, reagents and their dosages and flotation rates. A number of open-circuit tests and one final, closed-circuit test were conducted. The bulk flotation concentrate obtained in the latter test, weighing at 7.16% of the original feed, assayed 43.16 g/t Au, 513.6 g/t Ag and 27.36% Cu. The respective recoveries were 86.8%, 82.1% and 79.3%. The test included four concentrate cleaning and three rougher tail scavenging stages. The flotation feed fineness of grind was 85% minus 0.074 mm. Copper sulfate, butyl xanthate, a dithiophosphate collector, and a frother were the flotation reagents. The test conditions were typical for this kind of ore. It is considered that satisfactory results were obtained.

9.2.2 *Processing*

The processing of this ore is based on the laboratory investigation results, i.e. the optimum processing conditions employed in the locked-cycle test. The flowsheet in Figure 9.2 presents the major steps of the process and can be described as follows:

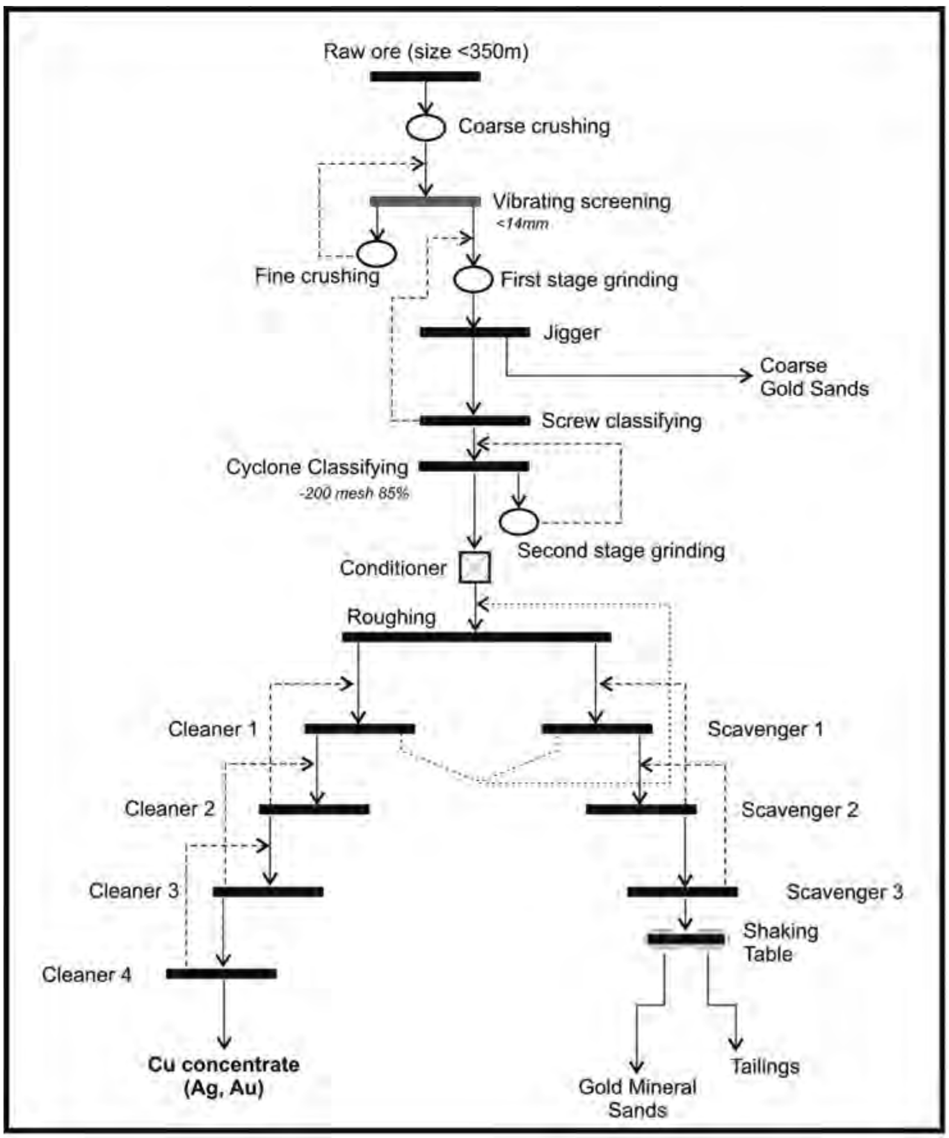

Figure 9.2 Ore Processing Flowsheet for the Luotuochang Mine

- The raw ore (grizzly-sized to less than 350 mm) is first crushed in a jaw crusher (PEF 500 mm × 750 mm). The crushed product is screened on a vibrating screen with 14 mm apertures. The screen oversize is sent to a Nordberg cone crusher. The Nordberg works in a closed circuit with the vibrating screen. The screen undersize is the primary ball mill feed.

- Primary grinding takes place in a GM 2436 ball mill. The grinding product 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 ball mill (MQY 1837) working in a closed circuit with the cyclones. Cyclones overflow, sized at about 85% less than 0.074 mm, is the flotation feed.

- Flotation comprises a rougher stage and four cleaner stages on the rougher concentrate as well as three scavenger flotation stages. Flotation reagents are the same as those used in the locked-cycle test, with two exceptions, sodium sulfide and lime. The former is to be used in small dosages to aid recovery of tarnished sulfides, the latter to regulate pH (7.5 in rougher, 11.0 in the third cleaner). BDASIA notes that sodium sulfide, in larger quantities, can depress chalcopyrite as well as gold and silver. Therefore, the reagent must be used sparingly and with caution.

- Dewatering is conventional, i.e. by thickening in a thickener and filtration in ceramic filters.

- A 700 mm × 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.

All equipment, except the Nordberg crusher, is made in China. The flowsheet is well chosen and is expected to produce results similar to those obtained in the laboratory.

10.0 PRODUCTION

10.1 The Shirengou-Nantaizi Mining Complex

Actual milled ore and concentrate production from May to November 2008 and forecast production from December 2008 to 2011 for the Shirengou-Nantaizi Mining Complex are summarized in Table 10.1. The processed tonnage reflects the project construction schedule, i.e. full capacity of 0.45 Mtpa will be reached in 2010. The ore grade is forecast to remain almost constant for the period 2008 and 2011 and is in line with the ore reserve estimates of the deposit. The forecast feed grades vary between 9.64 and 9.72 g/t Au, 77.9 and 82.1 g/t Ag, 0.36% and 0.39% Cu, 1.35% and 1.54% Pb and 1.30% and 1.32% Zn. Actual production ore grades for the short period from May to November 2008 (Table 10.2) were generally only slightly lower than the forecast ore grades, and it shows that full production capacity for the 500 t/d Phase I was reached in July and full production capacity for Phase II mill was reached in November.

Table 10.1
Actual and Forecast Production for the Shirengou-Nantaizi Mining Complex, 2008–2011
(The 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
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

Table 10.1
Actual and Forecast Production for the Shirengou-Nantaizi Mining Complex, 2008–2011
(The Company's share of the production in the table is 97.14%.)

Item	Actual	Forecast			
	May–Nov 2008	Dec 2008	2009	2010	2011
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

Table 10.2
Actual Monthly Production Data for the Shirengou-Nantaizi Mining Complex, May–Nov 2008
(The 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
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

Three concentrates will be produced: No. 1 Gold Concentrate, No. 2 Gold Concentrate and zinc concentrate. The No. 1 and No. 2 Gold Concentrates will carry the majority of gold and silver. The combined recoveries of gold and silver in the No. 1 and No. 2 Gold Concentrates are expected to be 85.2% and 80.0% respectively. The recoveries of copper, lead and zinc are expected to reach 67.0%, 74.8% and 77.4%, respectively. The No. 1 Gold Concentrate grades will average 17.0% Cu, 285 to 308 g/t Au and 2,590 to 2,650 g/t Ag, the No. 2 Gold Concentrate grades, 49.8% to 52.0% Pb, 167 to 193 g/t Au and 1,130 to 1,230 g/t Ag, and the zinc concentrate grades, 49.8% to 50.0% Zn. They are generally in the range indicated by the metallurgical test work and the initial production data in 2008. Total gold production in the No. 1 and No. 2 Gold Concentrates will increase from approximately 39,000 oz in 2008 to 119,000 oz in 2010; total silver production in the No. 1 and No. 2 Gold Concentrates will be increased from 312,000 oz in 2008 to 947,000 oz in 2010. Copper in the No. 1 Gold Concentrate will increase from 430 t in 2008 to 1,170 t in 2010, lead in the No. 2 Gold Concentrate from 1,630 t in 2008 to 5,170 t in 2010, and zinc in zinc concentrate from 1,490 t in 2008 to 4,580 t in 2010. Actual production from the Phase I mill for the short period from May to November 2008 showed mill recoveries generally in line with the forecast with gold and copper recoveries significantly higher than the forecast. Concentrate grades from the actual production were somewhat lower than the forecast, but it could be improved in the future.

The Shirengou-Nantaizi Mining Complex is under further expansion, and the current forecasts require considerable underground development and rapid mill construction. The ramp up in plant throughput requires significant capital expenditure on mine production capacity. Delays in these capital works may slow the growth rate of production. BDASIA considers the planned mine production levels to be achievable, but ramp up of the production capacity may take a longer period of time.

10.2 The Luotuochang Mine

Milled ore and concentrate production forecasts for 2008 to 2011 for the Luotuochang Mine are summarized in Table 10.3. The processed tonnage reflects the project construction schedule, i.e. full capacity of 0.33 Mtpa will be reached in 2010. The ore grade is forecast to remain constant for the period 2008 and 2011 and is in line with the ore reserve estimates. The forecast feed grades vary between 3.44 and 3.49 g/t Au, 41.2 and 44.7 g/t Ag and 2.21 to 2.51% Cu. Actual production ore grades for the short period from September to November 2008 (Table 10.4) were generally in line with than the forecast ore grades, and it shows that full production capacity for the 500 t/d Phase I was reached in November 2008.

Table 10.3
Actual and Forecast Production for the Luotuochang Mine, 2008–2011
(The 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

Table 10.4
Actual Monthly Production Data for the Luotuochang Mine, Sep–Nov 2008
(The Company's share of the production in the table is 97.14%.)

	September 2008	October 2008	November 2008
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

The treatment of the ore extracted from the Luotuochang Mine will yield a copper concentrate with gold and silver values. Metal recoveries are expected at 79.3%, 86.8% and 82.1% for copper, gold and silver, respectively. Concentrate grades may vary between 41.1 and 46.0 g/t Au, 498 and 521 g/t Ag and 27% Cu. They are generally in the range indicated by the metallurgical test work. Total gold production in concentrate will increase from approximately 4,100 oz in 2008 to 32,000 oz in 2010; silver production in concentrate from 67,000 oz in 2008 to 359,000 oz in 2010; and copper in concentrate from 1,070 t in 2008 to 5,780 t in 2010.

The Luotuochang Mine has only a short history of production as the newly-constructed Phase I mill was put in production only in September 2008, and the current forecasts require considerable underground development and rapid mill construction to achieve planned production. BDASIA considers these production levels to be achievable; but the ramp up may take a longer period of time.

10.3 Concentrate Sale

In relation to concentrates to be produced by the Shirengou-Nantaizi Mining Complex, the No. 1 Gold Concentrate is a copper concentrate with gold content, and the No. 2 Gold Concentrate is a lead concentrate with gold content. These two concentrates are to be purchased by a copper smelter and a lead smelter, respectively. Gold and silver will be recovered as byproducts of the smelting process and it is possible that the value of the gold and silver might be higher than that of the copper and lead in the concentrates. The third concentrate to be produced by the Shirengou-Nantaizi Mining Complex is a zinc concentrate, which will be sold to a zinc smelter. Only copper concentrate with significant amounts of gold and silver will be produced by the Luotuochang Mine, and it will be sold to a copper smelter.

The concentrates that the Company produces will be sold to smelters in Chifeng, Inner Mongolia, as well as smelters in other provinces in China, such as Liaoning and Henan.

Based on sales agreements between the Company and the smelters, the concentrate sale will take place at the mines. The transportation of concentrates from the mine to the smelters is generally by truck (and sometimes also by rail) and is the responsibility of the concentrate buyer. The concentrates will be weighed at the mine. A sample of the concentrate for sale will be taken at the mine site by both the buyer and the seller, and will be split into three sub-samples to determine the concentrate's metal grades as well as impurity and moisture contents by the buyer, the seller, and, if necessary, by an arbitrator. The sale prices for metals contained in the concentrates will be determined based on the metal prices at the date of sale on Shanghai Gold Exchange and/or Shanghai Futures Exchange, adjusted by a pre-agreed coefficient to reflect the metal value in concentrates. The metal sale prices may also be adjusted by the concentrate's metal grades as well as impurity concentrations. The detailed payment terms for metals in concentrates will be determined by final concentrate sales agreement to be negotiated by the Company and the smelters.

BDASIA believes that the Company should not encounter any difficulties in selling all the concentrates produced by the Company at the Shirengou-Nantaizi Mining Complex and the Luotuochang Mine.

11.0 OPERATING COSTS

Based on information provided by the Company's feasibility studies, BDASIA has developed forecast unit mining, milling and G&A and other costs on a per tonne basis for ore milled during the period from 2008 to 2011 for the Company's two production operations. BDASIA has also calculated a unit product operating cash cost and total production cost for an equivalent gold ounce of each operation by converting all other products to equivalent gold ounces, using the projected product sale prices as provided by the Company.

The operating cash costs include mining costs, processing costs, G&A costs, selling costs, environmental protection costs, production taxes, resource compensation levy, interests on loans and other cash cost items. The total production costs comprise the operating cash costs, depreciation/ amortization costs and other non-cash cost items. These costs are expressed in Chinese currency with a unit of RMB. For the benefit of international investors, BDASIA has converted these costs into United States dollars ("US$").

11.1 The Shirengou-Nantaizi Mining Complex

The unit operating costs for the Shirengou-Nantaizi Mining Complex are shown in Table 11.1 for the period 2008 to 2011. The forecast mining costs of approximately RMB200/t (US$29.3/t) of milled ore reflect the narrow vein mining method. The costs reflect current contracts for mining and incorporate appropriate estimates for equipment and power. The forecast milling costs are RMB118/t (US$17.2/t) of milled ore, reflecting the selected flotation process. Mine management and technical team are included in the G&A and other costs, which are generally forecast from RMB103/t (US$15.1/t) to RMB113/t (US$16.7/t) of milled ore. The development of haulages and some initial stope preparation as well as mill construction are included in the capital cost estimates. The forecast operating cash cost for a gold equivalent ounce generally ranges from RMB1,310 (US$192) to RMB1,340 (US$197), and the total production cost for a gold equivalent ounce generally ranges from RMB1,490 (US$218) to RMB1,570 (US$229).

Table 11.1
Actual and Forecast Unit Cost Analysis for the Shirengou-Nantaizi Mining Complex, 2008–2011

	Actual	Forecast				
Cost Item	**May–Oct 2008**	**Nov 2008**	**Dec 2008**	**2009**	**2010**	**2011**
Mining Cost (RMB/t of ore milled)	173.58	228.41	200	200	200	200
(US$/t of ore milled)	25.41	33.44	29.3	29.3	29.3	29.3
Milling Cost (RMB/t of ore milled)	91.23	85.02	118	118	118	118
(US$/t of ore milled)	13.36	12.45	17.2	17.2	17.3	17.3
G&A and Other Costs (RMB/t of ore milled)	254.34	40.27	652	113	104	103
(US$/t of ore milled)	37.24	5.90	95.5	16.7	15.2	15.1
Total Operating Cash Costs (RMB/t of ore milled)	**519.15**	**353.70**	**970**	**431**	**422**	**421**
(US$/t of ore milled)	**76.01**	**51.79**	**142.0**	**63.2**	**61.8**	**61.7**
Unit Product Operating Cash Cost*						
Equivalent Gold Metal in Concentrate (RMB/oz)	**1,480.99**	**1,095.69**	**3,030**	**1,340**	**1,310**	**1,320**
(US$/oz)	**216.84**	**160.42**	**444**	**197**	**192**	**193**

Table 11.1
Actual and Forecast Unit Cost Analysis for the Shirengou-Nantaizi Mining Complex, 2008–2011

Cost Item	Actual	Forecast				
	May–Oct 2008	Nov 2008	Dec 2008	2009	2010	2011
Unit Product Total Production Cost*						
Equivalent Gold Metal in Concentrate (RMB/oz)	**1,605.77**	**1,246.63**	**3,200**	**1,550**	**1,490**	**1,570**
(US$/oz)	**235.11**	**182.52**	**469**	**227**	**218**	**229**

* In calculation of the unit product operating cash cost and total production cost, all other products have been converted to equivalent gold metal in concentrate based on the product sales prices provided by the Company.

Actual production costs for the period from May to October 2008 at the Shirengou-Nantaizi Mining Complex averaged RMB173.58/t (US$25.41/t) for mining, RMB91.23/t (US$13.36/t) for milling and RMB254.34/t (US$37.24/t) for G&A and other costs. The actual mining and milling costs were 13% and 23% lower than the forecast, respectively, reflecting that the forecast costs might be on the conservative side. It should be noted that the forecast unit G&A and other costs for December 2008 is significantly higher than the forecast for the following years as a significant amount of specific expenditure for the Company's IPO work is included. Once the IPO process is completed, this specific expenditure will no longer be needed.

11.2 The Luotuochang Mine

The forecast unit operating costs for the Luotuochang Mine are shown in Table 11.2 for the period 2008 to 2011. The mine costs of RMB200/t (US$29.3/t) of milled ore reflect the narrow vein mining method, similar to the Shirengou-Nantaizi Mining Complex. The basis of the costs for this mine is similar to the Shirengou-Nantaizi Mining Complex, with the mining cost based on a mine contract. The mill costs of RMB115/t (US$16.8/t) of milled ore reflect the selected flotation process. Again, mine management and technical team are included in the G&A and other costs of RMB70/t (US$10.2/t) to RMB76/t (US$11.1/t) of milled ore. The operating cash cost for a gold equivalent ounce ranges from RMB2,080 (US$305) to RMB2,250 (US$329) and the total production cost for a gold equivalent ounce ranges from RMB2,400 (US$351) to RMB2,510 (US$368). It should be noted that the forecast unit G&A and other costs for December 2008 is significantly higher than the forecast for the following years as a significant amount of specific expenditure for the Company's IPO work is included.

Table 11.2
Forecast Unit Costs Analysis for the Luotuochang Mine, 2008–2011

	Actual	**Forecast**				
Cost Item	**Sep–Oct 2008**	**Nov 2008**	**Dec 2008**	**2009**	**2010**	**2011**
Mining Cost (RMB/t of ore milled)	136.49	307.70	200	200	200	200
(US$/t of ore milled)	19.98	44.05	29.3	29.3	29.3	29.3
Milling Cost (RMB/t of ore milled)	89.82	90.58	115	115	115	115
(US$/t of ore milled)	13.15	13.26	16.8	16.8	16.8	16.8
G&A and Other Costs (RMB/t of ore milled)	168.00	48.02	434	76	70	72
(US$/t of ore milled)	24.60	7.03	63.6	11.1	10.2	10.5
Total Operating Cash Costs (RMB/t of ore milled)	**394.31**	**446.31**	**749**	**391**	**385**	**387**
(US$/t of ore milled)	**57.73**	**65.35**	**109.7**	**57.2**	**56.3**	**56.7**
Unit Product Operating Cash Cost*						
Equivalent Gold Metal in Concentrate (RMB/oz)	**1,584.24**	**2,353.51**	**4,350**	**2,250**	**2,210**	**2,080**
(US$/oz)	**231.95**	**344.58**	**636**	**329**	**323**	**305**
Unit Product Total Production Cost*						
Equivalent Gold Metal in Concentrate (RMB/oz)	**1,670.48**	**2,487.12**	**4,610**	**2,510**	**2,510**	**2,400**
(US$/oz)	**244.58**	**364.15**	**675**	**368**	**368**	**351**

* In calculation of the unit product operating cash cost and total production cost, all other products have been converted to equivalent gold metal in concentrate based on the product sales prices provided by the Company.

12.0 CAPITAL COSTS

12.1 The Shirengou-Nantaizi Mining Complex

Actual and forecast capital costs for the Shirengou-Nantaizi Mining Complex are shown in Table 12.1 for the period from 2007 to 2011. The mine capital costs include mine equipment and infrastructure and all underground mine development. The mine contract at the Shirengou-Nantaizi Mining Complex requires all equipment to be supplied by the Company. The mine capital costs are forecast to peak in 2008, reflecting high mine development meters and establishment costs. The unit rates for mine capital development reflect the current mine contractor costs.

For the Shirengou-Nantaizi Mining Complex, the total mill plus tailings facility capital costs are forecast to reach RMB89.6 million (US$13.1 million) by 2010, when full production capacity of 0.45 Mtpa will be realized, i.e. all construction will be completed. These costs include plant construction, equipment procurement and installation, management and other related costs, and the tailings facility construction. Roads, improvements, mill offices and living quarters for the Company's personnel are also included.

Table 12.1
Actual and Forecast Capital Costs for the Shirengou-Nantaizi Mining Complex, 2007–2011
(The Company's share of the capital costs in the table is 97.14%.)

Item	Actual		Forecast			
	2007	Jan–Nov 2008	Dec 2008	2009	2010	2011
Capital Cost in RMB×10^3						
Mine	5,303	100,489	1,700	29,300	21,700	30,000
Mill	1,501	49,904	10,000	20,000	8,200	—
Admin	—	—	2,000	2,000	—	—
Tailings	—	—	1,000	—	—	—
Exploration	—	—	—	2,000	—	—
Land	—	—	—	1,900	33,800	—
Closing	—	—	—	—	—	—
Property Acquisition	166,100		—	—	—	—
Total	**172,904**	**150,393**	**14,700**	**55,200**	**63,700**	**30,000**
Capital Cost in US$×$10^3$						
Total	**25,315**	**22,019**	**2,150**	**8,080**	**9,330**	**4,390**

12.2 The Luotuochang Mine

Actual and forecast capital costs for the Luotuochang Mine are shown in Table 12.2 for the period 2007 to 2011. The mine capital costs include mine equipment and infrastructure and all underground mine development. As with the Shirengou-Nantaizi Mining Complex, the mine contract at the

Luotuochang Mine requires all equipment to be supplied by the Company. The mine capital costs peak in 2008, reflecting high mine development meters and establishment costs. The unit rates for mine capital development reflect the current mine contractor costs.

For the Luotuochang Mine, the total mill facility capital costs are forecast to reach RMB83.9 million (US$12.3 million) by 2010. These costs include plant construction, equipment procurement and installation, and the tailings dam construction. Roads, improvements, mill offices and living quarters for the Company's personnel are also included.

Table 12.2
Actual and Forecast Capital Costs for the Luotuochang Mine, 2007–2011
(The Company's share of the capital costs in the table is 97.14%.)

Item	Actual		Forecast			
	2007	Jan–Nov 2008	Dec 2008	2009	2010	2011
Capital Cost in RMB×10³						
Mine	7,002	58,032	1,500	27,200	14,400	15,600
Mill	—	44,367	25,000	3,900	10,600	—
Admin	—	—	—	—	—	—
Tailings	—	—	—	—	—	—
Exploration	—	—	—	—	—	—
Land	—	—	—	—	—	—
Closing	—	—	—	—	—	—
Property Acquisition	46,000	—	—	—	—	—
Total	**53,002**	**102,399**	**26,500**	**31,100**	**25,000**	**15,600**
Capital Cost in US$×10³						
Total	**7,760**	**14,993**	**3,880**	**4,550**	**3,660**	**2,280**

12.3 Discussion

BDASIA is of the opinion that the facilities in question can be completed at the anticipated cost; however, the planned construction and ramp up may take a longer period time if any disruption in capital development occurs. BDASIA has witnessed the completion of some facilities constructed by the same management team and the quality and types of the selected equipment. BDASIA is of the opinion that the fact that most of the equipment for these two operations is already on order provides comfort that the construction schedule can be achieved.

BDASIA notes that no sustaining capital was budgeted in the forecast capital expenditures and suggests that equipment replacement costs of approximately 2% of the total equipment costs for the mine and the mill are budgeted for each year following the completion of the construction. As the total capital expenditure for the mine and mill might be slightly conservative, adding the sustaining capital may not have a material impact on the project.

13.0 ENVIRONMENTAL MANAGEMENT

The Shirengou Mine has a valid environmental permit from the Chifeng City Environment Protection Bureau ("EPB") to undertake mining and processing activities at the site, while the Nantaizi Mine and Luotuochang Mine are currently in the process of obtaining their permits. Meanwhile, current exploration permits enable mining development to proceed at both of these mines. Environmental measures that are being implemented, or are planned to be implemented at the new operations, comprise the following.

- **Dust mitigation**: including the use of dust collectors, exhaust fans fitted with filters, water sprays and enclosure of dust generating activity. Personal protection devices ("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.
- **Waste water treatment**: all sites are to be zero water discharge sites, with waste water (including tailings effluent) recycled to the process 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 8-hour intervals to ensure pH and other parameters are at an acceptable level. While the sulfides in the ore will potentially generate an acidic pH, the calcium carbonate present in the ore and used in processing will largely neutralize the acidic effect. Groundwater is, indeed, slightly alkaline with pH ranging from 7 to 8. Treated sewage effluent will be utilized for watering new plantings.
- **Solid waste**: waste rock from underground development is and will continue to be used for stope backfills and construction purposes, in particular for the embankment walls of the tailings storage facilities ("TSF", Tables 13.1 and 13.2). All tailings from processing will be stored in the constructed TSFs.
- **Noise control**: methods of noise control are to include use of silencers, noise and vibration dampening and absorbing materials, and isolation and enclosure of noisy equipment. Company policy requires PPE use, such as ear plugs, for noise-affected workers.
- **Environmental monitoring**: monitoring of water and air quality, noise and waste management is conducted by the Chifeng City EPB at quarterly intervals. The Company also undertakes its own schedule of regular water and air quality monitoring. To date, the mines have complied with regulatory requirements.
- **Rehabilitation**: planting programs have commenced. Rehabilitation and planting of disturbed areas will be ongoing.

Table 13.1 **Tailings Storage Facility of the Shirengou-Nantaizi Mining Complex**	
Design Capacity & Estimated life	**Comments**
The new TSFs will be sized to meet the phased requirements of the new mills and will be designed to accommodate approximately 16 years of mine life. The existing TSF is currently storing approx. 1,000 m^3.	The new TSF will be constructed in the broad valley above the Phase I mill site, and the capacity is designed to meet the mill's lifetime requirements. The nearby Phases II and II mills will have their own TSF to store the tailings. For both TSFs, the Phase I will be designed with a 1 in 100 year flood design factor, rising to 1 in 500 years for the later phases. The TSFs are being designed to accommodate local seismic risk history (a 5.9 level earthquake in 2004 was the most recently recorded significant event, located at a distance of approximately 220 km). The small existing TSF will be rehabilitated when the new mill commences operation.

Table 13.2 **Tailings Storage Facilities of the Luotuochang Mine**	
Design Capacity & Estimated life	**Comments**
Tailings storage for a 24-year mine life will be required, however, both surface and underground disposal options are still under consideration.	A 1 in 100 year flood design factor and historical seismic risk (a 5.0 level earthquake in 1971 was the highest recently recorded event, located at a distance of approximately 100 km) will be accommodated in the TSF or other tailings disposal design.

14.0 OCCUPATIONAL HEALTH AND SAFETY

The Shirengou-Nantaizi Mining Complex and the Luotuochang Mine are all subject to the same corporate safety policy, which incorporates national safety standards together with specific safety requirements mandated by the Company. The Company's corporate safety policy applies to contractors and their employees as well as to the Company's employees. A safety permit has been obtained for the Shirengou Mine, and safety permits for the Nantaizi Mine and Luotuochang Mine have been applied for. Contractors are required by the Company to obtain their own safety permits.

The mines are conducting their operations in accordance with specific national laws and regulations covering occupational health and safety ("OH&S") 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. Emergency response plans are in place for each mine as required by the law.

There is a medical clinic at the Shirengou-Nantaizi Mining Complex but, in respect of the Luotuochang Mine, the town hospital is used as it is reasonably close to the mine. All of the Company's employees and its contractors' employees have annual medical checks, including for silicosis, and are insured for health and injury as required by national laws. There have been no reportable injuries at any of the mines since the Company took over the majority ownership. The Company reports to the government on safety matters each month, and Chifeng City Safety Bureau conducts an inspection every 2 to 3 months.

15.0 THE COMPANY'S MANAGEMENT

The Company's senior management team is headed by Mr. Wu Ruilin, founder and Chairman of the Board of Directors of the Company, and comprised of well-trained and experienced mining professionals. Mr. Wu is a well-known and successful businessman in China. He is the founder of a number of well-known companies in China, including Qiao Xing Universal Telephone Inc. listed on NASDAQ, Qiao Xing Mobile Communication Company Limited listed on New York Stock Exchange and Huizhou Qiaoxing Group Company Limited. Mr. Wu began investing in the Chinese mining industry in June 2006 and the Company is one of his primary mining investments. Mr. Wu has employed well-trained and experienced gold mining professionals from both Chifeng and around China to form the Company's senior management team. Each of the senior management team members has held senior management and/or technical positions in other gold mining companies in China prior to joining the Company and has had good operating experiences in the gold mining industry.

The company-level professional staff as well as the mine site managers and professional staff are all well-trained and have good experiences in the mining industry. All management members and staff interviewed by BDASIA have demonstrated good knowledge of their respective disciplines and are competent for their work.

16.0 RISK ANALYSIS

When compared with many industrial and commercial operations, mining is a relatively high risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behavior during mining and processing can never be wholly predicted.

Estimations of the tonnes, grade and overall metal content of a deposit are not precise calculations but are based on interpretation and on samples from drilling or channel sampling, which, even at close sample spacing, remain very small samples of the whole orebody. There is always a potential error in the projection of sampling data when estimating the tonnes and grade of the surrounding rock, and significant variations may occur. Reconciliations of past production and ore reserves can confirm the reasonableness of past estimates but cannot categorically confirm the accuracy of future predictions.

Estimations of project capital and operating costs are rarely more accurate than ±10% and will be at least ±15% for projects in the planning stages. Mining project revenues are subject to variations in metal prices and exchange rates, though some of this uncertainty can be removed with hedging programs and long-term contracts.

The Company's three mining projects reviewed in this report are all in the development or early production stage. Development and construction are still on-going, which introduces a degree of uncertainty.

In reviewing the Company's three mining properties, BDASIA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected production and resulting cashflows. The assessment is necessarily subjective and qualitative. Risk has been classified as low, moderate, or high based on the following definitions:

- High Risk: the factor poses an immediate danger of a failure, which if uncorrected, could have a material impact (>15%) on the project cash flow and performance and could potentially lead to project failure.
- Moderate Risk: the factor, if uncorrected, could have a significant impact (>10%) on the project cash flow and performance unless mitigated by some corrective action.
- Low Risk: the factor, if uncorrected, could have little or no effect on project cash flow and performance.

Risk Component	Comments
Mineral Resources *Low to Moderate Risk*	The gold-polymetallic orebodies of the Company's three mining properties are all large, high-angle, tabular veins hundreds of meters in dimension and have relatively stable metal grade and thickness distributions. They have generally been reasonably defined by drilling, surface trenching and some underground workings. The resource estimates follow set processes and procedures that in general have been diligently carried out. The Measured category resources are mostly based on detailed surface trench and underground channel sampling along crosscuts typically 40 to 50 m apart. While the block estimates are based on a simple weighted average, a conservative top cut is applied to avoid over-estimation. The Indicated and Inferred category resources were also reasonably estimated by drill holes spaced 80 m to 160 m apart. Limited extrapolation has been used in resource estimation. The resource estimates have not been tested by production. Drill holes used for resource estimates were mostly drilled vertically, which results in uncertainty in the vein thicknesses determined and in resource estimates.
Ore Reserves *Low to Moderate Risk*	The Company does not formally estimate and publish ore reserves. Rather, the mine planning engineers undertake detailed design and planning work for a 1- to 3-year period, allowing for mining losses and dilution, and these figures form the basis of the short-term production schedules. Less detailed design and planning work are also carried out for medium- and long-term production schedules. BDASIA has estimated Proved ore reserves based on the Measured mineral resource category and Probable ore reserves based on the Indicated mineral resource category for the portions of the Measured and Indicated mineral resources that have a production plan, using mining dilution and mining recovery factors selected based on the characteristics of the orebodies and proposed mining methods in mine design. These mining dilution and mining recovery factors have not been tested by actual production. Actual mining dilution factors and mining recovery factors could be quite different from the design parameters.

Risk Component	Comments
	The defined Proved and Probable ore reserves support a mine life of approximately 14.2 years for the Shirengou-Nantaizi Mining Complex and of 24.9 years for the Luotuochang Mine based on the forecast 2010 production levels at full design capacity. In addition, there are some, less reliable, Inferred category mineral resources present at the two deposits.
Mining *Moderate Risk*	The mine plans at both the Shirengou-Nantaizi Mining Complex and the Luotuochang Mine require completion of significant development to bring each mine to planned levels of production. Satisfactory feasibility studies have been completed, but detailed mine plans and schedules require additional information about the deposits. While the proposed mining methods are appropriate, current exposure of the orebodies is limited, especially at the Luotuochang Mine. More detailed mine design and scheduling can commence once more development is completed. Until the stopes are fully prepared and in production, there will remain some risk to achieving production targets, both for tonnage and grade.
Processing *Low Risk — Shirengou-Nantaizi* *Low to Moderate Risk — Luotuochang*	No significant risks were detected for the processing of the ore at the Shirengou-Nantaizi Mining Complex. The local ore oxidation along structures in the Luotuochang Mine may adversely affect flotation results and, in turn, production. But the Company reported that the recent underground development shows that the oxidation is limited to local areas and should not have a significant impact for the entire deposit.
Infrastructure *Low Risk — Shirengou-Nantaizi* *Moderate Risk — Luotuochang*	The mine infrastructure is generally in place at the Shirengou-Nantaizi Mining Complex, and any further development will be directed toward upgrading of current facilities. At the Luotuochang Mine, electrical power has been established at the mine, but much of the other infrastructure remains to be established.

Risk Component	Comments
Production Targets *Moderate Risk*	The production schedule for each mine requires quite considerable development and stope preparation to meet production targets. The final planned production rate at each mine is appropriate to the respective resource, but BDASIA considers that there is some risk in achieving this rate within the timeframe set by the Company. The ramp-up periods could be longer than planned. Production at the Luotuochang Mine may be moderately affected if its ore is oxidized to some degree and does not respond to flotation as anticipated by the test work.
Operating Cost *Low to Moderate Risk*	While there is no significant mine cost history, the cost estimates reflect current mining contracts which are based on schedules of rates, with only completed activities being paid. The mill, G&A and other costs also appear reasonable compared to other similar operations in China.
Capital Cost *Low Risk*	The majority of mine capital cost estimates relate to mine development and mine contract rates in place. The short-term nature of the mine contracts does expose the estimates to cost increases and inflationary pressures. Mill capital is also considered reasonable. Overall BDASIA considers it a low risk to the capital costs.
Environment *Low Risk*	Mitigation measures are being put in place to ensure that environmental risks are minimized. The TSF and mill are being designed to withstand potential flood and seismic impact.
Occupational Health and Safety *Low Risk*	Regular health checks of all workers are conducted to minimize silicosis risk. An OH&S management policy is in place for workers and contractors, who are also covered by personal health and injury insurance.