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CST MINING GROUP LIMITED
(中科礦業集團有限公司)*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 985)

ANNOUNCEMENT
SUBSCRIPTION OF NON-LISTED WARRANTS

On 26 October 2010 (after trading hours), the Company entered into the Warrant Subscription Agreement with the Subscribers in relation to the subscription of 685,000,000 Warrants at the Warrant Issue Price of HK\$0.0001 per Warrant, pursuant to which the holders of the Warrants will be entitled to initially subscribe for up to 685,000,000 Warrant Shares at the Warrant Exercise Price of HK\$0.26 per Warrant Share for a period of three (3) years commencing from the date immediately after the expiry date of three (3) months after the issue date of the Warrants. Each Warrant initially carries the right to subscribe for one Warrant Share.

The Company will apply to the Listing Committee for the listing of, and permission to deal with, the Warrant Shares. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

The board of Directors (the “Board”) of CST Mining Group Limited (the “Company”) wishes to announce that on 26 October 2010 (after trading hours), the Company entered into the Warrant Subscription Agreement with the Subscribers.

THE WARRANT SUBSCRIPTION AGREEMENT

Date : 26 October 2010 (after trading hours)

Issuer : The Company

Subscribers : OZ Master Fund, Ltd.
OZ Asia Master Fund, Ltd.
OZ Global Special Investments Master Fund, L.P.
Gordel Holdings Limited
OZ Select Master Fund, Ltd.
OZ ELS Master Fund, Ltd.

The Subscribers are managed by OZ Management LP or its wholly-owned subsidiary. OZ Management LP is an operating entity of Och-Ziff Capital Management Group LLC. Och-Ziff Capital Management Group LLC is a leading global institutional asset management firm with approximately US\$26.3 billion of assets under management as of 1 October 2010.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Subscribers and their ultimate beneficial owners are Independent Third Parties.

Number of Warrants

There will be a total of 685,000,000 Warrants issued under the Warrant Subscription Agreement and a total of 685,000,000 Warrant Shares (subject to adjustments) will be issued under the General Mandate.

The number of Warrants to be issued to the Subscribers is set out as follows :-

Subscribers	Number of Warrants
OZ Master Fund, Ltd.	441,152,000
OZ Asia Master Fund, Ltd.	201,872,000
OZ Global Special Investments Master Fund, L.P.	19,520,000
Gordel Holdings Limited	13,216,000
OZ Select Master Fund, Ltd.	7,528,000
OZ ELS Master Fund, Ltd.	1,712,000
Total:	685,000,000

Issue Price

The Warrant Issue Price is HK\$0.0001 per Warrant. The aggregate Warrant Issue Price will be HK\$68,500 and payable by the Subscribers in cash at completion of the Warrant Subscription.

Exercise Price

The Warrant Exercise Price is HK\$0.26 per Warrant Share.

The Warrant Exercise Price of HK\$0.26 represents:

- (i) a premium of approximately 17.12% over the closing price of HK\$0.222 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 17.65% over the average of the closing prices of approximately HK\$0.221 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 17.12% over the average of the closing prices of approximately HK\$0.222 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

The aggregate of the Warrant Issue Price and the Warrant Exercise Price of HK\$0.2601 represents:

- (i) a premium of approximately 17.16% over the closing price of HK\$0.222 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 17.69% over the average of the closing prices of approximately HK\$0.221 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 17.16% over the average of the closing prices of approximately HK\$0.222 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

Both the Warrant Issue Price and the Warrant Exercise Price were determined based on the arm's length negotiations between the Company and the Subscribers, with reference to the current market sentiment, liquidity flow in the capital market and the historical Share price. The Directors consider that both the Warrant Issue Price and the Warrant Exercise Price are fair and reasonable.

Adjustments

The Warrant Exercise Price and the number of Warrant Shares are subject to adjustments for, among other things, subdivision or consolidation or reclassification of Shares, issue of Shares by way of capitalization of profit or reserves, distribution in cash or specie to the Shareholders or grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries, or offers of new Shares for subscription by way of rights, or shall grant any options, warrants or other rights to subscribe for or purchase any Shares, or issue for cash any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, or issue for cash of any Shares or the repurchase of any Shares or securities

convertible into Shares or any rights to acquire Shares by the Company. The adjustments will be made to account for any dilutive or concentrative effect and to maintain the overall percentage shareholdings of the holders on a fully diluted and as-converted and exercised basis after the occurrence of the above events. The Company will ensure any adjustment to the Warrant Exercise Price and the Warrant Shares are made in compliance with the Listing Rules and applicable laws.

There will be adjustments to the Warrant Exercise Price if, among other things, the Company issues or grants Shares or securities (including options, warrants or other rights to subscribe, purchase or otherwise acquire any Shares) below the market price per Share as on the date of announcement of the terms of such issues or grants. However, no such adjustment will be made to the Warrant Exercise Price if such Shares or securities are issued or granted at a price or consideration above HK\$0.39 per Share.

On the other hand, should the Company issue or grant new Shares or securities (including options, warrants or other rights to subscribe, purchase or otherwise acquire any Shares) below HK\$0.26 per Share, the Company shall adjust the Warrant Exercise Price in any event on a weighted average basis.

Transferability

Apart from the transfer procedure and closed periods specified in the Warrants, there are no restrictions on the transfer of the Warrants.

Completion

Completion of the Warrant Subscription Agreement will take place on the third Business Day after the fulfillment of the conditions precedent referred to in the section headed “Conditions Precedent” below or such other date as the Company and the Subscribers may agree.

Information of the Warrants

The Warrants will be issued to the Subscribers upon completion of the Warrant Subscription in registered form and constituted by a deed poll. The Warrants will rank pari passu in all respects among themselves. Each Warrant carries the right to subscribe for initially one Warrant Share at the Warrant Exercise Price and is issued at the Warrant Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of three (3) years commencing from the date immediately after the expiry date of three (3) months after the issue of the Warrants. The Warrant Shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued Shares of the Company.

A total of 685,000,000 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 685,000,000 Warrant Shares (subject to adjustments) will be issued, representing (i) approximately 2.57% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares and shares upon full exercise of the subscription rights attaching to the Warrants and all other outstanding share options (excluding options granted under Chapter 17 of the Listing Rules) and warrants.

Conditions Precedent

Completion of the Warrant Subscription Agreement is conditional on:

- (i) the Listing Committee of the Stock Exchange having granted or agreed to grant and have not withdrawn or revoked (either unconditionally or subject to conditions to which neither the Company nor the Majority Subscribers shall reasonably object) the listing of, and permission to deal in, the Warrant Shares to be allotted and issued upon the exercise in full of the subscription rights attaching to the Warrants; and
- (ii) on Completion (a) the representation, warranties and undertakings of the Company in the Warrant Subscription Agreement being true, accurate and correct in all material respects and not misleading in any material respect at, and as if made; and (b) the Company having performed all of its obligations under the Warrant Subscription Agreement to be performed on or before such date.

The Majority Subscribers may, at its discretion and upon such terms as they think fit, waive compliance with the whole or any part of the above condition (ii).

If the conditions of the Warrant Subscription are not fulfilled on or before 7th business day after signing of the Warrant Subscription Agreement (or such later date as may be agreed between the Company and the Subscribers), the Warrant Subscription Agreement will be terminated and ceased to have any effect and neither of the parties shall have any claim against the other, save for any antecedent breaches of the provisions thereof.

Voting rights for the holder of the Warrants

The holder of the Warrants will not have any rights to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants. The holder of the Warrants shall not have the rights to participate in any distributions and/or offers of further securities made by the Company by virtue of their being holders of the Warrants.

MANDATE TO ISSUE THE WARRANT SHARES

The Warrant Shares to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate. The Directors are authorized to allot, issue or otherwise deal with up to 5,331,393,681 new Shares under the General Mandate. The Warrant Shares (subject to adjustments) to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants constitutes approximately 12.85% of the General Mandate.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Warrant Shares to be issued upon the exercise of all Warrants, when aggregated with all other equity securities which remain to be issued on exercise of all other subscription rights, will not exceed 20% of the issued share capital of the Company.

REASONS FOR THE WARRANT SUBSCRIPTION AND USE OF PROCEEDS

The Group is now principally engaged in copper mining. The Board has considered other alternative fund raising methods such as debt financing, rights issue or open offers but the Board believes that the Warrant Subscription is a more appropriate means of fund raising for the Company. The Warrants issued are not interest bearing and the Warrant Subscription does not have an immediate dilution effect on the shareholding of the existing Shareholders. The Directors therefore consider that it is prudent to issue the Warrants to raise funds as working capital and future development of the business of the Group.

Moreover, in addition to an immediate fund of HK\$68,500 to be raised upon completion of the Warrant Subscription, which could be used as working capital of the Company, there will be a further share capital up to a maximum of HK\$178,100,000 to be raised upon full exercise of the subscription rights attaching to the Warrants. Such further share capital of HK\$178,100,000 raised will strengthen the Group's financial position and provide sufficient funds for the Group's future development. In view of the above, the Board considers that the terms of the Warrant Subscription Agreement (including the Warrant Issue Price and the Warrant Exercise Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company intends to apply the net proceeds from the Warrant Subscription of approximately HK\$68,500 and the proceeds approximately HK\$178,100,000 from the issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants in the future as working capital of the Group.

FUND RAISING ACTIVITIES OF THE GROUP FOR THE PAST TWELVE MONTHS

On 25 March 2010, 29 March 2010, 15 June 2010, 16 June 2010 and 20 June 2010, the Company respectively announced that placing and subscription agreements were entered into by the Company with placing agents and investors for the subscription of total 23,400,000,000 new Shares at the placing or subscription price of HK\$0.20 per Share (the "**Placing and Subscription**"). The Placing and Subscription was completed on 25 June 2010 with 23,400,000,000 new Shares allotted and issued to not fewer than six placees and other investors. The total gross proceeds of the Placing and Subscription amounted to approximately HK\$4,680 million. The net proceeds from the Placing and Subscription, after deduction of the placing commission and other expenses, are estimated to be approximately HK\$4,567 million. The net proceeds from the Placing and the Subscription was intended to be used to finance the acquisition of Chariot and Cape Lambert Lady Annie indirectly, fund the capital costs for the development of the Mina Justa Project in Peru and other general corporate purposes. As at the date of this announcement, the HK\$3,181 million of net proceeds has been utilized on the intended use as described above.

Save as discussed in this announcement, the Company has not conducted any fund raising activities in the past twelve months prior to the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 26,693,577,151 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after full exercise of the subscription rights attaching to the Warrants; and (iii) immediately after the completion of the Warrant Subscription and full exercise of the subscription rights attaching to the Warrants are as follows:

Name of Shareholder	As at the date of this announcement		Immediately after full exercise of the subscription rights attaching to the Warrants		Immediately after full exercise of the subscription rights attaching to the Warrants and all other outstanding share options (excluding options granted under Chapter 17 of the Listing Rules and warrants (note 1))	
	Number of Shares	Approximately %	Number of Shares	Approximately %	Number of Shares	Approximately %
Cheung Chung Kiu (note 2)	2,086,699,520	7.82	2,086,699,520	7.62	2,086,699,520	6.96
Chiu Tao	3,900,000,000	14.61	3,900,000,000	14.25	4,900,000,000	16.35
Lau Luen Hung	3,022,000,000	11.32	3,022,000,000	11.04	3,022,000,000	10.08
Cheng Yu Tung (note 3)	1,950,000,000	7.31	1,950,000,000	7.12	1,950,000,000	6.50
Damon G Barber	—	—	—	—	300,000,000	1.00
Owen L. Hegarty	—	—	—	—	450,000,000	1.50
Richard Hui Rui	—	—	—	—	75,000,000	0.25
Subscribers	—	—	685,000,000	2.50	685,000,000	2.28
Public Shareholders	15,734,877,631	58.94	15,734,877,631	57.47	16,511,135,900	55.08
Total Issued Shares	26,693,577,151	100	27,378,577,151	100	29,979,835,420	100

Notes:

- As the date of this announcement, there are outstanding share options which entitle the holders thereof to subscribe for 1,825,000,000 Shares and outstanding warrants which entitle the holders thereof to subscribe for 776,258,269 Shares at a subscription price of HK\$0.113 per Share (subject to adjustment). The assumption does not take into consideration of the potential adjustment of the exercise price of the warrants as a result of the exercise of the subscription rights attaching to the Warrants.

2. Based on a Form 1 (Individual Substantial Shareholder Notice) filed by Mr. Cheung Chung Kiu on 24 June 2010, as controller of Bondic International Holdings Limited, Mr. Cheung Chung Kiu is deemed to have an interest in a total of 2,086,699,520 Shares which is approximately 6.96% of the issued shares of the Company assuming full exercise of the subscription rights attaching to the Warrants and all other outstanding share options (excluding options granted under Chapter 17 of the Listing Rules) and warrants.
3. Based on a Form 1 (Individual Substantial Shareholder Notice) filed by Mr. Cheng Yu Tung on 20 July 2010, as controller of Chow Tai Fook Nominee Limited, Mr. Cheng Yu Tung is deemed to have an interest in a total of 1,950,000,000 Shares which is approximately 6.50% of the issued shares of the Company assuming full exercise of the subscription rights attaching to the Warrants and all other outstanding share options (excluding options granted under Chapter 17 of the Listing Rules) and warrants.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercise of the subscription rights attaching to the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Option granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of this limit.

As at the date of this announcement, there are outstanding share options which entitle the holders thereof to subscribe for 1,825,000,000 Shares and outstanding warrants which entitle the holder thereof to subscribe for 776,258,269 Shares at a subscription price of HK\$0.113 per Share (subject to adjustment).

As at the date of this announcement, the Company has a total of 26,693,577,151 issued Shares. Assuming allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants, the Warrant Shares in aggregate with shares to be issued on exercise of subscription rights attached to the outstanding options (excluding options granted under Chapter 17 of the Listing Rules) and warrants issued represent approximately 12.31% of the existing issued share capital of the Company and approximately 10.96% of the issued share capital as enlarged by the issue of the Warrant Shares and shares upon full exercise of the subscription rights attaching to all other outstanding share options (excluding options granted under Chapter 17 of the Listing Rules) and warrants, assuming no Shares are further issued or repurchased. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cape Lambert”	Cape Lambert Resources Limited (ABN 71 095 047 920) (formerly known as Cape Lambert Iron Ore Limited), a corporation established on 13 June 2003 under the laws of Australia and listed on the ASX
“Cape Lambert Lady Annie”	Cape Lambert Lady Annie Exploration Pty Ltd, a corporation incorporated under the laws of Australia on 5 May 2009 and wholly-owned by Cape Lambert
“Chariot”	Chariot Resources Limited (formerly known as Hyperion Resources Corp.), a corporation incorporated on 12 November 1996 under the laws of the Yukon and is continued under the BCBCA whose shares are listed on the Toronto Stock Exchange
“Company”	CST Mining Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors to exercise all powers of the Company to allot, issue and otherwise deal with new Shares or to grant any offers, agreements or options which would or might require Shares to be issued, allotted or disposed of not exceeding 20% of the issued share capital of the Company as at 29 September 2009
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Last Trading Day”	26 October 2010, being the last trading day of the Shares on which the Warrant Subscription Agreement was entered into
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Majority Subscribers”	the Subscribers who have agreed to subscribe for more than 50% of the Warrants
“Marcona Copper Property”	the copper property located in five properties (known as Mina Justa, Achupallas, Miramar, Clavelinas and La Apreciada) in the Nazca Province, Peru
“Mina Justa Project”	the copper project located within the Marcona Copper Property and consists of two deposits, namely the Mina Justa deposit and the Magnetite Manto deposit
“Share(s)”	ordinary share(s) of HK\$0.10 each in the existing issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of United States of America
“Warrant(s)”	the 685,000,000 non-listed warrants carrying the rights to subscribe for 685,000,000 Warrant Shares at the Warrant Exercise Price for a period of three years commencing from the date immediately after three months after the issue of the Warrant
“Warrant Exercise Price”	the warrant exercise price of HK\$0.26 per Warrant Share (subject to adjustments) at which holder(s) of the Warrants may subscribe for the Warrant Shares
“Warrant Instrument”	the deed poll constituting the Warrants to be executed by the Company in the agreed form;

“Warrant Issue Price”	HK\$0.0001 per Warrant, being the issue price per Warrant payable in full on application under the Warrant Subscription Agreement
“Warrant Share(s)”	up to 685,000,000 new Shares (subject to adjustments) to be allotted and issued upon exercise of the subscription rights attaching to the Warrants
“Warrant Subscription”	the subscription of 685,000,000 Warrants pursuant to the terms of the Warrant Subscription Agreement
“Warrant Subscription Agreement”	the subscription agreement dated 26 October 2010 entered into between the Company and the Subscribers in relation to the Warrant Subscription
“%”	per cent.

By order of the Board of
CST Mining Group Limited
Hui Richard Rui
Director

Hong Kong, 26 October 2010

As at the date of this announcement, the Board comprises (i) Mr. Chiu Tao (Chairman), Mr. Owen L. Hegarty, Mr. Damon G. Barber, Mr. Hui Richard Rui, Mr. Yeung Kwok Yu, Mr. Kwan Kam Hung, Jimmy, Mr. Tsui Ching Hung, Mr. Chung Nai Ting, Mr. Lee Ming Tung and Mr. Wah Wang Kei, Jackie as executive directors of the Company; (ii) Mr. Yu Pan, Ms. Tong So Yuet and Mr. Chan Shek Wah as independent non-executive directors of the Company

* *For identification purpose only*