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## CONNECTED TRANSACTIONS

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### OVERVIEW

Following the completion of the Global Offering, we will continue to engage in certain transactions that constitute connected transactions and a continuing connected transaction within the meaning of the Listing Rules. Upon the completion of the Global Offering and the Skyland Acquisition (which will be completed concurrently), and assuming that the Over-allotment Option and the Pre-IPO Share Options are not exercised, China National Gold, through its wholly-owned subsidiary, China National Gold Hong Kong, will hold over 30% of our issued share capital, and will be our Controlling Shareholder; and hence will be a connected person under the Listing Rules. Set out below is a summary of these transactions and, where applicable, the waiver from strict compliance with the relevant requirements of the Listing Rules that we have received from the Stock Exchange.

| Nature of Transaction  | Applicable Listing Rule         | Waiver Sought                | Annual Cap (in million)<br>for the year ending 31 December |            |      |
|--|---------------------------------|------------------------------|--|------------|------|
|  |                                 |                              | 2010   | 2011       | 2012 |
| 1. CNG Promissory Note   | 14A.65(4)                       | N/A                          | N/A  | N/A        | N/A  |
| 2. BOC Guarantee   | 14A.65(4)                       | N/A                          | N/A  | N/A        | N/A  |
| 3. ABC Guarantee   | 14A.65(4)                       | N/A                          | N/A  | N/A        | N/A  |
| 4. CGIR Loan   | 14A.65(4)                       | N/A                          | N/A  | N/A        | N/A  |
| 5. Jiama Contract for Purchase and Sale of Copper Concentrates | 14A.65(4)                       | N/A                          | N/A  | N/A        | N/A  |
| 6. Three Banks Guarantee                                       | 14A.65(4)                       | N/A                          | N/A  | N/A        | N/A  |
| 7. CGIR Contract for the Purchase and Sale of Dore             | 14A.14,<br>14A.35,<br>14A.42(3) | Full waiver from Chapter 14A | RMB1,200.0   | RMB1,300.0 | N/A  |

Our Directors confirm that upon Listing, other than the transactions described in this section, there are no other connected transactions with connected persons. In the event that we enter into any new transaction or agreement with any connected person in the future, our Company will comply with the provisions of Chapter 14A of the Listing Rules.

### EXEMPTED CONNECTED TRANSACTIONS

#### 1. CNG Promissory Note

On May 8, 2008, China National Gold Hong Kong assumed from Ivanhoe a promissory note (“CNG Promissory Note”) dated June 26, 2007 issued by our Company in the principal amount of CAD7.5 million (US\$7.0 million) together with the accrued interest, as part of the consideration for the acquisition of approximately 42.0% of our issued Share capital. The CNG Promissory Note will mature on June 26, 2011. The proceeds of the CNG Promissory Note were primarily for the purpose of funding various capital requirements at the CSH Mine. China National Gold Hong Kong is our Controlling Shareholder and is thus a connected person. The Directors are of the view that the CNG Promissory Note, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold Hong Kong for our benefit, was on normal commercial terms where no security over our Company’s assets was granted in respect of such financial assistance, and as such, the CNG Promissory Note will be exempted from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.65(4).

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### 2. BOC Guarantee

On March 16, 2009, Huatailong entered into a loan agreement with an aggregate loan facility amount of RMB700.0 million (RMB650.0 million and RMB50.0 million were drawn down by Huatailong in March 2009 and January 2010, respectively) with Bank of China, Tibet Branch, which shall be repayable in four installments of RMB200.0 million, RMB200.0 million, RMB150.0 million and RMB150.0 million, which will be due on December 28, 2011, December 28, 2012, December 28, 2013 and December 28, 2014, respectively. The loan was for the purpose of funding the construction of facilities at the Jiama Mine, and as working capital of Huatailong. In support of the loan, on March 16, 2009, China National Gold entered into a guarantee (the “BOC Guarantee”) with Bank of China, Tibet Branch for the entire outstanding loan amount, accrued interest, penalty and other expenses arising from the loan. China National Gold is our Controlling Shareholder and is thus a connected person. Immediately upon the completion of the Skyland Acquisition (which will be completed concurrently with the completion of the Global Offering), Huatailong will become one of our subsidiaries and the provision of the BOC Guarantee will become a connected transaction. The Directors are of the view that the BOC Guarantee, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold for our benefit, was on normal commercial terms where no security over our Company’s assets was granted in respect of such financial assistance, and as such, the BOC Guarantee will be exempted from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.65(4).

### 3. ABC Guarantee

On September 10, 2009, we received an unsecured bank loan in the principal amount of RMB290.0 million from the Agricultural Bank of China which shall be repayable within five years from the date of the first draw-down. The loan was for the purpose of funding various capital requirements at the CSH Mine. In support of the loan, on September 10, 2009, China National Gold entered into a guarantee (the “ABC Guarantee”) with Agricultural Bank of China for the entire outstanding loan amount, accrued interest, penalty and other expenses arising from the loan. China National Gold is our Controlling Shareholder and is thus a connected person. The Directors are of the view that the ABC Guarantee, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold for our benefit, was on normal commercial terms where no security over our Company’s assets was granted in respect of such financial assistance, and as such, the ABC Guarantee will be exempted from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.65(4).

### 4. CGIR Loan

On December 7, 2009, China National Gold Hong Kong and our Company entered into a loan facility agreement, pursuant to which a loan in the sum of US\$40.0 million (the “CGIR Loan”) was advanced by China National Gold Hong Kong to our Company. This loan shall be repayable within two years from the date of the loan agreement. The proceeds of the loan were used by us in redeeming a CAD30.0 million (US\$25.9 million) promissory note and a CAD12.5 million (US\$18.7 million) promissory note. China National Gold Hong Kong is our Controlling Shareholder and is thus a connected person. The Directors are of the view that the CGIR Loan, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold Hong Kong for our benefit, was on normal commercial terms where no security over our Company’s assets was granted in respect of such financial assistance, and as such, the CGIR Loan will be exempted from reporting, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.65(4).

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### 5. Jiama Contract for Purchase and Sale of Copper Concentrates

On February 4, 2010, Huatailong as seller, Jinchuan Group Ltd. (an independent third party) as purchaser (“Jinchuan”) and China National Gold as guarantor entered into a contract for purchase and sale of copper concentrates to be extracted from the Jiama Mine (the “Jiama Contract for Purchase and Sale of Copper Concentrates”), pursuant to which Huatailong shall supply copper concentrates to Jinchuan pursuant to the terms and conditions specified therein for the period from January 1, 2010 to January 15, 2011 (the “Term”), with pricing referenced to the daily average price of copper as quoted on the Shanghai Futures Exchange. Pursuant to the contract, it was further agreed, inter alia, that: (i) Jinchuan shall pay the sum of RMB250 million (such sum was duly paid) as advance payment; (ii) Huatailong shall deliver the first lot of 500 tonnes of copper concentrates on or before June 30, 2010, and if Huatailong defaults on such delivery obligation, it shall be liable for interest for the advance payment at the rate of 5.31% per annum until the first lot of copper concentrates has been delivered; (iii) Huatailong has agreed to sell all copper concentrates produced at the Jiama Mine for the year 2010 to Jinchuan; (iv) in the event of a breach of the terms and conditions relating to the delivery of copper concentrates, liquidated damages for the sum of RMB20 million shall be payable by the party in default; (v) Jinchuan has priority right to purchase copper concentrates to be extracted from the Jiama Mines upon the expiration of the Term and (vi) China National Gold shall guarantee for the performance and fulfilment of all of the obligations of Huatailong under the contract. See “Business — Sales and Customers”.

China National Gold is our Controlling Shareholder and is thus a connected person. Immediately upon the completion of the Skyland Acquisition (which will be completed concurrently with the completion of the Global Offering), Huatailong will become one of our subsidiaries and the provision of guarantee under the Jiama Contract for Purchase and Sale of Copper Concentrates will become a connected transaction. The Directors are of the view that the provision of guarantee under the Jiama Contract for Purchase and Sale of Copper Concentrates, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold for our benefit, was on normal commercial terms where no security over our Company’s assets was granted in respect of such financial assistance, and as such, the provision of guarantee under the Jiama Contract for Purchase and Sale of Copper Concentrates will be exempted from reporting, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.65(4).

### 6. Three Banks Guarantee

On June 4, 2010, Huatailong entered into a loan agreement with an aggregate loan facility of RMB750.0 million with the Bank of China, Tibet Branch, the Postal Savings Bank of China, Tibet Branch and the Agricultural Bank of China, Tibet Branch, which shall be repayable in four installments of RMB100.0 million, RMB150.0 million, RMB200.0 million and RMB300.0 million, to be due on the anniversary date of the first draw-down in 2013, 2014, 2015 and 2016, respectively. The loan was for the Qianshan mining construction project and the upgrading of the tailings storage facilities at the Jiama Mine. In support of the loan, on June 7, 2010, China National Gold entered into a guarantee (the “Three Banks Guarantee”) with the Bank of China, Tibet Branch, the Postal Savings Bank of China, Tibet Branch and the Agricultural Bank of China, Tibet Branch for the entire outstanding loan amount, accrued interest, penalty and other expenses arising from the loan. See “Financial Information — Summary Historical Financial Information of Skyland Group — Indebtedness”.

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China National Gold is our Controlling Shareholder and is thus a connected person. Immediately upon the completion of the Skyland Acquisition (which will be completed concurrently with the completion of the Global Offering), Huatailong will become one of our subsidiaries and the provision of the Three Banks Guarantee will become a connected transaction. The Directors are of the view that the Three Banks Guarantee, being a form of financial assistance (as defined by the Listing Rules) provided by China National Gold for our benefit, was on normal commercial terms where no security over our Company's assets was granted in respect of such financial assistance, and as such, the Three Banks Guarantee will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4).

### NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction will, upon Listing, constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules:

#### **CGIR Contract for Purchase and Sale of Dore**

On October 24, 2008, China National Gold and CSH CJV entered into a non-exclusive contract for purchase and sale of dore (the "CGIR Contract for Purchase and Sale of Dore"), pursuant to which CSH CJV shall sell and China National Gold shall purchase gold dore bars from time to time through to December 31, 2011, with pricing referenced to the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange and the daily average price of No. 2 silver as quoted on the Shanghai Huatong Platinum & Silver Exchange prevailing at the time of each relevant purchase order during the contract period, pursuant to the terms and conditions of the CGIR Contract for Purchase and Sale of Dore.

For each of the years ended December 31, 2008 and 2009, payments made by China National Gold to us were approximately RMB97.3 million and RMB531.9 million, respectively, which accounted for 47.7% and 95.9% of our total sales for the two respective years:

Based on the following factors, we estimate that the annual aggregate payments made by China National Gold to us will not exceed RMB1,200.0 million and RMB1,300.0 million for the two years ending December 31, 2010 and 2011, respectively:

- (i) For the years ended December 31, 2008 and December 31, 2009, the total gold production at the CSH Mine was approximately 57,400 ounces and 83,570 ounces, respectively. According to the CSH Technical Report, the total gold production is forecast to be approximately 116,000 ounces and 146,570 ounces in 2010 and 2011, respectively.
- (ii) Assuming the continued growth in the production of gold at the CSH Mine as projected in the CSH Technical Report and continued growth in the demand of gold by China National Gold, the Directors expect that the sales volume to China National Gold for the two years ending December 31, 2010 and 2011, respectively, will increase in line with the forecast total gold production for the two corresponding years.
- (iii) The price of gold dore bars to be purchased by China National Gold will be referenced to the daily average price of Au9995 gold ingot as quoted on the Shanghai Gold Exchange prevailing at the time of each purchase order. Taking into account the steadily increasing gold price from 2004 to 2009 (despite the temporary drop in gold prices during the recent global financial crisis in 2008), the Directors estimate that the selling price for our gold

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dore bars to China National Gold will remain relatively stable with possible upward adjustments for the two years ending December 31, 2010 and 2011.

### **APPLICATION FOR WAIVER FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION**

Based on the annual transaction value for the non-exempt continuing connected transaction described above, the applicable percentage ratios as stated in Rule 14.07 of the Listing Rules will, on an annual basis, exceed 25%. Therefore, the non-exempt continuing connected transaction described above is subject to the reporting, announcement and independent shareholders' approval requirements applicable to non-exempt continuing connected transaction under Rule 14A.35 of the Listing Rules.

As the above non-exempt continuing connected transaction is expected to continue on a recurring basis and is expected to extend over a period of time, the Directors consider that strict compliance with the reporting, announcement and the independent shareholders' approval requirements would be impractical and would add unnecessary administrative costs to the Company. Accordingly, the Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver to the Company under Rule 14A.42(3) of the Listing Rules from compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including the proposed annual caps set out above, and will re-comply with the relevant rules of Chapter 14A of the Listing Rules (including independent shareholders' approval requirements) if the waiver from the Stock Exchange expires or any of the respective annual caps set out above are exceeded, or when the relevant agreement expires or is renewed or when there is a material change to the terms of the relevant agreement.

The Directors (including the independent non-executive Directors) consider that the non-exempt continuing connected transaction described above was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and on arm's length basis, and is fair and reasonable and in the interests of the Company and our Shareholders as a whole. The Directors also confirm that each of the proposed annual caps for the non-exempt continuing connected transaction disclosed above is fair and reasonable.

### **CONFIRMATION FROM THE SPONSOR**

The Sponsor is of the view that (i) the non-exempt continuing connected transaction described above for which waiver is sought is on normal commercial terms and has been entered into in the ordinary and usual course of business of the Group and (ii) the proposed annual caps of the non-exempt continuing connected transaction is fair and reasonable and in the interest of the Company and its Shareholders as a whole.