Annual Report 2011

CST MINING GROUP LIMITED

Breaking New Ground

building a brighter future

Corporate Overview

CST Mining Group Limited ("Company" or "We") is an international copper mining company headquartered in Hong Kong and listed on the Hong Kong Stock Exchange (HKEx: 985).

At present, the Company has two operations: a wholly-owned mine in Queensland, Australia (Lady Annie) and a late-stage development project (Mina Justa) in southern Peru through our 70%-owned company, Marcobre S.A.C.

We also own a 9.9% stake in Hong Kong listed G-Resources Group Limited, whose primary asset is a 95% equity interest in the Martabe Gold and Silver Project in Indonesia.

Mission and Vision

To become a globally competitive copper producer with an annual production of 250,000 tonnes of copper within three to five years. We intend to grow both organically through exploration and non-organically through acquisitions, with a focus on development-ready or advanced exploration projects.

At a Glance

Mine type
Open pit

Capex
US$745 million

Expected mine life*
11.5years

Strip ratio
2.5 : 1

Resources
413Mt@0.79% copper

Reserves*
163Mt@0.80% copper

Status
Definitive Feasibility Study completed in August 2009
EIA approved in September 2010
Construction to commence in 2011

*Assuming $1.65/lb. copper price amongst other things.

Mina Justa Copper Project

(Peru – 70% ownership)

Mina Justa Copper Project is a 413 million tonnes, 0.79% copper deposit in southern Peru that is being developed by Marcobre S.A.C., of which the Company owns 70%.

The Mina Justa deposit contains approximately seven billion pounds of copper. A Definitive Feasibility Study was completed in 2009 for an 110 thousand tonnes per annum operation.

On July 17th, 2011, the Company sign an agreement to sell its interest in the project to Glencore for US$475 million.

Mine type

Open pit

Processing method

Oxide: heap leach

Reserves

11.2Mt@1.10% copper

Resources

65.2Mt@0.71% copper

Status

Producing

2011 Estimated production: 24,000 – 25,000 tonnes
2012 Estimated production: 28,000 – 30,000 tonnes

Lady Annie Copper Mine

(Australia – 100% ownership)

Lady Annie is a copper mine and solvent extraction/electrowinning (SX-EW) processing facility in Queensland Australia approximately 120km northwest of Mount Isa.

The Company owns 100% of Lady Annie and began copper production in November 2010.

The operation has the capacity to produce up to 30,000 tonnes per annum of copper cathodes. Reserves as of 31 December 2009 were 11.2 Mt @ 1.10% copper and total resources as at November 2010 were 65.2 Mt @ 0.71% copper.

Lady Annie lies within the Mount Isa Inlier which contains numerous world-class base and precious metals ore bodies. The potential for additions to resources and reserves are excellent in and around the existing ore bodies and on the Company's highly prospective exploration tenements.

Our theme, ***Breaking new ground, building a brighter future*** **signifies the tremendous achievements we have made during the year with the closing of both the Lady Annie and Chariot Resources acquisitions, the strengthening of our balance sheet with an approximately US$600 million equity raise, the establishment of operations and first copper production at Lady Annie and the significant progress made in the development of Mina Justa.**

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CST MINING GROUP LIMITED

We remain committed to becoming a globally competitive copper player.

Chiu Tao, Chairman, CST Mining Group Ltd.

Growth Strategy

Our long-term strategy is to grow the Company into a world-class Asia Pacific copper miner with a production target of 250,000 tonnes per year within three to five years.

The Company's expansion will be achieved through organic and non-organic growth, with a focus on development-ready or advanced exploration projects.

The main acquisition criteria are mines or projects that are, or have the capability of, producing more than 50,000 tonnes per annum of copper, have a long mine life with low cash costs, and offer significant exploration upside for further resource discovery.

22.06.2010
- Change of name to "CST Mining Group Ltd."

08.09.2010
- Approval of Environmental Impact Assessment of Mina Justa project by Ministry of Energy and Mines of Peru.

25.11.2010
- Production of copper cathode at Lady Annie, the Company officially joining into the ranks of global copper producers.

06.12.2010
- The Company delivers first batch of copper cathode to customer MM Kembla, one of the largest supplier of copper products in Australasia. That company will purchase 60% of Lady Annie's production in 2011.

07.04.2011
- Provisional water license is granted to Mina Justa project, another key milestone in the development and construction of our mine in Peru.

Chairman's Statement

I continue to see good prospects in mining and resource related investments for our company. We are especially excited about our Lady Annie project in Australia, where we are breaking new ground every week.

Dear Shareholders,

In our last Interim Report, I promised that I would have encouraging news for you by the end of our fiscal year. I am pleased to say that I am able to live up to that pledge.

Recently, we announced that we had entered into a memorandum of understanding with Glencore International AG in connection with the proposed disposal of our interest in the Mina Justa Project in Peru for the sum of US$475 million. If we are successful in completing the proposed transaction with Glencore, we will have created more than US$200 million in value for our shareholders in a period of about one year.

Although we are delighted by this development, our mission and vision have not changed. We remain committed to becoming a globally competitive copper player.

I continue to see good prospects in mining and resource-related investments for our company. We are especially excited about our Lady Annie project in Australia, where we are breaking new ground every week. Unlike previous owners who carried out only limited exploration at a shallow depth, we are investing about US$28 million in 2011 in exploration activities at the Lady Annie, which has tenements covering a total area of 1,638km^2 and another 1,488km^2 for tenements under application.

We have already seen encouraging results from our exploration drillings. We have also announced a new resources statement for Anthill, which lies 45km south of the Lady Annie processing facility.

I believe these new resources, together with the conversion of our existing resources into reserves, will extend the mine life of Lady Annie well beyond four years and create even more value for our shareholders.

I have a lot faith in the Lady Annie Project. As you can see from Damon's report as set out on pages 6 to 8, production has been going smoothly in Australia, as planned. Currently, we are producing copper cathode but in the future we will also produce copper concentrate.

I would like to take this opportunity to thank all of my colleagues at CST Mining Group in Australia, in Peru and in Hong Kong for their hard work, and especially the Peruvian team who have put the project on track for commencement of construction in 2011.

I would also like to thank our shareholders. With your continuing support, I am confident that we can build an even brighter future for our company.

Chiu Tao
Chairman
Hong Kong, June 24th, 2011

CEO's Statement

We have built a foundation for tremendous growth and value creation for years to come. During this past fiscal year, we have significantly increased the asset base, capital base, number of employees and earnings and cash flow generating capabilities of the company.

Dear Shareholders,

2011 was a monumental year for your company. While the global economy was attempting to recover from the aftermath of the financial crisis, we were busy transforming China Sci-Tech from a successful investment trading company into CST Mining Group, Asia Pacific's newest copper mining company.

It is with great satisfaction that I write to you about our successful transformation. We have built a foundation for tremendous growth and value creation for years to come. During this past fiscal year, we have significantly increased the asset base, capital base, number of employees and earnings and cash flow generating capabilities of the company. None of this would have been possible without your support, the vision and guidance of the Board, and the dedication and hard work of our talented management and operational teams.

This past fiscal year started with the completion on May 31st of the A$130 million acquisition of the Lady Annie copper project in Australia. On June 11th, we closed the C$250 million acquisition of Chariot Resources, which owned a 70% controlling stake in the Mina Justa copper project in Peru. Finally, in the second half of June, we successfully raised US$600 million of equity in what was a very bad financial market environment.

That got us to a standing start.

While most of the copper industry struggles to maintain let alone bring on new production, we built an entire organization in Australia and put Lady Annie into production in record time. By September 2010, we had people and permits in place, equipment on site and were mining, crushing and stacking ore. On November 25th, CST Mining officially joined the ranks of global copper producers with the first copper cathode production at Lady Annie. In the first quarter of the 2011 calendar year, we produced 4,521 tonnes of copper cathodes at Lady Annie. We will expand our production capacity at Lady Annie in July and expect to produce and sell between 24,000 and 25,000 tonnes of copper cathodes during the 2011 calendar year. Production is expected to rise to 28,000 to 30,000 tonnes in calendar year 2012.

Today, our workforce at Lady Annie stands at over 215 full-time employees and 70 full-time contractors.

Exploration is a key focus for us as well. We have and will continue to create value with the drill bit at Lady Annie. During the course of the 2010 calendar year, we drilled over 44,000 metres on our tenements. In December 2010, we published a new JORC compliant resource estimate that increased our contained copper resources by 116 thousand tonnes, or 34%, over the previous estimate. We have budgeted A$28 million for exploration activities at Lady Annie in calendar year 2011. At peak activity levels later on this summer, we will have 7 drilling rigs running and will drill over 150,000 metres in total during this field season. Our target is to add at least 200 thousand tonnes of contained copper to our already extensive resource base through this campaign.

The development of Mina Justa has been progressing well since we took over in June 2010. We received approval of our Environmental Impact Assessment (EIA) in September 2010. In November 2010, we completed a 15,280 metre metallurgical drilling program. In December 2010, we awarded SNC Lavalin the contract for the extensive basic engineering work needed for our Beneficiation Concession Construction Authorisation permit and we submitted that permit application in May 2011.

In February 2011, we awarded Graña y Montero, the leading engineering and construction firm in Peru, the engineering and procurement work for the project infrastructure. We expect to reach agreement with them to construct the works.

In April 2011, we received our provisional water licence which included the approval of our water studies, the approval to construct our water infrastructure, and the authorisation to use water during construction.

In May 2011, we completed an updated resource estimate for Mina Justa that increased the estimate of contained copper from 6.8 billion pounds to 7.2 billion pounds and increased our confidence in the resource base with the movement of 20 million tonnes of ore grading 1.61% copper into the Measured resource category.

We grew the organisation significantly since we took over, having made almost a dozen new hires to the management team at Marcobre.

On June 9th, the significant value we have created since taking over the reins of Mina Justa was validated through our entering into a Memorandum of Understanding with Glencore to sell our stake in the project to them for US$475 million. Both parties are committed to the deal. We are working expeditiously with Glencore to finalise the necessary documentation and close the deal in October 2011.

CST Mining is committed to the communities in which we operate. We recognise that we have the responsibility to make the local communities better off while we're there and leave them better off after we are gone. At Mina Justa, we continued building on the community activities started by Chariot Resources and believe that Glencore will pick up where we left off. At Lady Annie, we are ardent sponsors and supporters of local community activities and have been working with the Kalkadoon people, the local traditional owner group, to provide opportunities for work and skills development as both direct employees and contractors.

I would like to thank my Chairman, Vice-Chairman and fellow Directors for their commitment and counsel over this past year. I would also like to thank all our employees for their dedication and hard work to make our vision of creating Asia Pacific's newest copper mining company a reality. In particular, I'd like to acknowledge Brian Wyatt, our General Manager, and Greg Betteridge, our Administration Manager, at Lady Annie for their superb and tireless efforts.

Finally, I would like to thank you, our shareholders, for your continuing support. Our plans were ambitious, our goals were high, and our challenges were formidable at the start of the year, and the constant support, feedback, and belief in our success has been greatly appreciated. The company that you own today is vastly different than the company you owned a year ago. The people, assets and capital are in place to drive long-term, sustainable shareholder value. It's going to be an exciting and great year ahead.

Sincerely yours,

Damon G. Barber
Chief Executive Officer
June 24th, 2011

Projects Overview:

Lady Annie

The copper cathode produced at Lady Annie is LME A grade quality.

Description and Location

Lady Annie operations is located approximately 120 kilometres northwest of Mount Isa, the major mining centre in North West Queensland, Australia . The Lady Annie mine is an open pit, oxide copper mine utilising a heap leach with solvent extraction and electrowinning technology to produce London Metal Exchange Grade A copper cathode. The mine has an extensive exploration tenement package, which is currently being explored for both near mine and regional copper targets.

The fly-in fly-out workforce is housed at the mine's 301-person accommodation village onsite. The workforce consists of approximately 219 full time employees and 80 full-time contractors, who are drawn from within the Mount Isa district and from the coastal ports in Queensland. The company utilises a F100 charter jet to repatriate the workforce weekly from the remote mine site location.

Location

120km

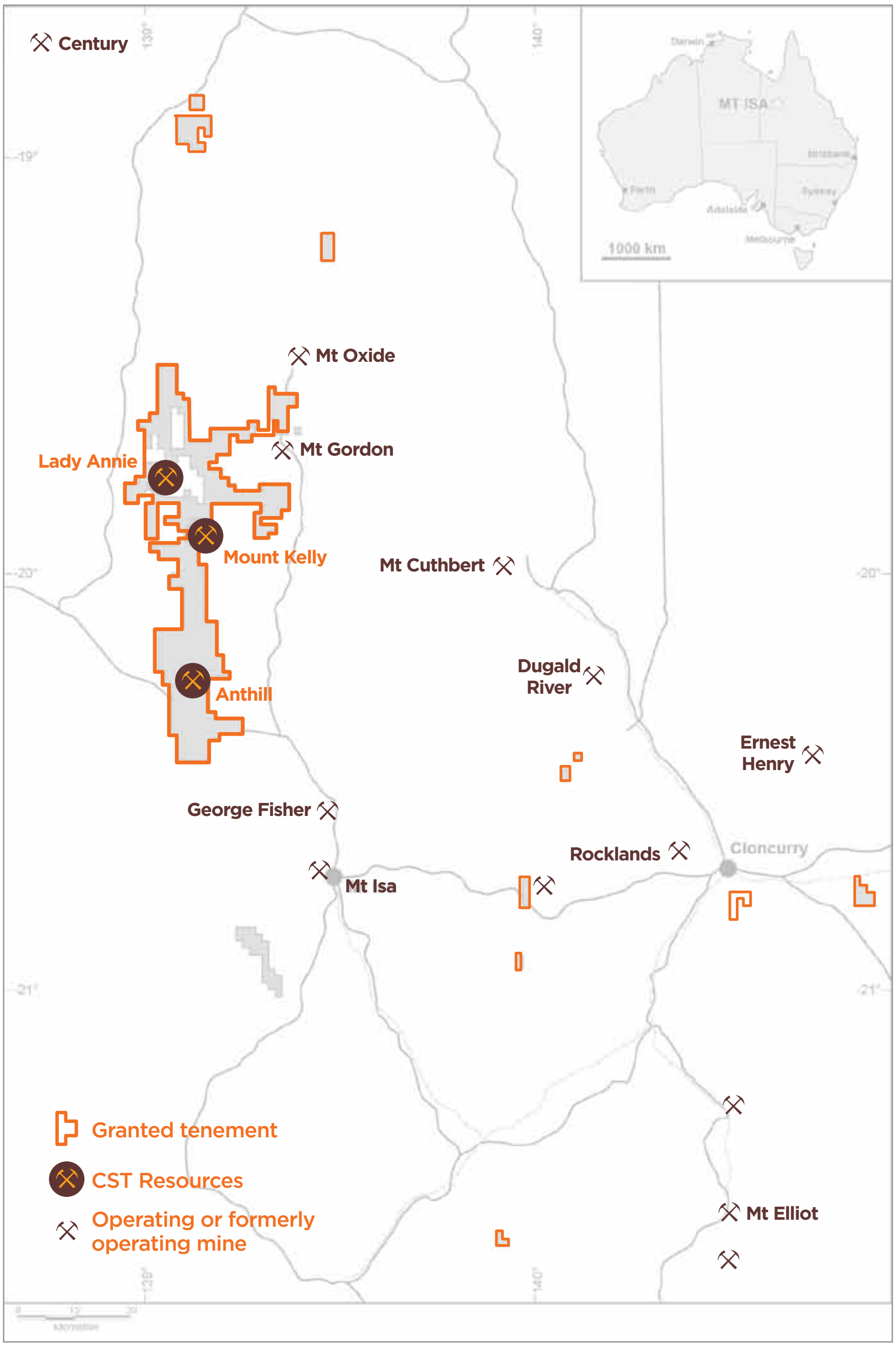
Northwest of Mount Isa

Production Capacity

30,000tpa

LME A Grade copper cathode

Location of Lady Annie



First Production of Copper Cathode

The mine began stacking freshly mined ore in September 2010. The leaching process began 2 weeks later culminating in the solvent extraction and electrowinning plant being restarted in November and first cathode produced on 25 November – over 4 months ahead of schedule. The first cathode was exported from site late November and sent to our first customer, MMK, in Port Kembla NSW Australia. All cathode produced from the mine to date has met and exceeded the LME A grade standard of classification.

Financial Year 2011 Drilling Program

Upon acquisition of the Lady Annie Project in May 2010, CST Mining embarked on an aggressive exploration programme consisting of both Diamond (DD) and Reverse Circulation (RC) drilling; an extensive airborne magnetics geophysical survey consisting of 23,580 line kilometres; regional soil geochemistry; and detailed prospect scale geological mapping across its Mining Leases (MLs) and regional tenement portfolio (EPMs).

Metrics of drilling completed in the reporting period are tabulated in the table below. One RC and one Multipurpose (MP) drill rig were utilised until 18 December 2010. Drilling re-commenced on 6 January 2011 utilising one RC and three MP drill rigs. A total of 540 drill holes for 49,505 metres of drilling were completed from 1 April 2010 to 31 March 2011.

Drilling Activities: 1 April 2010 to 31 March 2011

Lease_ID	Project	Number RC holes	Number DD holes	Number RC/DD holes	RC metres	DD metres
EPM11586	WILD GECKO	59	–	–	4,110	–
EPM16243	Lady Maggie	19	–	–	1,392	–
EPM16244	Buckley River/Anthill	84	7	–	9,600	903
ML5426	Mcleod Hill	1	–	–	102	–
ML5474	Suzie No 6/Mcleod Hill	17	–	–	1,648	–
ML5435	Mount Kelly	11	–	–	684	–
ML5446	Mount Kelly	9	–	–	639	–
ML5447	Mount Kelly	22	–	8	3,031	1,829
ML5448	Mount Kelly	85	–	2	7,563	289
ML5476	Mount Kelly	28	–	–	1,889	–
ML5478	Mount Kelly	19	–	–	1,604	–
ML90168	Mount Kelly	1	–	1	366	185
ML90169	Mount Kelly	5	–	–	295	–
ML90170	Mount Kelly	147	–	2	11,403	324
ML90179	Lady Annie	12	1	–	1,260	90
Total		**519**	**8**	**13**	**45,586**	**3,620**

Resources

Drilling has predominantly been focused on building up the resource inventory around CST Mining's existing mining infrastructure. A new Mineral Resource Estimate was completed in October 2010 by Snowden Mining Industry Consultants (Snowden), resulting in a global contained copper metal increase of over 116 thousand tonnes of copper metal.

The focus of drilling campaigns in 2010 and to end of March 2011 was around the Mt Kelly Mining area, Lady Annie Open Pit and the Anthill Prospect. The Mt Kelly Mining area consists of the Flying Horse, Mt Clarke West and Mt Clarke East open pits. The Anthill Prospect is 45km south of the Lady Annie SX-EW process facility. Further resource definition RC drilling was carried out at the McLeod Hill Prospect, six kilometres south of the Lady Annie SX-EW process facility on ML5426 and ML5474 and also at the Swagman Prospect, two kilometres southeast of the Lady Annie SX-EW process facility. The new October 2010 Mineral Resource Estimate is tabulated in table on the right.

Significant drillhole Copper intercepts from Mt Kelly include

• MTKC001	30m @ 1.26% Cu from 46m
• MTKC169	40m @ 1.01% Cu from 32m
• MTKC264	33m @ 1.33% Cu from 55m
• MTKC270	29m @ 1.24% Cu from 43m
• MTKC299	18m @ 1.37% Cu from 30m

Significant drillhole Gold intercepts from Mt Kelly include

• MTKC002	8m @ 1.63gt Au from 60m
• MTKC006	7m @ 1.19gt Au from 63m
• MTKC258	6m @ 1.44gt Au from 97m
• MTKC261	8m @ 5.58gt Au from 44m
• MTKC293	23m @ 2.31gt Au from 50m

Significant drillhole Copper intercepts from Anthill include

• BURC011	18m @ 0.98% Cu from 51m
• BURC012	22m @ 3.96% Cu from 44m
• BURC014	10m @ 3.95% Cu from 41m
• including	5m @ 7.58% Cu from 41m
• BURC064	42m @ 2.16% Cu from 63m
• BURC066	31m @ 4.40% Cu from 54m

Significant drillhole Gold intercepts from Anthill include

• BURC012	6m @ 0.30 g/t Au from 33m
• BURC011	20m @ 0.45 g/t Au from 16m

* Drillhole intervals are downhole lengths

A new Mineral Resource Estimate was completed in October 2010 by Snowden Mining Industry Consultants (Snowden), resulting in an increase of over 116 thousand tonnes of contained copper.

Lady Annie Mineral Resources Summary as at October 2010

	Measured Resources		Indicated Resources		Inferred Resources		Total		
Deposit	**Mt**	**Total Cu %**	**Mt**	**Total Cu %**	**Mt**	**Total Cu %**	**Mt**	**Total Cu %**	**Cu kt**
Oxide									
Lady Annie/Lady Brenda*	8.12	1.14	3.18	0.84	2.41	0.71	13.7	1.00	136.8
Mount Clarke	3.01	0.54	0.89	0.36	0.15	0.24	4.05	0.49	19.8
Flying Horse/Mt Kelly	5.93	0.48	2.05	0.36	0.37	0.27	8.36	0.44	36.9
McLeod Hill	–	–	–	–	0.48	0.35	0.48	0.35	1.7
Anthill	–	–	1.62	0.77	3.17	0.75	4.80	0.76	36.4
Swagman	0.14	0.67	0.03	0.62	0.02	0.53	0.20	0.64	1.3
Sub-total	17.2	0.8	7.78	0.64	6.61	0.67	31.59	0.74	232.8
Transition									
Lady Annie/Lady Brenda*	3.64	0.89	0.91	0.7	1.98	0.68	6.53	0.8	52.2
Mount Clarke	1.78	0.48	0.22	0.36	0.13	0.25	2.12	0.46	9.7
Flying Horse/Mt Kelly	2.03	0.51	1.15	0.51	0.17	0.33	3.36	0.5	16.9
McLeod Hill	–	–	–	–	0.55	0.57	0.55	0.57	3.1
Anthill	–	–	–	–	–	–	–	–	–
Swagman	–	–	0.07	0.6	0.04	0.45	0.11	0.54	0.6
Sub-total	7.45	0.69	2.34	0.57	2.87	0.61	12.67	0.65	82.4
Sulphide									
Lady Annie/Lady Brenda*	1.21	0.75	2.09	0.93	1.22	0.78	4.53	0.84	38
Mount Clarke	1.08	0.52	0.83	0.47	0.2	0.47	2.11	0.5	10.4
Flying Horse/Mt Kelly	–	–	3.84	0.79	9.18	0.62	13.02	0.67	87.7
McLeod Hill	–	–	–	–	0.39	0.56	0.39	0.56	2.2
Anthill	–	–	–	–	0.82	0.76	0.82	0.76	6.3
Swagman	–	–	–	–	0.03	0.45	0.03	0.45	0.1
Sub-total	2.29	0.64	6.76	0.8	11.85	0.64	20.90	0.69	144.7
Grand total	**26.95**	**0.76**	**16.88**	**0.7**	**21.33**	**0.65**	**65.16**	**0.71**	**459.9**

* Lady Annie/Lady Brenda Mineral Resource (above 174mRL) remains as per December 2007 model completed by CSA Australia Pty Ltd. Small discrepancies may occur due to rounding.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr. Jay Klopper, who is a member of The Australian Institute of Geoscientists. Mr. Klopper is a full time employee of CST Minerals Lady Annie Operations Pty Ltd and has sufficient experience relevant to the style of mineralisation under consideration to qualify as a competent person as defined in the "Australasian Code for the Reporting of Exploration Results, Mineral Resources or Ore Reserves" (JORC Code 2004 Edition). Mr. Klopper consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Mt Kelly near mine

Drilling at Mt Kelly identified copper mineralisation to the immediate east of the Flying Horse Pit over a strike length in excess of 450 metres, which remains open at depth to the east. Gold mineralisation has also been intersected in this zone adjacent to the Mt Kelly Fault and appears spatially separate to the copper mineralisation in the oxide horizon. Gold is spatially associated with the Mt Kelly Fault at depth in the sulphide zone. Investigation into the viability and tenure of the gold mineralisation is on-going. Drilling to the northwest of the Flying Horse Pit and to the north of the Mt Clarke West Pit has intersected further copper oxide mineralisation. There is strong potential for resource additions based on encouraging visual malachite mineralisation and results returned to date. The location of the Mt Kelly open pits is shown in Figure Y.

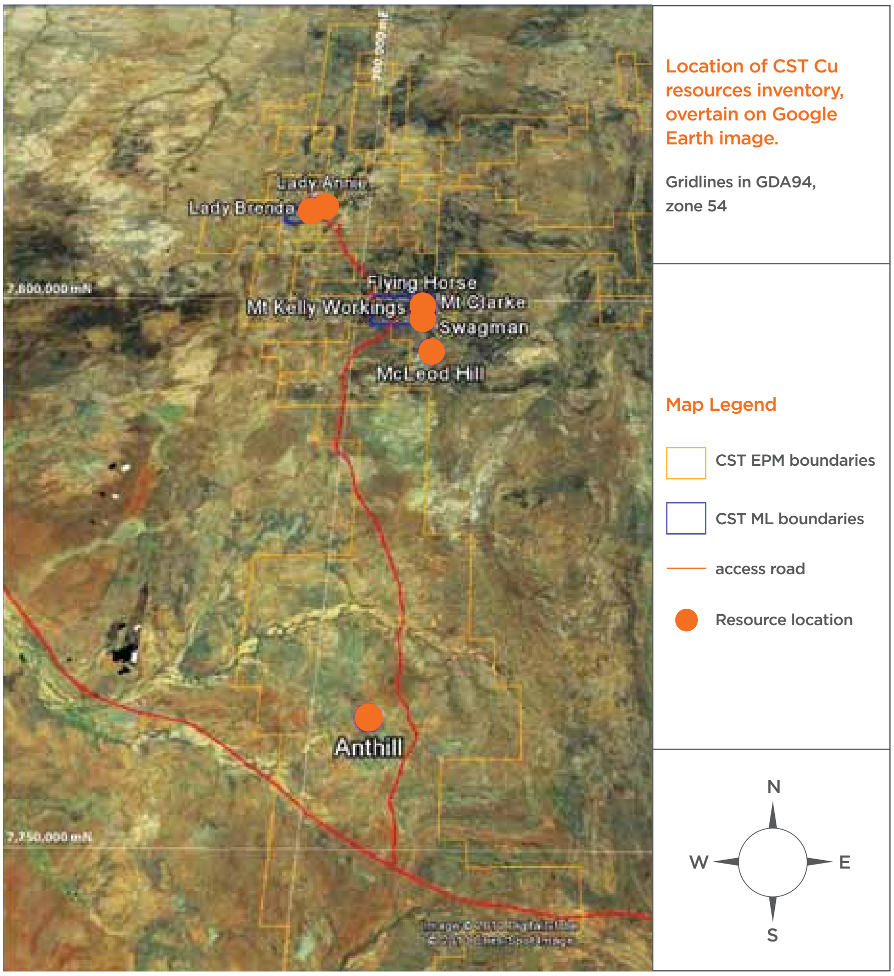


Figure Y: CST Mining Group, Lady Annie Copper Project resource location plan

Anthill Prospect

Reverse circulation drilling commenced in October at the Anthill Prospect, 45 kilometres to the south of the Mt Kelly SX-EW process plant on EPM 16244. The Anthill Prospect has a JORC compliant combined Indicated and Inferred Mineral Resource of 5.62Mt @ 0.76% Cu using a 0.3% COG. The aim of the drilling completed in 2010 was to increase the geological understanding of the resource, upgrade the resource category and identify areas of additional mineralisation. A new Mineral Resource Estimate is pending for the Anthill Deposit and is expected in May 2011. Exploration step-out drilling has returned strong zones of visual malachite and native copper mineralisation that have the potential to extend the resource to the northwest, east and southwest. The location of the Anthill Prospect is shown in Figure Y, and the location of significant intercepts is shown in Figure Z.

Diamond drilling was carried out to collect samples for metallurgical testwork to strengthen the understanding of the amenability of the oxide mineralisation to be treated at the Mt Kelly SX-EW Process Plant.

A total of 560m of PQ diamond core was collected for this testwork, the results of which are expected in Q3 2011.

McLeod Hill

McLeod Hill was historically mined at a small scale for high grade copper oxide. Sixteen RC holes were drilled to follow up mineralisation intersected in previous drilling. The drilling defined a zone of mineralisation extending over 800 metres of strike in a northerly orientation, with a shallow dip to the west. The mineralisation at McLeod Hill is structurally controlled and open at depth for potential sulphide mineralisation. The location of the McLeod Hill Prospect is shown in Figure Y.

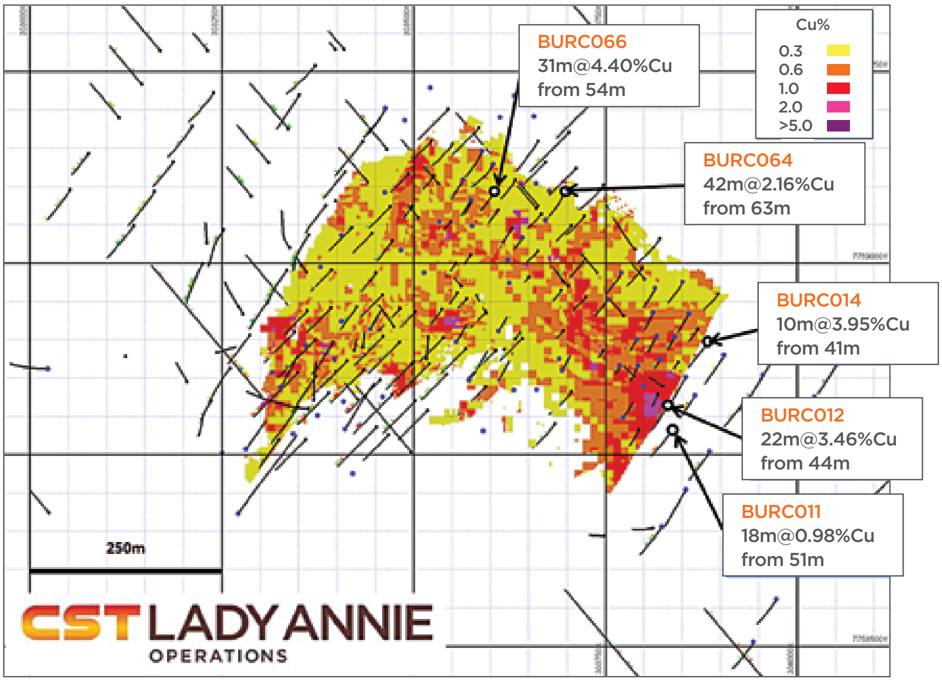


Figure Z: Plan view of the Anthill Resource at 0.3% Cu cut-off grade and location of significant intercepts.

Swagman

The Swagman Deposit is located approximately two kilometres to the southeast of the Lady Annie SX-EW process facility. Swagman constitutes a modest, structurally controlled oxide copper resource which strikes to the north northwest. Drilling along strike of the defined resource area indicates that further mineralised zones exist along the structural corridor to the north. These areas will be followed up in Q3 2011.

Regional Exploration

First pass exploration RC drilling was completed at the Wild Gecko and Lady Maggie Prospects. Exploration drilling at Wild Gecko targeted historic copper in soils geochemical anomalies and structural interpretation. Results of this drilling were encouraging and will warrant further follow-up, albeit of lower priority than other targets planned for drilling later in 2011. The Lady Maggie Prospect is centred around the historic Lady Maggie/Boomerang Copper Mine twelve kilometres south of the Lady Annie SX-EW process facility and was previously mined for high grade oxide and copper mineral specimens. Drilling targeted strike extensions of mineralised workings and intercepts in historic drilling. A new mineralised structure was defined five hundred metres to the east of the known mineralisation at the old mine. This mineralisation will be followed up with ground geophysics and further drilling in Q3 2011.

Airborne Magnetics Survey

UTS Geophysics Pty Ltd completed a high resolution, 23,580 line kilometre airborne magnetics survey over our granted tenement portfolio. The survey was flown at a 50 metre flight height and 50-100 metre line spacing. This survey was completed at the end of November 2010 and has already begun to provide a valuable base data set for exploration planning and geological understanding of the area.

Regional Prospecting and Mapping

Field reconnaissance prospecting, mapping and geochemical soil sampling were carried out at Cartridge Creek, Gun Creek, Redie Creek and Wild Gecko. Results of these surveys will be followed up in 2011, utilising the newly-acquired airborne magnetic survey and further field examination.

On-going Exploration Activity

Exploration activity will be escalated in 2011. A large drilling programme in excess of 155,000 metres of combined RC, DD and Rotary Air Blast Drilling has been planned. A total of six drill rigs will be used to complete the planned drill programmes with another two rigs potentially being utilised in the later part of 2011. The major aim of the on-going drilling programme is to continue to expand the current resource inventory, convert Measured and Indicated Resources into Reserves, define further resource extensions and convert existing Transitional Resources into mineable reserves. A significant amount of drilling will be used to define the extent and confidence in the Sulphide Resource base and to build on these resources by strike and down dip extension. Further to the near resource, drilling rigs will be utilised to test regional targets on the extensive granted tenement portfolio in the Mt Isa region. Diamond drilling is planned in the existing mining areas to collect samples for metallurgical testwork on Transitional ore beneath the current open pits.

Recruitment of geologists and field technicians will be scaled up to a complement of 41 staff at the end of the recruitment process. Further regional geophysics is planned to assist in the evaluation of new tenure when granted, while ground geophysics is planned over existing high priority exploration targets.

Projects Overview:

Marcobre

Drilling for metallurgical test samples at Mina Justa. Revised estimates show an increase from 6.8 billion pounds of contained copper to 7.2 billion pounds.

Project Description and Location

The Mina Justa Project is located approximately 400 kilometres southeast of Lima within Nazca Province, Ica Department of the southern Peruvian coastal belt at elevations ranging from 750 metres at sea level (masl) to 820 masl. The centre of the property lies approximately 25 kilometres from the coastal town of San Juan de Marcona. The provincial capital of Nazca on the Pan-American Highway is located approximately 35 kilometres to the north-northeast.

The project site consists of two adjacent areas referred to as Target Area 1 and the Marcobre block of claims ("Marcobre Claims"), which together cover approximately 32,899 hectares. The Mina Justa Project is located in Target Area 1.

Target Area 1, the Marcobre Claims and the Mina Justa Project are shown in the Figure 1.

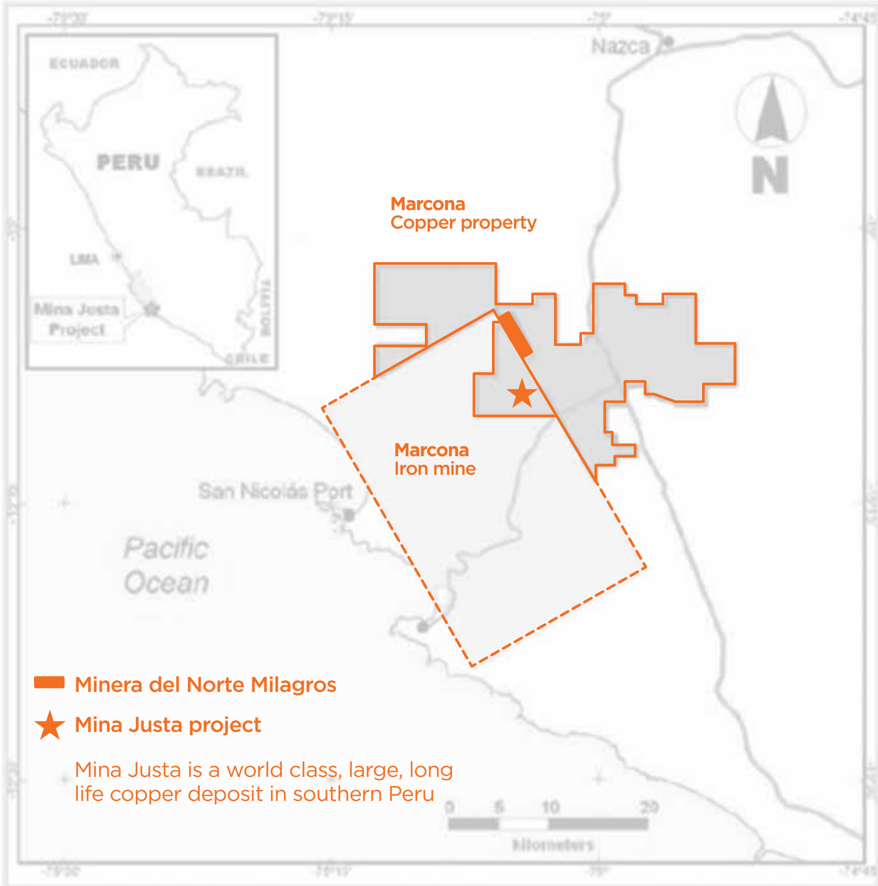


Figure 1: Location of Mina Justa

Location

400km

Southeast of Lima

Production

110,000tpa

Copper

The Mina Justa Project comprises two deposits, the Mina Justa and Magnetite Manto deposits, which cover approximately 3,969 hectares and are separated by 1 kilometre of barren ground.

The definitive feasibility study (DFS), undertaken by GRD Minproc Limited (GRD Minproc), covers the proposed project, which is designed initially to process 12 Mt/a of oxide ore by crushing, vat leaching, solvent extraction and electrowinning to produce up to 52,000 t/a of cathode copper. The facilities will be expanded during operating year 2 to include a 5 Mt/a concentrator to treat copper sulphide ore underlying the oxide ore in certain portions of the Mina Justa deposit. The concentrator plant design, engineering and costing is developed to prefeasibility study (PFS) level. As Mina Justa and Magnetite Manto deposits are located at relatively low altitude, in an arid area with moderate topographic relief, rock strengths are low to moderate and there is no groundwater and insignificant rainfall, therefore open pit mining will be routine and low cost.

Mineral Resource Update

In February 2011, the company retained the services of Snowden Mining Industry Consultants to carry out a resource update for the Mina Justa project. It incorporates data from an additional 176 holes that were drilled since late 2008, mainly in the Northern Oxides and the Mina Justa sulphide domains.

Mineral Resource Estimation

Mineral Resources

The mineral resources at CuT cut-offs of 0.3% is summarized below:

Table 1 Cu Resources reported by total copper cut-off*

Cut-off grade (0.3% CuT%)	MillionTonnes	CuT (%)	CuMlbs
Measured	20.5	1.61	729
Indicated	313.7	0.72	4,971
Inferred	79.1	0.84	1,461
Measured + Indicated + Inferred	413.3	0.79	7,161

*Notes: Resource classification categories are in accordance with JORC Code (2004) definition standards. Data may not tally exactly due to rounding. CuT = total Cu%.

Table 2 Ag and Au Resources reported by total copper cut-off*

Cut-off grade (0.3% CuT%)	MillionTonnes	Ag (g/t)	Au (ppb)	Ag (Koz)	Au (Oz)
Measured	20.5	15	46	10,200	30,600
Indicated	128.5	8	57	32,300	237,200
Inferred	71.7	5	75	11,000	172,000
Measured + Indicated + Inferred	220.7	8	62	53,600	439,800

* Resource classification categories are in accordance with JORC Code (2004) definition standards. Data may not tally exactly due to rounding. CuT = total Cu%; Ag and Au data are only reported for the transition and sulphide domains (151, 152, 153, 201, 202, 211, 212).

In comparison to the results of the previous resource update, completed in October 2008, the global contained copper above a 0.3% CuT cut-off has increased by 5.0%. Gold contained metal above a 0.3% CuT cut-off has increased by 0.1%, while silver decreased by 2.5%. These differences are attributed to improved modelling of the mineralogical and geological wireframes, and to estimation of density values into the model. In the 2008 resource update density values were assigned.

A core sample at Mina Justa taken during the drilling programme.

Project Construction

The construction of the Mina Justa production facilities must await award of the Beneficiation Concession Construction Authorization Permit. Receipt of this key permit is expected in the fourth quarter of 2011.

Nevertheless, Marcobre's EIA allows the development of certain infrastructure, temporary and non-process facilities at the Mina Justa site. It was determined that this work, if carried out ahead of the contract for the process facilities, would enable Marcobre to advance a number of critical activities and thereby accelerate the later construction of the major process facilities.

GMI, the engineering arm of the Graña y Montero group of companies, was selected to provide engineering services to advance this work. As GMI had provided these services under the direction of Minproc during the 2009 DFS, it was well positioned to assist Marcobre with this work.

The Early Works programme, which began in early March, is broken down into the following areas:

- General plant area
- General services (water storage, water treatment, temporary power generation and distribution
- Infrastructure (administration building, dining room, first aid and fire station, warehouse and offices)
- Power supply to Jahuay well field
- Access road
- Construction camp and village
- Water supply

Field activities began with site surveys to mark the location of all early works facilities and systems and provide the data necessary to initiate permit applications for the water supply system, access road and internal 22.9 kv power distribution.

Expenditure on exploration, mining and development activities

During the financial period since acquisition

	Lady Annie US$'000	Mina Justa US$'000	Total US$'000
Administration	32	104	136
Camp expense	214	100	314
Community relation expense	–	25	25
Consultancy & contractor expense	612	975	1,587
Drilling & assays expenses	4,137	1,420	5,557
Health, Safety & Environment	15	370	385
Machinery and equipment	334	109	443
Mining leases fee	34	–	34
Others	643	1,462	2,105
Staff Cost	1,943	2,215	4,158
Total	**7,964**	**6,780**	**14,744**

Corporate Sustainability Report

At any time when the natural environment is disturbed, we give careful consideration to the long-term impacts that this will cause.

Core Values

In our operations at Lady Annie in Australia and Mina Justa in Peru, we focus on safety, health, the environment and the community, all of which are integral to our core values.

Safety

Our approach to safety has been a dynamic and ever-changing one during all stages of our development. The safety of all our site employees remains paramount, and this has led to a deep understanding of many of our site risks on which our HSE management system is being developed.

The Environment

Disturbance of the natural terrain is unavoidable in any mining operation; however, at Lady Annie we have taken a whole-of-life approach right from the start. At any time when the natural environment is disturbed, we give careful consideration to the long-term impacts that this will cause and the effort it will take to rehabilitate the land at the earliest possible stage.

At Lady Annie, we have ensured that our summer wet season does not have a negative impact on our site or our downstream neighbours. We have achieved this by installing an extensive drainage system to divert natural water runoff around our processing plant and ponds as well as our open pits in the event of sustained monsoonal rains. This has proved effective in our recent near-record wet season.

We have several partnerships with local communities in the Lady Annie area.

Community Support

We have several partnerships with local communities in the Lady Annie area. They include our traditional owner group, the Kalkadoon people, who have been custodians of our land for countless generations; our landholders and neighbours whose lives may be impacted by our operations; and the local Mt Isa, Cloncurry and Camooweal communities where we work.

Traditional Owners Uncle Richard Percy and Uncle Clive Sam, conducting onsite clearances to protect aboriginal cultural sites at Lady Annie.

Monitoring of water quality by CST Lady Annie Operations Environmental Scientists.

Native title applications and determination areas near Mount Isa in North West Queensland region.

The Kalkadoon people will gain official recognition as Traditional Owners of this region, which includes Mount Isa in the North West Queensland region.

The region is over 38,720 square kilometres and covers several townships including Mount Isa. This recognition will take place on Monday 12 December 2011 in Mount Isa.

We have been working with the traditional owner group to provide opportunities for work and skills development as both direct employees and also as contractors. We currently have 12 traditional owners and 22 indigenous employees with negotiations underway to implement an apprenticeship scheme that will target the traditional owners and local indigenous people.

We also provide sponsorship and support to various local organisations, including North Queensland Rescue (NQR); NAIDOC (National Aboriginal and Torres Strait Islander Day of Celebration), which recognises indigenous people; the 2 Deadly Awards, including Camooweal Campdraft (a major event organised and highly regarded by local landholders); and some local sporting groups.

Preservation of Antiquities

Extensive archaeological investigations of the Mina Justa project area have uncovered a number of shelters locally known as paraviento, which were used by ancient travellers to protect themselves from the often harsh winds which are common in the project area. These early travellers are understood to have trekked on foot throughout the coastal plain and often built simple rock walls to shelter behind when they rested during the long cool nights.

As part of the development of the Mina Justa project, detailed archaeological investigations have been conducted meeting the requirements of the Peruvian National Cultural Institute (INC). Further field investigations are taking place at each of the sites identified during the initial archaeological survey. Depending on the proximity of each site to project facilities, the sites are either being fully excavated or clearly marked and protected by boundary indicators.

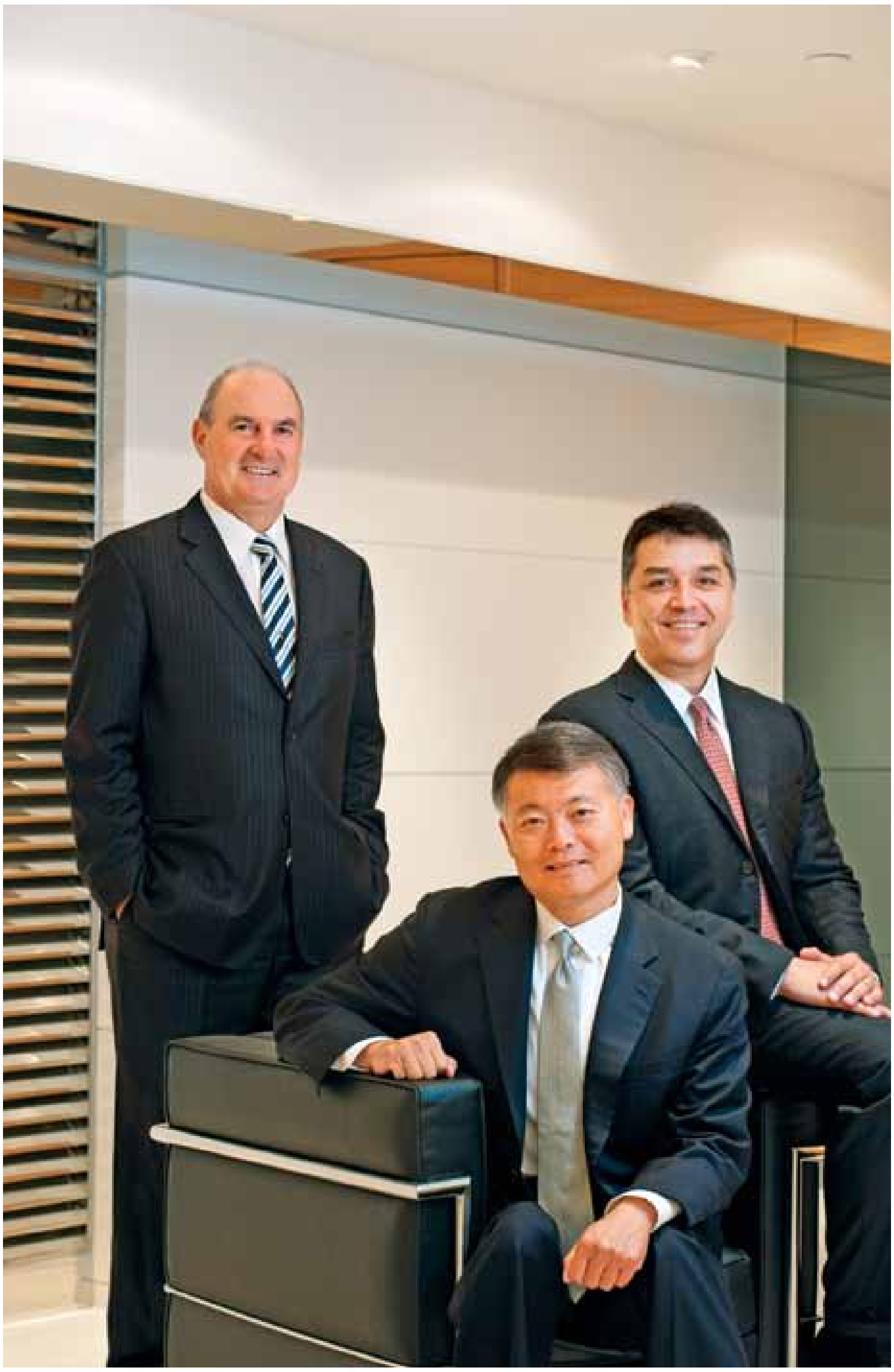
The archaeological sites discovered at Mina Justa could be considered minor compared to the great sites of Peru such as Machu Picchu or the Nazca Lines. However, the careful management of these sites at Mina Justa is an essential project requirement that helps to provide additional detail of the complex anthropologic history of an archaeologically complex country.

Management Report

"On November 25th, CST Mining officially joined the ranks of global copper producers with the first copper cathode production at Lady Annie."

Damon G. Barber,
Chief Executive Officer,
CST Mining Group Ltd.

Biographical Details of Directors and Senior Management



(From left) Mr Owen L. Hegarty, Mr Chiu Tao and Mr Damon G. Barber

Executive Directors

Chiu Tao, aged 55

was appointed as Chairman and an executive director of the Company on 10 March 2009 and 7 November 2008, respectively. Mr Chiu is the brother-in-law of Mr Yeung Kwok Yu. He has extensive experience in the metal business, trading, investment planning, business acquisitions and development, and corporate management. He is currently the Chairman and an executive director of G-Resources Group Limited ("G-Resources"), whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Owen L. Hegarty, aged 63

was appointed as Vice-Chairman and an executive director of the Company on 31 May 2010. Mr Hegarty has some 40 years' experience in the global mining industry. Mr Hegarty had 25 years with the Rio Tinto group, where he was Managing Director of Rio Tinto Asia and Managing Director of the Group's Australian copper and gold business. He was the founder and Chief Executive Officer of Oxiana Limited, which grew from a small exploration company to a multi-billion dollar Australia, Asia and Pacific focused base and precious metals producer, developer and explorer. Oxiana Limited later became OZ Minerals Limited.

For his achievements and leadership in the mining industry, Mr Hegarty was awarded the Australasian Institute of Mining and Metallurgy Institute Medal in 2006 and the G.J. Stokes Memorial Award in 2008.

Mr Hegarty is currently Vice-Chairman and an executive director of G-Resources, as well as a non-executive director of Australian Fortescue Metals Group Limited (whose shares are listed on the Australian Stock Exchange), a director of the Australasian Institute of Mining and Metallurgy; and a member of the South Australian Minerals and Petroleum Expert Group, advising the Premier on mining in that State; and a director of the Western Australia based Mining Hall of Fame Foundation – a mining education foundation. He is Founding Patron of Coalition for ECO – Efficient Comminution, not-for-profit organization aimed at increasing energy efficiencies in mining and minerals processing.

Mr Hegarty was a non-executive director of Range River Gold Limited (whose shares are listed on the Australian Stock Exchange).

Mr Hegarty is also Chairman of Tigers Realm Minerals Ltd, a private Melbourne based mining company.

Damon G. Barber, aged 43
was appointed as Chief Executive Officer and an executive director of the Company on 1 April 2010. Prior to joining the Company, he was the Managing Director, Head of Metals and Mining, Asia with Deutsche Bank. Mr Barber has over 18 years of experience in advisory and management roles in the natural resources industry having worked 5 years in the US mining industry and having spent over 12 years advising and assisting natural resource companies on mergers and acquisitions, divestments, debt and equity capital raisings, leveraged buy-outs and project financings as a member of Deutsche Bank's Natural Resources Group from 2007 to 2010 and Credit Suisse's Natural Resources Group from 1998 to 2007. From 1996 to 1998, Mr Barber was a bond trader at Credit Suisse First Boston. Mr Barber holds a Bachelor of Science degree in Mining Engineering, cum laude, from the University of Kentucky and a Master of Business Administration degree, with distinction, from the Wharton School of Business.

Hui Richard Rui, aged 43
was appointed as an executive director of the Company on 17 August 2004 and as General Manager of the Company on 11 October 2006. He graduated from the University of Technology in Sydney, Australia with a Bachelor's degree in Mechanical Engineering. He has more than 10 years' experience in management positions with companies in Australia, Hong Kong and the People's Republic of China. Mr Hui is also an executive director of G-Resources and an executive director of China Strategic Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

Yeung Kwok Yu, aged 60
was appointed as an executive director of the Company on 26 September 2008. Mr Yeung is the brother-in-law of Mr Chiu Tao. Mr Yeung has held management positions in trading companies based in the People's Republic of China and Hong Kong, and was also engaged as a senior manager in various listed companies in Hong Kong. Mr Yeung has extensive experience in general trading, strategic investment planning and business development. He is also an executive director of Fulbond Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

Kwan Kam Hung, Jimmy, aged 49
was appointed as an executive director of the Company on 11 November 2002. He has over 15 years of experience in the fields of finance and accounting and corporate management. Mr Kwan is currently an executive director of G-Resources and an executive director of Fulbond Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

Tsui Ching Hung, aged 58
was appointed as an executive director of the Company on 2 May 2007. He holds a Master of Science degree in Polymer Science and a Master of Business Administration degree from the University of Aston and University of Warwick in the United Kingdom, respectively. He has over 10 years of experience in senior management positions with several multinational corporations in Hong Kong. Mr Tsui is currently a non-executive director of G-Resources and an independent non-executive director of Rising Development Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

Chung Nai Ting, aged 55
was appointed as an executive director of the Company on 2 May 2007. He has over 20 years of experience in the trading business.

Lee Ming Tung, aged 49
was appointed as an executive director of the Company on 28 September 2007. He is also the Chief Financial Officer of the Company. He holds a Bachelor of Science degree in accounting from Brigham Young University in the United States, a Master of Accountancy degree from Virginia Polytechnic Institute and State University, a Master of Financial Engineering degree from City University of Hong Kong and a Postgraduate Diploma in Corporate Administration from Hong Kong Polytechnic University. Mr Lee is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 15 years' experience in the field of accounting and finance.

Wah Wang Kei, Jackie, aged 44
was appointed as an executive director of the Company on 25 June 2010. Mr Wah graduated from The University of Hong Kong in 1990. He is a practising solicitor in Hong Kong and was qualified as a solicitor in 1992. Mr Wah was a partner of Vivien Chan and Company, a law firm in Hong Kong, until 1997 and was a consultant of Messrs. Beiten Burkhardt, an international law firm until 16 December 2010. Mr Wah is currently an executive director of G-Resources and Fulbond Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

Independent Non-Executive Directors

Yu Pan, aged 56
was appointed as an independent non-executive director on 28 September 2004. He has over 15 years of management experience in multinational trading companies in Hong Kong and the People's Republic of China. Mr Yu is currently an independent non-executive director of Fulbond Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

Tong So Yuet, aged 39
was appointed as an independent non-executive director on 24 February 2005. She graduated from Hong Kong Polytechnic University with a bachelor degree in accountancy. She is a fellow member of the Association of Chartered Certified Accountants, an associate member of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Company Secretaries, The Institute of Chartered Secretaries and Administrator and a Certified Public Accountant (Practising). Prior to joining the Company, Ms Tong had over 15 years of experience in the auditing and accounting sector.

Chan Shek Wah, aged 47
was appointed as an independent non-executive director on 1 June 2007. He has more than 20 years of professional experience in the financial services industry. He was engaged in the sales, proprietary trading, structuring of equity derivatives and equity capital market products as well as the provision of corporate finance advisory services to listed issuers. He was a senior manager and executive director with several international financial institutions. Mr Chan is currently an independent non-executive director of Future Bright Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

Operations Management — CST Minerals Lady Annie Pty Limited

Barry Deans, aged 65
General Manager, Australia. Mr Deans is a qualified metallurgist with 40 years of operational experience in the mining industry. Having started his career at Mt Morgan, Queensland in 1970, he spent 9 years at Bougainville Copper in Papua New Guinea, where he was promoted to Concentrator Manager before the enforced mine closure. Since returning to Australia, Mr Deans has worked at a senior management level at GCC, Nifty, Whim Creek and CopperCo, all Copper SX-EW projects.

Brian Wyatt, aged 48
General Manager. Mr Wyatt has worked in the mining industry for the past 25 years. He began his career in the goldfields region of Western Australia in the mid-1980s and for over 9 years worked for various gold mining projects, including 4 years at the Higginsville gold mine. He then moved to Queensland, Australia, where he worked for Mt Isa Mines in a senior capacity for more than 9 years, as well as Ravenswood Gold Mines as Processing Manager, Plant Newlands Coal as Manager (Coal Handling & Preparation) and the NCA Project as the Safety & Training Manager. Mr Wyatt spent the next five-and-a-half years with the Strait Resources Whim Creek Copper Project in the Pilbara region of Western Australia and then the Lady Annie SXEW Copper Mine Project (stages 1 and 2). He joins CST Lady Annie following a management role with Sedgman Pty Ltd (Coppabella Mine) and direct from a project feasibility review team with a greenfield gold project.

Jay Klopper, aged 46
Exploration Manager. Mr Klopper has over 18 years of multi commodity exploration experience in Australia and Africa, specialising in base metals and gold exploration in a diverse range of geological environments. His experience ranges from remote area to near-mine exploration. Prior to taking up his current position with CST Lady Annie, he was General Manager Exploration for Zambezi Resources. He has also held positions with Gallery Gold, Western Metals, Metex Resources, Resolute Resources Ltd and BHP. He has worked and managed projects in Western Australia, Queensland, Zambia, Burkina Faso, Tanzania, the Democratic Republic of Congo and Mozambique. Mr Klopper graduated with a First Class Honours degree in Geological Science from Curtin University, Perth in 1993 and is a member of the Australian Institute of Geoscientists.

Operations Management — Marcobre S.A.C.

Randy L. Davenport, aged 55
President and General Manager. Mr Davenport has more than 25 years' experience in the mining industry. From 2009 to 2010, he was CEO of Nord Resources and before that spent 22 years with Phelps Dodge and Freeport McMoRan. With those companies, he held numerous senior management positions overseeing engineering, project evaluation and development and operations, including President and General Manager of Cerro Verde, one of the largest copper mines in Peru. During his time at the helm of Cerro Verde, Davenport led the activities that resulted in the US$850 million expansion of Cerro Verde, which tripled the mine's production and increased the mine life by 25 years. During his earlier career with Phelps Dodge, he held several operating and engineering positions at their Morenci and Chino mines in south-western Arizona and was involved in numerous international project evaluations and due diligences. He has a Bachelor of Science degree in Mining Engineering from the University of Idaho.

Terry B. Linde, aged 60
Vice President Engineering and Project Development. Mr Linde has over 30 years of experience in project management, principally in the mining and metallurgical process industries, including over 20 years at Phelps Dodge and Freeport McMoRan. Prior to joining CST Mining, Mr Linde advised various mining and industrial clients on their technical programmes, capital projects and new business initiatives. He has also held various senior management positions at Phelps Dodge and Freeport McMoRan, including Director, Project Development – the Americas from 2007 to 2009 and Project Director/Senior Project Manager from 2000 to 2007 for various projects in the United States and abroad, including the $850 million expansion of Cerro Verde in Peru. From 1995 to 2000, Mr Linde worked for Simons Engineering's Mining Group, the last 4 years as General Manager of the mining group in Phoenix. Prior to joining Simons, he held numerous other roles at Phelps Dodge, including Chief Engineer and Senior Project Manager for various projects. He holds a Bachelor of Science in Mechanical Engineering from the South Dakota School of Mines & Technology.

Management Discussion and Analysis

Business Review

CST Mining Group Limited ("CST Mining" or "Company"), previously known as China Sci-Tech Holdings Limited, is a mineral development company based in the Hong Kong S.A.R.. CST Mining is focused on the acquisition, exploration, development, mining and processing of copper and associated non-ferrous metals found with copper mineralisation.

The Company's principal operations and projects are the 100% owned Lady Annie operations in Queensland, Australia and the 70% owned Mina Justa project in southern Peru. The remaining 30% of the Mina Justa project is owned by a consortium of Korean companies. CST Mining commenced copper production at Lady Annie on November 25th 2010.

On May 31st 2010, CST Mining completed the acquisition of all the share capital of Cape Lambert Lady Annie Exploration Pty. Ltd. for A$130 million (equivalent to US$110 million) plus potential contingent payments of A$5 million (equivalent to US$4.2 million).

On June 11th 2010, CST Mining completed the acquisition of all the share capital of Chariot Resources Limited, which owned a 70% stake in Marcobre S.A.C., which in turn owned 100% of the Mina Justa project.

On June 25th 2010, the Company completed a global equity offering of 23,400,000,000 shares at HK$0.20 per share. The Company realized gross proceeds of approximately HK$4.68 billion (equivalent to US$600 million).

The Company began production of copper cathodes at Lady Annie on November 25th 2010 and its first sales of copper in December 2010.

The table below provides certain key operational information for Lady Annie for the quarter ended December 31st 2010 and for the quarter ended March 31st 2011.

Lady Annie Operating Results

	Dec Qtr 2010	March Qtr 2011
Mined		
Total material movement (tonnes)	3,530,423	4,435,554
Ore (tonnes)	521,671	385,030
Ore grade (copper %)	1.05%	0.90%
Contained copper (tonnes)	5,478	3,465
Stacked		
Ore (tonnes)	593,686	380,225
Ore grade (copper %)	0.98%	0.75%
Contained copper (tonnes)	5,818	2,852
Production		
Copper cathodes (tonnes)	1,386	4,521
Sales		
Copper cathodes (tonnes)	412	4,676
Average realized price (US$/tonne)	9,252	9,699

Lady Annie

Lady Annie produced 5,907 tonnes of copper cathodes between November 25th 2010 and March 31st 2011. Copper cathode sales for the year were 5,088 tonnes at an average price of US$9,663.

The unusually high amount of rainfall this past wet season forced an alteration to mining plans in the last quarter of the fiscal year which, while overall tonnages were in line or above plan, resulted in more overburden removal and mining at higher bench levels where the ore grade was lower than the ore zones deeper in the pits. Since the end of the wet season in April, mining plans have been revised to reverse this mix of tonnages and to mine the highest grade ore zones first.

A new JORC compliant resource estimate for Mount Clarke, Flying Horse, Anthill, Swagman and McLeod Hill copper deposits was announced on December 13th 2010. Total resources increased by over 116 thousand tonnes of contained copper, a 34% increase over previous estimates. As of March 31st 2011, total resources at Lady Annie stood at 65.2 Mt grading 0.71% copper for 460 thousand tonnes of contained copper.

A summary of the financial results for the Australian group is set out below:

	2010 Jun - Dec US$'000	**2011 Jan - Mar US$'000**	Total US$'000
Revenue	3,511	**41,392**	44,903
Cost of sales	(961)	**(25,937)**	(26,898)
Gross profit	2,550	**15,455**	18,005
Other income and other gains	390	**(51)**	339
Distribution and selling expenses	(141)	**(1,935)**	(2,076)
Administrative expenses	(7,008)	**(3,328)**	(10,336)
Finance costs	(895)	**(1,246)**	(2,141)
(Loss) Profit before taxation	(5,104)	**8,895**	3,791
Depreciation in administrative expenses	388	**166**	554
Depreciation in cost of sales	433	**5,831**	6,264
Total depreciation	821	**5,997**	6,818

Non-HKFRS financial measure

The term "C1 operating cost" is a non-HKFRS performance measure reported in this Management Discussion & Analysis and is prepared on a per-pound of copper sold basis. The term C1 operating cost does not have any standardized meaning prescribed by HKFRS and therefore may not be comparable to similar measures presented by other issuers. C1 operating cost is a common performance measure in the copper industry and is prepared and presented herein on a basis consistent with the industry standard definitions. C1 operating costs includes all mining and processing costs, mine site overheads and realization costs through to refined metal.

The following table provides, for the period indicated, a reconciliation of the Company's C1 operating cost measures to the statement of comprehensive income for our mining business – Australia operating segment in the Financial Statements:

	2011 Jan - Mar US$'000
Costs as reported in the income statement:	
Direct and indirect mining cost	**18,330**
Adjustment for change in inventory	**3,986**
Total operating costs	**22,316**
Copper sold (tonnes)	**4,676**
Copper sold (in thousand pounds)	**10,309**
C1 operating cost per pound of copper	**US$2.16/lb**

The Company believes that, in addition to conventional measures prepared in accordance with HKFRS, certain investors use the above term and information to evaluate the Company. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with HKFRS.

Mina Justa

Significant progress continued towards starting construction of Mina Justa beginning mid-year. Engineering and permitting have been advancing to that end. In December 2010, SNC Lavalin was awarded the engineering contract for the Benficiation Concession Construction Authorization permit for the oxide process plant. In February 2011, Graña y Montero was awarded the engineering and procurement work for the infrastructure, temporary and non- process facilities. Tenders were issued and proposals received for the engineering, procurement and construction management services ("EPCM") for the project.

Subsequent to the March 31st year-end, on April 7th the Ministry of Agriculture issued the approval of Marcobre's Provisional Water Licence.

Also subsequent to March 31st, a new mineral resource estimate was completed for the Mina Justa project. Total resources increased to 413.3 Mt grading 0.79% copper for 7.2 billion pounds of contained copper. This represents a 5% increase in contained copper over the previous resource estimate.

On June 9th 2011, the Company entered into a memorandum of understanding ("Memorandum of Understanding") with Glencore International AG ("Glencore") to sell its 70% interest in the Mina Justa project to Glencore for US$475 million.

Financial Results

The revenue of the Company and its subsideries (collectively referred as "Group") for the year ended March 31st 2011 (the "Year") was approximately US$49.7 million. Compared with the corresponding period last year, this represented an increase of approximately US$46.3 million. The increase is mainly attributable to the revenue from the Lady Annie operation (details of which are disclosed below), which contributed over 90% of the total revenue of the Year (more details are set out in the section, "Lady Annie"). For the remaining portion of the revenue, approximately 8.48% was from dividend income and 1.08% from rental income.

Compared with the previous corresponding year, the revenue contributed from investments in the financial instruments segment and property investment segment increased approximately 46.10% and 6.96% respectively. Benefiting from a stable occupancy rate, rental income provided a steady cash flow to the Group for the Year and is expected to continue in the future. Other income was down by approximately 29.14% from approximately US$9.3 million for the last corresponding year to approximately US$6.6 million for the Year as there was no other similar income on disposal of subsidiaries. The other administrative expenses for the Year were approximately US$24.6 million, representing an increase of approximately 124.93% when compared with the same period last year. The increase was mainly due to expansion of the Group's business operations during the Year. Expanding the Group's business operations by acquiring two copper mining projects during the Year increased overall administration expenses of the Group accordingly. A total sum of approximately US$5.5 million related to the acquisition cost of the Lady Annie Project was excluded from the cost of acquisition under current Hong Kong accounting standards and recognised as an expense in the Year. During the Year, the Company recognised a non-cash share-based payment expenses of approximately US$25.6 million in respect of share options granted to staff and management of the Group.

The financial market fluctuated during the Year as factors such as European sovereign debt and the financial policies of the People's Republic of China caused fluctuations in market sentiment. It is expected that these factors will continue to affect market sentiment and that the market will remain volatile. They also had an impact on the performance of the Group's investments held for trading. A loss of approximately US$1.9 million arising from fair value changes of investments held for trading was recorded. Overall, the loss for the Year was approximately US$27.2 million as compared with the loss of approximately US$7.2 million in the preceding year.

Net Asset Value

As at March 31st 2011, the Group had bank balances and cash of approximately US$191.8 million. A bank deposit of approximately US$27.2 million was pledged to banks mainly for the mine rehabilitation cost required by the government of Queensland, Australia to operate in Queensland, Australia and as a guarantee to the electric power supplier for the Lady Annie mine site. Fair value of available-for-sale investments and financial assets at fair value through profit and loss was approximately US$17.4 million and US$232.5 million respectively. As at March 31st 2011, the Group had no outstanding loans or borrowings from banks or financial institutions. Hence, based on the balance of all outstanding loans and borrowings from financial institutions and total equity, the gearing ratio as at March 31st 2011 was zero. During the Year, a one-year US$75 million revolving loan facility with an interest rate of 1% per annum over LIBOR/HIBOR (subject to market availability) was granted by a bank to a subsidiary of the Company. The Company provides a guarantee to the bank for such facility. As at March 31st 2011, the facility was not utilised. As at March 31st 2011, the net asset value of the Group amounted to approximately US$934.1 million.

Human Resources

As at March 31st 2011, the Group had 41 staff in Hong Kong, 213 staff in Australia and 31 staff in Peru. Staff costs (excluding directors' emoluments) were around US$30.2 million for the Year. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong. In addition, the Group provided other staff benefits, which include medical benefits.

The Group has a share option scheme. 1,087,500,000 share options were granted to the staff and management of the Group under the share option scheme during the Year.

Exposure to Fluctuations in Exchange Rates

The Group conducts most of its business in United States Dollars, Australian Dollars, Renminbi, Peruvian Nuevo Soles and Hong Kong Dollars. Foreign currency exposure to United States Dollars is minimal as Hong Kong Dollar is pegged to the United States Dollar. The exposure to Renminbi is also minimal as business conducted in Renminbi represents a very small portion of the Group's total business in terms of revenue. The Group is exposed to foreign currency risk denominated in Peruvian Nuevo Soles and Australian Dollars and does not have any hedging policy against these two foreign currencies. However, management monitors the Group's foreign currency exposure and will consider hedging significant foreign exchange rate exposure should the need arise.

Significant Events

On February 28th 2010, the Company, China Sci-Tech Minerals Limited, an indirect wholly- owned subsidiary of the Company (as the purchaser), and Chariot Resources Limited ("Chariot" as the vendor) entered into an arrangement agreement to acquire the entire issues and outstanding share capital of Chariot, for an aggregate cash consideration of approximately C$244.6 million (equivalent to approximately US$231 million) (the "Chariot Acquisition"). Chariot owns a 70% interest in the Marcona Copper Property and the Mina Justa Project located in Peru.

The Chariot Acquisition constituted a very substantial acquisition under Chapter 14 of the Listing Rules. The Chariot Acquisition was completed on June 11th 2010 for an aggregate cash consideration of C$249.7 million (equivalent to US$236 million). Details of the Chariot Acquisition were disclosed in the Company's announcements dated March 25th 2010 and June 13th 2010 and in a circular dated April 30th 2010.

On March 11th 2010, the Company, CST Minerals Pty Ltd, an indirect wholly-owned subsidiary of the Company (as the purchaser) and Cape Lambert Resources Limited (as the vendor) entered into a shares sales agreement to acquire the entire existing issued share capital of Cape Lambert Lady Annie Exploration Pty Ltd (the "Lady Annie Acquisition"), which owns the Lady Annie Project, for a cash consideration of A$130 million. The consideration will be increased by an additional A$5 million (equivalent to US$4.2 million) if and when the following milestones are achieved: (i) upon the production of the first 10,000 tonnes of copper cathode from the Lady Annie Project, A$2.5 million (equivalent to US$2.1 million) becomes payable; and (ii) upon the delineation of additional ore reserves containing 25,000 tonnes of contained copper, A$2.5 million (equivalent to US$2.1 million) becomes payable.

The Lady Annie Acquisition was completed on May 31st 2010, constituted a very substantial acquisition under Chapter 14 of the Listing Rules. Details of the Lady Annie Acquisition were disclosed in the Company's announcements dated March 25th 2010, March 30th 2010 and May 31st 2010 and in a circular dated May 12th 2010.

On March 25th 2010, the Company, BOCI Asia Limited ("BOCI") and Morgan Stanley & Co. International plc ("Morgan Stanley") (BOCI and Morgan Stanley together as the "Chariot Placing Agents") entered into a conditional placing agreement, pursuant to which the Chariot Placing Agents agreed, to procure on a best efforts basis, investors to subscribe for up to 31,200,000,000 new shares of the Company at a minimum placing price of HK$0.20 per placing share (the "Chariot Placing"). It was anticipated that the gross proceeds from the Chariot Placing will be approximately US$800 million (equivalent to approximately HK$6,208 million). Completion of the Chariot Placing was conditional upon, among other things, the completion of the Chariot Acquisition. On the same date, the Company, Deutsche Bank AG, Hong Kong Branch ("Deutsche") and Morgan Stanley & Co. International plc ("Morgan Stanley") (Deutsche and Morgan Stanley together as the "Lady Annie Placing Agents") entered into a conditional placing agreement, pursuant to which the Lady Annie Placing Agents agreed to procure, on a best efforts basis, investors to subscribe for up to 7,800,000,000 new shares of the Company at a placing price of not less than HK$0.20 per placing share. Completion of the Lady Annie Placing was conditional upon, among other things, the completion of the Lady Annie Acquisition.

On June 15th 2010, the Company and Kingston Securities Limited ("Kingston") entered into a co- manager agreement, pursuant to which Kingston agreed, on a fully underwritten basis, to place or, failing which, itself to subscribe for 3,900,000,000 placing shares at the subscription price of HK$0.20 per placing share as part of the Lady Annie Placing. The aggregate subscription price for the Co-Manager Subscription Shares shall be HK$780 million (approximately US$100 million).

The Chariot Placing and the Lady Annie Placing (together referred to as the "Placing") were launched on June 18th 2010. Having considered the funding requirements of the Company, the placing price of HK$0.20 per placing share and the interests of existing shareholders, the Company decided that the size of the Placing would be set at US$600 million. The Placing was well received by investors. There was strong demand for the Placing Shares, and the Company is pleased to report that orders received exceeded US$1,000 million. Subject to fulfilment of the conditions to which the Placing was subject, the aggregate number of Shares issued by the Company pursuant to the Placing will be 23,400,000,000 shares.

On June 18th 2010, the Company, the Chariot Placing Agents and Lady Annie Placing Agents entered into amendment letters (the "Amendment Letters") with the respective parties to amend certain terms under the Chariot Placing Agreement and the Lady Annie Placing Agreement (together referred to as the "Placing Agreements"). According to the Amendment Letters, the Chariot Placing Agreement and Lady Annie Placing Agreement amended to obligations, subject to satisfaction of the conditions precedent and the other terms of the respective Placing Agreement, will procure placees to purchase 18,720,000,000 and 780,000,000 placing shares respectively or, failing which, subscribe for such placing shares. The gross proceeds of the Placing are intended to be utilised in the following manner: (i) approximately US$380 million (equivalent to approximately HK$2,964 million) to finance the acquisitions of Chariot (US$260 million) and Lady Annie (US$120 million) indirectly, through the repayment of the short-term bridge financing raised by the Company, and the fees and expenses related to these acquisitions; (ii) approximately US$170 million (equivalent to approximately HK$1,326 million) to fund the capital costs for the development of the Mina Justa Project; and (iii) the balance for general corporate purposes.

The Placing was completed on June 25th 2010. Details of the Placing were disclosed in the Company's announcements dated March 25th 2010, June 15th 2010, June 16th 2010, June 20th 2010, June 21st 2010 and June 25th 2010 and the Company's circulars dated April 30th 2010 and May 12th 2010.

The change of name of the Company from "China Sci-Tech Holdings Limited" to "CST Mining Group Limited" and the adoption of「中科礦業集團有限公司」(for identification purposes only) as the Chinese name of the Company became effective on June 22nd 2010. Details of the change of the Company's name were disclosed in the Company's announcements dated March 25th 2010 and June 25th 2010 and the Company's circular dated April 30th 2010.

According to the terms and conditions of the instrument constituting the warrants of the Company (Warrant Code : 523) (the "Warrants") dated June 3rd 2009, the subscription rights attaching to the Warrants were expired on June 2nd 2011. All outstanding unexercised Warrants were lapsed on June 2nd 2011. Details of the expiry of the Warrants were disclosed in the Company's announcement dated May 5th 2011 and circular dated May 6th 2011.

On June 9th 2011, the Company entered into a non-legally binding Memorandum of Understanding with Glencore pursuant to which the Company will sell or procure to sell to Glencore or its wholly-owned subsidiary the Company's 100% interest in CST Resources Limited, a wholly-owned subsidiary of the Company, which indirectly owns 70% of the interest of Macrobre for a total consideration of US$475 million in readily available funds. The parties will use their best efforts to formalise the sales and purchase agreement and all other necessary legal documents by July 15th 2011 with a view to completion of the transaction on or before October 15th 2011. The Memorandum of Understanding may be terminated: (a) by mutual written agreement of the Company and Glencore; (b) by Glencore, upon written notice to the Company, if the results of the due diligence review conducted by Glencore are not reasonably satisfactory to Glencore; or (c) if by July 15th 2011, no definitive sale and purchase agreement is signed by the Company and Glencore. Details of the Memorandum of Understanding were disclosed in the announcement dated June 14th 2011.

2011 Outlook

For the 2011 calendar year, the Company estimates production at Lady Annie will be between 24,000 to 25,000 tonnes of copper cathode.

The Company has also planned an aggressive exploration programme budgeted at A$28 million (equivalent to US$28.2 million) for Lady Annie. Under this programme, over 150 thousand meters of diamond and RC drilling will take place over the course of the 2011 calendar year.

The Company is now carrying out a preliminary mine planning and reserve analysis of the Anthill deposit while simultaneously working on the conversion of the Anthill EPM into a mining lease.

Completion of the heap leach pad expansion at Lady Annie is targeted for the end of the 2011 calendar year. To accommodate the increased stacking rate required to maintain copper production at 28,000 to 30,000 tonnes per annum, seven new leach pads will be added.

Finally, the Company is committed to the sale of its interests in Mina Justa to Glencore for US$475 million and expects the transaction to be closed by the middle of October 2011.

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2011.

Principal Activities

The principal activities of the Company are investment holding and the principal activities of the Group are copper mining, property investment and investments in financial instruments. The particulars of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

Results and Dividends

Results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 50.

The Board does not recommend the payment of a dividend during the year.

Property, Plant and Equipment

Movement in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

Investment Properties

Movement in the investment properties of the Group are set out in note 18 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company set out in note 29 to the consolidated financial statements.

Directors

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr Chiu Tao *(Chairman)*	
Mr Owen L. Hegarty *(Vice Chairman)*	(appointed as director and vice chairman on 31 May 2010)
Mr Damon G. Barber *(Chief Executive Officer)*	(appointed as director and chief executive officer on 1 April 2010)
Mr Hui Richard Rui *(General Manager)*	
Mr Yeung Kwok Yu	
Mr Kwan Kam Hung, Jimmy	
Mr Tsui Ching Hung	
Mr Chung Nai Ting	
Mr Lee Ming Tung	
Mr Wah Wang Kei, Jackie	(appointed as director on 25 June 2010)
Mr Chiu Kong	(resigned as director on 25 June 2010)

Independent Non-executive Directors:

Mr Yu Pan
Ms Tong So Yuet
Mr Chan Shek Wah

The Directors (including independent non-executive directors) are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association. Accordingly, the Directors, Mr Hui Richard Rui, Mr Yeung Kwok Yu, Mr Chung Nai Ting, Mr Yu Pan and Ms Tong So Yuet will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compansion, other than statutory compensation.

Directors and Chief Executives' Interests in Securities

At 31 March 2011, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares, convertible notes or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors and chief executives of the Company ("Model Code"), were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"):

Long positions in shares, underlying shares of the Company

	Number of *shares / underlying shares					
Name of Director	**Personal interests**	**Corporate interests**	**Share options**	**Total**	**Approximate % of the issued share capital of the Company**	*Note*
CHIU Tao	3,900,000,000	–	1,000,000,000	4,900,000,000	18.38%	
HEGARTY Owen L.	–	–	475,000,000	475,000,000	1.78%	
BARBER Damon G.	–	50,000,000	400,000,000	450,000,000	1.69%	*(1)*
WAH Wang Kei, Jackie	480,000	–	100,000,000	100,480,000	0.38%	
HUI Richard Rui	–	–	100,000,000	100,000,000	0.38%	
LEE Ming Tung		–	75,000,000	75,000,000	0.28%	
KWAN Kam Hung, Jimmy	–	–	75,000,000	75,000,000	0.28%	
YEUNG Kwok Yu	–	–	75,000,000	75,000,000	0.28%	
TSUI Ching Hung	–	–	25,000,000	25,000,000	0.09%	

* Ordinary shares unless otherwise specified in the Note

Note:

(1) 50,000,000 shares are held by Merix Investments Limited which is wholly-owned by Mr Barber Damon G. ("Mr Barber") and accordingly Mr Barber is deemed to have interest in all of the shares.

Save as disclosed above, none of the Directors of the Company or their associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified by the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules as at 31 March 2011.

Share Option

Particulars of the share option scheme of the Company are set out in note 33 to the consolidated financial statements.

1. Share Option Scheme

The following table discloses movements in the Company's share options held by each of the Directors and the employees of the Group in aggregate granted under the share option scheme of the Company during the year ended 31 March 2011:

Tranche A

Name or category of participants	Date of grant	Exercisable period	Notes	Exercise price HK$	Outstanding as at 01.04.2010	Granted during the year	Exercisable during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31.03.2011	Market value per share at date of grant of options HK$	Fair value per share option HK$
(a) Directors												
HEGARTY Owen L.	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	5,000,000	–	–	–	5,000,000	0.1570	0.0676
BARBER Damon G.	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	80,000,000	–	–	–	80,000,000	0.1570	0.0676
HUI Richard Rui	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	5,000,000	–	–	–	5,000,000	0.1570	0.0676
YEUNG Kwok Yu	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.1570	0.0676
KWAN Kam Hung, Jimmy	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.1570	0.0676
LEE Ming Tung	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.1570	0.0676
WAH Wang Kei, Jackie	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	80,000,000	–	–	–	80,000,000	0.1570	0.0676
TSUI Ching Hung	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0676
Total for Directors					–	370,000,000	–	–	–	370,000,000		
(b) Employees	02.09.2010	17.09.2011 – 16.09.2015	*(1a)*	0.2000	–	16,800,000	–	–	–	16,800,000	0.1570	0.0676
	24.09.2010	24.09.2011 – 23.09.2015	*(1a)*	0.2000	–	16,000,000	–	–	–	16,000,000	0.1810	0.0829
	30.09.2010	30.09.2011 – 29.09.2015	*(1a)*	0.2350	–	36,000,000	–	–	–	36,000,000	0.2140	0.0982
	01.12.2010	01.12.2011 – 30.11.2015	*(1a)*	0.2300	–	100,000,000	–	–	–	100,000,000	0.2260	0.1065
	05.12.2010	05.12.2011 – 04.12.2015	*(1a)*	0.2350	–	100,000,000	–	–	–	100,000,000	0.2300	0.1083
	13.12.2010	13.12.2011 – 12.12.2015	*(1a)*	0.2700	–	16,000,000	–	–	–	16,000,000	0.2250	0.1001
	28.02.2011	28.02.2012 – 27.02.2016	*(1a)*	0.2350	–	63,800,000	–	–	800,000	63,000,000	0.2290	0.1057
	16.03.2011	17.03.2012 – 15.03.2016	*(1a)*	0.2350	–	10,000,000	–	–	–	10,000,000	0.2240	0.1016
Total for employees					–	358,600,000	–	–	800,000	357,800,000		
Total for Tranche A					**–**	**728,600,000**	**–**	**–**	**800,000**	**727,800,000**		

Tranche B

Name or category of participants	Date of grant	Exercisable period	*Notes*	Exercise price HK$	Outstanding as at 01.04.2010	Granted during the year	Exercisable during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31.03.2011	Market value per share at date of grant of options HK$	Fair value per share option HK$
(a) Directors												
HEGARTY Owen L.	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0649
BARBER Damon G.	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0649
HUI Richard Rui	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0649
YEUNG Kwok Yu	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	15,000,000	–	–	–	15,000,000	0.1570	0.0649
KWAN Kam Hung, Jimmy	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	15,000,000	–	–	–	15,000,000	0.1570	0.0649
LEE Ming Tung	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	15,000,000	–	–	–	15,000,000	0.1570	0.0649
WAH Wang Kei, Jackie	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	20,000,000	–	–	–	20,000,000	0.1570	0.0649
TSUI Ching Hung	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	5,000,000	–	–	–	5,000,000	0.1570	0.0649
Total for Directors					–	130,000,000	–	–	–	130,000,000		
(b) Employees	02.09.2010	17.09.2011 – 16.09.2015	*(1b)*	0.2000	–	164,200,000	–	–	–	164,200,000	0.1570	0.0649
	24.09.2010	24.09.2011 – 23.09.2015	*(1b)*	0.2000	–	4,000,000	–	–	–	4,000,000	0.1810	0.0798
	30.09.2010	30.09.2011 – 29.09.2015	*(1b)*	0.2350	–	4,000,000	–	–	–	4,000,000	0.2140	0.0944
	13.12.2010	13.12.2011 – 12.12.2015	*(1b)*	0.2700	–	4,000,000	–	–	–	4,000,000	0.2250	0.0988
	28.02.2011	28.02.2012 – 27.02.2016	*(1b)*	0.2350	–	53,700,000	–	–	200,000	53,500,000	0.2290	0.1004
Total for employees					–	229,900,000	–	–	200,000	229,700,000		
Total for Tranche B					**–**	**359,900,000**	**–**	**–**	**200,000**	**359,700,000**		
TOTAL FOR SCHEME					**–**	**1,088,500,000**	**–**	**–**	**1,000,000**	**1,087,500,000**		

Notes:

Vesting conditions for share options granted on the date in the above two tables

(a) Tranche A

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;

(ii) as to another one-third of the share options, upon the first copper production by the Mina Justa Project 70% equity interest of which is held by the Company's Peruvian subsidiaries; and

(iii) as to the remaining one-third, upon the process plant of the Mina Justa Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the Board for a continuous period of six months.

(b) Tranche B

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;

(ii) as to another one-third of the share options, upon CST Minerals Lady Annie Pty Ltd. producing averaging 2,300 tonnes per month of saleable copper production over a six consecutive month period; and

(iii) as to the remaining one-third, upon CST Minerals Lady Annie Pty Ltd. achieving 75,000 tonnes of cumulative saleable copper cathode production.

In each case, no share option shall vest at any time prior to the expiry of twelve months from the date of grant of the share options.

2. Share Option Agreements

On 19 March 2010, 24 March 2010 and 11 June 2010, four Directors of the Company entered into share option agreements with the Company, pursuant to which the Company agreed to grant to each of them an option to subscribe for shares of the Company subject to fulfilment of the conditions under the share option agreement. The options regarding the agreements entered into on 19 March 2010 and 24 March 2010 were subsequently granted on 31 May 2010 and 11 June 2010.

Details of movements of the options granted pursuant to the above share option agreements during the year under review were as follows:

Name or category of participants	Date of grant	Exercisable period	*Notes*	Exercise price HK$	Outstanding as at 01.04.2010	Granted during the year	Exercisable during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31.03.2011	Market value per share at date of grant of options HK$	Fair value per share option HK$
Directors												
CHIU Tao	31.05.2010	22.06.2011 – 21.06.2015	*(1)*	0.2000	–	200,000,000	–	–	–	200,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	*(1)*	0.2000	–	800,000,000	–	–	–	800,000,000	0.3750	0.2421
HEGARTY Owen L.	31.05.2010	22.06.2011 – 21.06.2015	*(1)*	0.2000	–	90,000,000	–	–	–	90,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	*(1)*	0.2000	–	360,000,000	–	–	–	360,000,000	0.3750	0.2421
BARBER Damon G.	31.05.2010	22.06.2011 – 21.06.2015	*(1)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	*(1)*	0.2000	–	240,000,000	–	–	–	240,000,000	0.3750	0.2421
HUI Richard Rui	31.05.2010	22.06.2011 – 21.06.2015	*(1)*	0.2000	–	15,000,000	–	–	–	15,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	*(1)*	0.2000	–	60,000,000	–	–	–	60,000,000	0.3750	0.2421
					–	**1,825,000,000**	**–**	**–**	**–**	**1,825,000,000**		

Note:

Vesting condition for share options granted on 31 May 2010 and 11 June 2010

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months of the fulfilment of (a) the Listing Committee of the Stock Exchange granting the approval of the listing of and permission to deal in the shares under the share option scheme upon the exercise of the share options; and (b) the approval by the shareholders of the issue of the share options and the shares under the share option scheme upon exercise of the share options, being not less than 200% of the exercise price (the "First Event"), or upon both the Second Event (as defined below) and the Third Event (as defined below) having been achieved while the First Event has not taken place; and

(ii) as to another one-third of the share options, (a) upon the first copper production by the Mina Justa Project after the completion of acquisition of Chariot Group; or upon twelve months after the copper production by CST Minerals Lady Annie Pty Ltd. after the completion of acquisition of entire issued share capital (as defined in note 36 of the notes to the consolidated financial statements) of CST Minerals Lady Annie Pty Ltd. (the "Second Event"); and

(iii) as to the remaining one-third, (a) upon the process plant of the Mina Justa Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the Board, which schedule and plan are intended to be completed within a period of four months after the completion of acquisition of Chariot Group, for a continuous period of six months; or (b) upon twelve months after achieving an annual copper production of 25,000 tonnes under the mining business of CST Minerals Lady Annie Pty Ltd. after the completion of acquisition of CST Minerals Lady Annie Pty Ltd. (the "Third Events").

In each case, no share option shall vest at any time prior to the expiry of twelve months from the date of grant of the share options.

Discloseable Interests and Short Positions of Persons other than Directors and Chief Executives

As at 31 March 2011, so far as known to the Directors or chief executives of the Company, the following persons / entities are the shareholders (other than the Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

Long Positions in Shares and Underlying Shares of the Company

Name of Shareholders	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital	*Notes*
CHEUNG Chung Kiu	Beneficial owner / Interest of a controlled corporation	2,086,699,520	7.80%	*(1)*
CHENG Yu Tung	Interest of a controlled corporation	1,950,000,000	7.29%	*(2)*
Daniel Saul OCH	Interest of a controlled corporation	1,827,808,000	6.84%	*(3)*
Deutsche Bank AG	Person having a security interest in shares Custodian corporation / approved lending agent	1,639,991,722	5.75%	*(4)*

Notes:

(1) These securities represent (a) relevant interests in respect of 1,950,840,000 shares held by Bondic International Holdings Limited, wholly owned by Mr Cheung Chung Kiu ("Mr Cheung"); and (b) 135,859,520 shares held by Bookman Properties Limited, wholly owned by Ferrex Holdings Limited which is wholly owned by Yugang International (B.V.I) Limited. Yugang International (B.V.I) Limited is wholly owned by Yugang International Limited whose controlling shareholder is Chongqing Industrial Limited which is wholly owned by Mr Cheung. Accordingly, Mr Cheung is deemed to be interested in 2,086,699,520 shares of the Company.

(2) These securities represent relevant interests in respect of 1,950,000,000 shares held by Chow Tai Fook Nominee Limited which is wholly owned by Mr Cheng Yu Tung ("Mr Cheng"). Accordingly, Mr Cheng is deemed to be interested in 1,950,000,000 shares of the Company.

(3) These securities represent relevant interests in respect of 1,827,808,000 shares held by OZ Management LP through its various subsidiaries. OZ Management LP is respectively wholly owned by Och-Ziff Holding Corp and indirectly wholly owned by Och-Ziff Capital Management Group LLC. Mr Daniel Sach Och (Mr Och) has 77.4% interests in Och-Ziff Capital Management Group LLC. Accordingly, Mr Och is deemed to be interested in 1,827,808,000 shares of the Company.

(4) These securities represent 1,639,991,722 shares which include 17,400,000 shares in lending pool.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 31 March 2011.

Directors' Service Contracts

During the year up to the date of this Annual Report, none of the Directors of the Company being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests of Contracts of Significance

No contracts of significance to which the Company or its subsidiaries, was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

During the year up to the date of this Annual Report, none of the Directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as of the date of this report.

Purchase, Sale or Redemption of the Company's Listing Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Major Customers and Suppliers

For the year ended 31 March 2011, the five largest customers accounted for approximately 90% of the Group's turnover, and the largest customer included therein amounted to approximately 87%. Purchases from the five largest suppliers accounted for approximately 67% of the total purchase for the year, and purchase from the largest supplier included therein amounted to approximately 29%.

At no time during the year, none of the Directors, their associates or the shareholders of the Company, which to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had any interests in the major customers and suppliers.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to the existing shareholders.

Corporate Governance

The information set out in pages 44 to 47 and information incorporated by reference, if any, constitutes the Corporate Governance Report of the Company.

Auditor

Messrs. Deloitte Touche Tohmatsu will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chiu Tao
Chairman
Hong Kong, 24 June 2011

Corporate Governance Report

At CST good corporate governance is the framework that helps ensure effective management and smooth running of the business, ultimately resulting in business growth and enhanced shareholder value.

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for ensuring effective management, business growth and shareholder value.

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules. Any deviation from the Code Provision is explained in this report.

Board of Directors

As at the date of this report, the Board comprised 10 executive directors and 3 independent non-executive directors ("INEDs") (collectively the "Directors") as follows:

Executive directors:

Mr Chiu Tao *(Chairman)*	
Mr Owen L. Hegarty *(Vice Chairman)*	(appointed as director and vice chairman on 31 May 2010)
Mr Damon G. Barber *(Chief Executive Officer)*	(appointed as director and chief executive officer on 1 April 2010)
Mr Hui Richard Rui *(General Manager)*	
Mr Yeung Kwok Yu	
Mr Kwan Kam Hung, Jimmy	
Mr Tsui Ching Hung	
Mr Chung Nai Ting	
Mr Lee Ming Tung	
Mr Wah Wang Kei, Jackie	(appointed as director on 25 June 2010)

Independent non-executive directors:

Mr Yu Pan
Ms Tong So Yuet
Mr Chan Shek Wah

Biographical details of the Directors are disclosed on page 26 to page 29 of this Annual Report.

The Board is responsible for the overall operations of the Company. It provides leadership and oversees the Group's strategic decisions, business development and performance, as well as its business affairs. Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders.

The Board has delegated the management of the daily operation and investment matters of the Company and its subsidiaries to an investment and management committee ("IMC"). The IMC comprises 5 members of the Board, namely, Mr Chiu Tao, Mr Owen L Hegarty, Mr Damon G. Barber, Mr Hui Richard Rui and Mr Wah Wang Kei, Jackie.

Each of our INEDs has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considers all of the INEDs to be independent.

Save as disclosed in the Directors' Report and the Biographical Details of Directors and Senior Management of this annual report, none of the Directors had any financial, business, family or other material/relevant relationship with any other Director.

The attendance record of each Director at the 58 Board meetings during the year ended 31 March 2011 is set out below:

Name	Attendance
Executive directors:	
Mr Chiu Tao	55
Mr Owen L. Hegarty (appointed on 31 May 2010)	3
Mr Damon G. Barber (appointed on 1 April 2010)	7
Mr Hui Richard Rui	40
Mr Yeung Kwok Yu	3
Mr Kwan Kam Hung, Jimmy	53
Mr Tsui Ching Hung	4
Mr Chung Nai Ting	5
Mr Lee Ming Tung	24
Mr Wah Wang Kei, Jackie (appointed on 25 June 2010)	4
Mr Chiu Kong (resigned on 25 June 2010)	N/A
Independent non-executive directors:	
Mr Yu Pan	5
Ms Tong So Yuet	3
Mr Chan Shek Wah	3

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer in order to ensure a balance of power and authority and to preserve a balanced judgment of views. The Chairman as a leader of the Board is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Group. The Chief Executive Officer, supported by other members and the senior management, is responsible for managing the Group's business, implementing major strategies, making day-to-day decisions and coordinating overall business operations.

Non-Executive Directors

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Although the non-executive directors of the Company are not appointed for a specific term, they are subject to retirement by rotation at least once every three years and re-election at annual general meeting pursuant to the Company's articles of association. The Company considers its current practice to be in alignment with the objectives of the code provision A.4.1.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, they confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2011.

Remuneration Committee

The Remuneration Committee comprises 2 INEDs, namely, Mr Yu Pan and Mr Chan Shek Wah. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommendations to the Board on the annual remuneration policy, and determination of the remuneration of the executive Directors and members of senior management. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team, which is essential to the success of the Group.

The Remuneration Committee held 3 meetings during the year to discuss staff remuneration matters for the year. The members and attendance at the meetings are as follows:

Name	Attendance
Mr Yu Pan	3
Mr Chan Shek Wah	3

Audit Committee

For the year ended 31 March 2011, the Audit Committee composes 3 INEDs, namely, Ms Tong So Yuet (Chairman of the Committee), Mr Yu Pan and Mr Chan Shek Wah. Ms Tong So Yuet possesses an appropriate professional accounting qualification, while the other members possess extensive management experience in the commercial sector. The terms of reference of the Audit Committee include all the duties set out in the Code Provision C.3.3 which, among other things, include reviewing the financial statements of the Company. Any findings and recommendations of the Audit Committee are submitted to the Board for consideration.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if considered necessary.

The members and attendance of the 2 Audit Committee meetings during the year ended 31 March 2011 are as follows:

Name	Attendance
Ms Tong So Yuet (Chairman)	2
Mr Yu Pan	2
Mr Chan Shek Wah	2

Nomination of Directors

The Company has not set up a nomination committee as this function is retained by the Board. Directors are responsible for identifying suitable qualified individuals to the Board and making recommendations for its consideration. Approval of appointments of Directors is based on certain criteria, such as experience and personal skills that the nominated candidate can bring to the Board, his/her capability to maintain and improve the competiveness of the Company, and his/her ability to contribute to the development of the strategic direction of the Company.

Auditors' Remuneration

For the year ended 31 March 2011, the Company engaged Delotte Touche Tohmatsu as the external auditors of the Company.

During the year ended 31 March 2011, the fees for non-audit services in relation to taxation services and other professional and advisory services provided by the external auditors were approximately US$614,000. The fees for audit related services provided by the external auditors were approximately US$472,000.

Other Matters

The Directors are responsible for the preparation of financial statements. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. The internal control system of the Group was reviewed during the year.

The statement of the external auditor of the Company in regard to their reporting responsibilities on the Company's financial statements for the year ended 31 March 2011 is set out in the Independent Auditor's Report in this Annual Report.

Financial Overview

"Currently, we are producing copper cathode but in the future we will also produce copper concentrate."

Chiu Tao, Chairman, CST Mining Group Ltd.

Independent Auditor's Report

Deloitte.
德勤

To The Members Of CST Mining Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CST Mining Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 101, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 US$'000	2010 US$'000 (restated)
Revenue	8	**49,653**	3,386
Cost of sales	9	**(26,898)**	–
Gross profit		**22,755**	3,386
Other income and other gains	10	**6,623**	9,347
Distribution and selling expenses		**(2,076)**	–
Administrative expenses			
Share-based payment expenses	33	**(25,604)**	–
Other administrative expenses		**(24,601)**	(10,937)
Acquisition-related costs on business combination	35	**(5,481)**	–
Loss on fair value changes of financial assets at fair value through profit or loss		**(1,946)**	(4,817)
Gain on fair value changes of investment properties		**4,188**	1,801
Loss on early redemption of convertible notes		**–**	(3,504)
Finance costs	12	**(1,059)**	(1,257)
Loss before taxation	13	**(27,201)**	(5,981)
Taxation	14	**29**	(1,247)
Loss for the year		**(27,172)**	(7,228)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**20,987**	–
Fair value changes of available-for-sale investments		**2,129**	2,839
Total comprehensive expense for the year		**(4,056)**	(4,389)
Loss for the year attributable to:			
Owners of the Company		**(27,172)**	(7,228)
Non-controlling interests		**–**	–
		(27,172)	(7,228)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(4,056)**	(4,389)
Non-controlling interests		**–**	–
		(4,056)	(4,389)
Loss per share			
Basic and diluted	15	**US(0.13) cents**	US(0.27) cents

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	2011 US$'000	2010 US$'000 (restated)
Non-current assets			
Property, plant and equipment	17	**418,595**	6,286
Investment properties	18	**16,950**	12,762
Available-for-sale investments	19	**17,361**	15,232
Other receivable	20	**10,208**	–
Deferred tax assets	21	**70**	–
Pledged bank deposits	22	**27,189**	–
		490,373	34,280
Current assets			
Inventories	23	**24,397**	–
Trade and other receivables	24	**37,116**	5,649
Financial assets at fair value through profit or loss	25	**232,538**	217,694
Bank balances and cash	22	**191,785**	61,883
		485,836	285,226
Current liabilities			
Trade and other payables	26	**23,094**	356
Amount due to a non-controlling interest	27	**256**	256
Tax payable		**1,211**	1,211
		24,561	1,823
Net current assets		**461,275**	283,403
Total assets less current liabilities		**951,648**	317,683
Non-current liability			
Provision for mine rehabilitation cost	28	**17,587**	–
		934,061	317,683
Capital and reserves			
Share capital	29	**343,103**	40,848
Reserves		**590,964**	276,841
Equity attributable to owners of the Company		**934,067**	317,689
Non-controlling interests		**(6)**	(6)
		934,061	317,683

The consolidated financial statements on pages 50 to 101 were approved and authorised for issue by the Board of Directors on 24 June 2011 and are signed on its behalf by:

Chiu Tao
Chairman

Damon G. Barber
Director and Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company												
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (note a)	Convertible notes equity reserve US$'000	Other capital reserve US$'000 (note b)	Investment revaluation reserve US$'000	Warrant reserve US$'000	Share options reserve US$'000	Exchange reserve US$'000	Accumulated losses US$'000	Total US$'000	Non–controlling interests US$'000	Total US$'000
At 1 April 2009 (restated)	170,080	188,979	987	4,715	50,814	–	–	–	–	(143,301)	272,274	(6)	272,268
Loss for the year	–	–	–	–	–	–	–	–	–	(7,228)	(7,228)	–	(7,228)
Other comprehensive income for the year	–	–	–	–	–	2,839	–	–	–	–	2,839	–	2,839
Total comprehensive expense for the year	–	–	–	–	–	2,839	–	–	–	(7,228)	(4,389)	–	(4,389)
Cancellation and consolidation of paid up share capital due to capital reorganisation (note 29(a))	(163,276)	–	–	–	77,461	–	–	–	–	85,815	–	–	–
Redemption of convertible notes	–	–	–	(4,715)	–	–	–	–	–	4,715	–	–	–
Issue of shares (note 29(b) & (c))	34,044	8,676	–	–	–	–	8,360	–	–	–	51,080	–	51,080
Transaction costs attributable to issue of shares	-	(1,276)	–	–	–	–	–	–	–	–	(1,276)	–	(1,276)
At 31 March 2010 (restated)	**40,848**	**196,379**	**987**	**–**	**128,275**	**2,839**	**8,360**	**–**	**–**	**(59,999)**	**317,689**	**(6)**	**317,683**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,172)**	**(27,172)**	**–**	**(27,172)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**2,129**	**–**	**–**	**20,987**	**–**	**23,116**	**–**	**23,116**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**2,129**	**–**	**–**	**20,987**	**(27,172)**	**(4,056)**	**–**	**(4,056)**
Issue of shares (note 29(d))	**300,000**	**300,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**600,000**	**–**	**600,000**
Transaction costs attributable to issue of shares	**–**	**(8,474)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,474)**	**–**	**(8,474)**
Grant of share options (note 33)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,604**	**–**	**–**	**25,604**	**–**	**25,604**
Issue of shares upon exercise of warrants (note 29(c))	**2,255**	**3,076**	**–**	**–**	**–**	**–**	**(2,027)**	**–**	**–**	**–**	**3,304**	**–**	**3,304**
At 31 March 2011	**343,103**	**490,981**	**987**	**–**	**128,275**	**4,968**	**6,333**	**25,604**	**20,987**	**(87,171)**	**934,067**	**(6)**	**934,061**

(a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange, in connection with the Group reorganisation completed in January 1994.

(b) The other capital reserve of the Group represents the balance of the credit arising from the cancellation of paid up capital in previous years.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 US$'000	2010 US$'000 (restated)
Operating activities			
Loss before taxation		**(27,201)**	(5,981)
Adjustments for:			
Interest income		**(1,001)**	(334)
Finance costs		**1,059**	1,257
Dividend income		**(4,212)**	(2,883)
Depreciation on property, plant and equipment		**9,058**	288
Loss on fair value changes of financial assets at fair value through profit or loss		**1,946**	4,817
Loss on disposal of property, plant and equipment		**87**	2
Gain on fair value changes of investment properties		**(4,188)**	(1,801)
Share-based payment expenses		**25,604**	–
Other non-cash income		**–**	(8,885)
Loss on early redemption of convertible notes		**–**	3,504
Operating cash flows before movements in working capital		**1,152**	(10,016)
Increase in inventories		**(19,334)**	–
Increase in trade and other receivables		**(30,190)**	(3,952)
Increase in financial assets at fair value through profit or loss		**(16,790)**	(149,217)
Increase (decrease) in trade and other payables		**10,271**	(3,218)
Net cash used in operations		**(54,891)**	(166,403)
Interest received		**1,001**	334
Dividend received		**4,212**	2,883
Taxation arising from other jurisdiction paid		**(36)**	(36)
Net cash used in operating activities		**(49,714)**	(163,222)
Investing activities			
Acquisition of assets and liabilities (net of cash and cash equivalents acquired)	36	**(234,820)**	(3,846)
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	35	**(110,025)**	–
Purchase of property, plant and equipment		**(43,601)**	(678)
Increase in pledged bank deposits		**(26,487)**	–
Proceeds on disposal of property, plant and equipment		**24**	5
Purchase of available-for-sale investments		**–**	(1,179)
Transaction costs on other non-cash income		**–**	(2,328)
Net cash used in investing activities		**(414,909)**	(8,026)
Financing activities			
Proceeds from issue of shares		**600,000**	–
Proceeds from issue of shares upon exercise of warrants		**3,304**	56
Share issue expenses		**(8,474)**	(1,276)
Interest paid		**(305)**	(681)
Proceeds from issue of shares upon rights issue		**–**	51,024
New borrowing raised		**–**	192,308
Repayment of a borrowing		**–**	(192,308)
Redemption of convertible notes		**–**	(12,821)
Net cash from financing activities		**594,525**	36,302
Net increase (decrease) in cash and cash equivalents		**129,902**	(134,946)
Cash and cash equivalents at the beginning of the year		**61,883**	196,829
Cash and cash equivalents at the end of the year, representing bank balances and cash		**191,785**	61,883

1. General

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of this annual report.

The Company is an investment holding company and is engaged in (i) acquisition, exploration, development and mining of copper and other mineral resources materials, (ii) investment in financial instruments, and (iii) property investment. The principal activities of its principal subsidiaries and jointly controlled entity are set out in note 40 and 16 respectively.

2. Change of Presentation Currency

The consolidated financial statements for the year ended 31 March 2011 are presented in United States dollars ("USD"), which is different from the presentation currency of Hong Kong dollars ("HKD") used in the Company's consolidated financial statements for the year ended 31 March 2010. In the opinion of the directors of the Company, the change of presentation currency from HKD to USD is made in order to present more relevant information as the management controls and monitors the performance and financial position of the Group based on USD and to provide international investors a better comparison with the Group's international peers. The comparative figures have been restated accordingly to achieve comparability with the current year. The change of presentation currency and restatement of comparative amounts from HKD to USD had no material impact on the Group's consolidated financial statements for the years presented.

As aforementioned, the consolidated financial statements are presented in USD, which is different from the Company's functional currency of HKD. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

New and revised Standards, Amendments and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised standards, amendments and interpretations in the current year has had no material effect on the consolidated financial statements.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 3 (Revised) Business Combinations

HKFRS 3 (Revised) Business Combinations has been applied prospectively to business combinations of which the acquisition date is on or after 1 April 2010.

Its application has affected the accounting for the acquisition of a subsidiary, CST Minerals Lady Annie Pty Ltd. ("CSTLA") in the current year:

- It changes the accounting policy for recognition and subsequent measurement of contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if it met probability and reliably measurable criteria. Under the revised Standard, contingent consideration is measured at fair value at date of acquisition. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the 'measurement period' (a maximum of twelve months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. The contingent consideration of the acquisition was recognised in full amount at acquisition, which approximated its fair value, whereas previously the same amount would be recognised since it is considered highly probable and can be reliably measured. Accordingly, this application has no significant impact on the financial position and results of the Group.
- It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised US$5,481,000 of such costs as an expense in profit or loss, whereas previously they would have been accounted for as part of the cost of the acquisition. Accordingly, the net assets recognised in the consolidated statement of financial position have been decreased by the same amount. The loss per share has been increased from US0.10 cents to US0.13 cents due to the application.

New and revised Standards, Amendments and Interpretations issued but not yet effective

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interest in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 January 2011.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2010.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9, HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) are effective for accounting periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and that the application of this new standard may mainly affect the classification and measurement of the Groups' available-for-sale investments and financial assets at fair value through profit or loss but may not affect the classification and measurement of the Group's other financial assets and liabilities based on an analysis of its consolidated financial statements on 31 March 2011.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 has no significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

The Group is in process of making an assessment of the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) but is not yet in a position to state whether these new standards and amendments would have significant impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

4. Significant Accounting Policies (continued)

Business combinations

Business combinations that took place on or after 1 April 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Business combinations that took place prior to 1 April 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

4. Significant Accounting Policies (continued)

Jointly controlled entities

A joint venture is a contractual arrangement whereby two or more parties undertake economic activities that are subject to joint control. A jointly controlled entity involves the establishment of a separate entity in which the Group has an interest along with other ventures.

The Group recognises its interests in jointly controlled entities using the proportionate consolidation, whereby the Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar items, line by line, in the consolidated financial statements.

Revenue recognition

Revenue, being amounts receivable for goods sold in the normal course of business, excludes discounts and any applicable sales taxes, is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenues and costs can be reliably measured. Revenue is recognised when the seller has transferred to the buyer significant risks and rewards of ownership of the goods sold, and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Dividend income from financial assets at fair value through profit or loss and available-for-sale investments is recognised when the Group's rights to receive payment have been established.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant leases.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost, being the fair value of the consideration given to acquire or construct the asset, including directly attributable costs required to bring the asset to the location or to a condition necessary for operation, the direct cost of dismantling and removing the asset and the cost to restore and rehabilitate the mine environment, less accumulated depreciation and any accumulated impairment losses.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalised.

4. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Management reviews the estimated useful lives, residual values and depreciation methods of the Group's property, plant and equipment at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Exploration and evaluation assets

Exploration and evaluation expenditure relates to expenditure incurred on the exploration and evaluation of potential mineral resources, such as costs of researching and analysing historical exploration data, exploratory drilling, trenching, sampling and the costs of feasibility studies.

Exploration and evaluation expenditure incurred in respect of each area of interest, other than that acquired through a business combination, is charged to profit or loss as incurred. However, when the expenditure is expected to be recouped from future exploitation or from sale of the area of interest and it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves and resources, the expenditure is capitalised and included as a component in property, plant and equipment. Exploration and evaluation assets are recognised at their fair value at acquisition date if it is acquired through a business combination.

Exploration and evaluation assets are measured at cost and assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Where a potential impairment is indicated, an assessment is performed for each area of interest or at the cash generating unit level. To the extent that capitalised expenditure is not expected to be recovered, it is charged to the statement of comprehensive income.

No amortisation is provided in respect of exploration and evaluation assets until they are reclassified as mine property and development assets following the commencement of commercial production.

When economically recoverable mineral resources have been identified and are reasonably assured, exploration and evaluation assets previously capitalised are first tested for impairment and then reclassified to mine property and development assets included in property, plant and equipment.

4. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Mine property and development assets

The distinction between mining expenditures and expenditures incurred to develop new orebodies or to develop mine areas in advance of current production is mainly based on the mining area. For those areas being developed which will be mined in future periods, the expenditures incurred, including costs transferred from exploration and evaluation assets, are capitalised and depleted when the related mining area is mined as compared to current production areas where development costs are expensed as incurred.

Capitalisation of costs incurred ceases when the related mining property and development assets have reached production levels intended by management. Incidental costs to bring mineral assets to the condition necessary for it to be capable of operating in the manner intended by management are capitalised.

When future economic benefits are established by further development expenditure in respect of an area of interest in production, such expenditure is carried forward as part of the cost of that mine property. Otherwise such expenditure is classified as part of the cost of production.

Depreciation of mine property and development assets and plant and equipment in area of interest in production is provided for using the unit of production method. The unit of production basis results in a charge proportional to the depletion of estimated recoverable copper contained in proved and probable ore reserves. The amortisation charge is allocated to inventory throughout the production processes from the point at which ore is extracted from the pit until the ore is processed into copper cathode. The proven and probable reserve is determined for each area of interest, with an area-of-interest defined as an individual ore body or pit.

Where a change in estimated recoverable copper tonnage contained in proved and probable ore reserves is made, adjustments to depreciation and amortisation of mine properties are accounted for prospectively.

For open-pit operations the removal of overburden or waste ore is required to obtain access to the orebody. Stripping costs incurred in the development of a mine (or pit) before production commences are capitalised as part of the mine property and development assets and are subsequently amortised over the life of the mine (or pit) on a unit of production basis.

4. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to each element have been transferred to the Group. Interest in leasehold land that is classified as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Capital work in progress

Capital work in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Capital work in progress is carried at costs less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Capital work in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation

Property, plant and equipment is depreciated to its estimated residual value over the estimated useful life of the specific asset concerned, or the estimated remaining life of the associated mine, field or lease, if shorter. Depreciation commences when the asset is available for use.

Mine properties and development assets are depreciated using the unit of production method based on the estimated total recoverable copper contained in proven and probable reserves at the related mine when the production level intended by management has been reached.

The production level intended by management is considered to be reached when operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and there are indicators that these operating results will be sustained. Other factors include one or more of the following:

- A significant utilisation rate of plant capacity has been achieved; and
- A pre-determined, reasonable period of time of stable operation has passed.

Management reviews the estimated total recoverable copper contained in proven and probable reserves at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable copper contained in proven and probable reserves are accounted for prospectively.

Capital work in progress are not depreciated until they are substantially complete and available for their intended use.

Other property, plant and equipment items are depreciated on a straight-line basis over their estimated useful life.

4. Significant Accounting Policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Inventories

Inventories are valued at the lower of weighted average production cost or net realisable value. Copper in process inventory consists of copper contained in mineral ores, the ore on leach pads and in-circuit material within processing operations.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss
Financial assets at FVTPL comprise of financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market of that financial asset because of financial difficulties.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts). The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade and other payables and amount due to a non-controlling interest, are measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to the accumulated losses.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

4. Significant Accounting Policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. Significant Accounting Policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. USD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as expense when employees have rendered service entitling them to the contributions.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Operating leases

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the leasee.

4. Significant Accounting Policies (continued)

Operating leases (continued)

The Group as lessor
Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The Group as lessee
Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Impairment
Receivables and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value in use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the income statement to reflect the asset at the lower amount.

An impairment loss is reversed in the statement of income if there is a change in the estimates used to determine the recoverable amount since the prior impairment loss was recognised. The carrying amount is increased to the recoverable amount, but not beyond the carrying amount net of depreciation or amortisation which would have arisen if the prior impairment loss had not been recognised.

Provisions
A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the statement of comprehensive income.

Provision for mine rehabilitation cost
Provisions for the Group's obligations for restoration, rehabilitation and environmental costs are based on estimates of required expenditure at the mines in accordance with the relevant rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The expected timing of cash outflows of such mine rehabilitation cost is estimated based on the expected completion date of the mine projects and is subject to any significant changes to the production plan.

4. Significant Accounting Policies (continued)

Share-based payment transactions

Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expect to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below:

Depreciation of mining property and development assets and other property, plant and equipment in relation to mining business

Mine property and development assets, in area of interest where copper production commence, are amortised using the unit of production method (the "UOP''). The calculation of the UOP rate of amortisation, and therefore the amortisation charge for the year can fluctuate from initial estimates. This could generally happen when there are significant changes in any of the factors or assumptions used in estimating proven and probable reserves. Such changes in reserves could similarly impact the useful lives of assets in relation to mining business which are depreciated on a straight-line basis but limited to the life of that area of interest. Estimates of proven and probable reserves are prepared by experts in extraction, geology and reserve determination. Assessments of UOP rates against the estimated reserve base and the operating and development plan are performed regularly.

Impairment of property, plant and equipment, other than exploration and evaluation assets

Property, plant and equipment, other than exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognised. Future cash flow estimates which are used to calculate the asset's recoverable amount are based on expectations about future operations primarily comprising estimates about production and sales volumes, commodity prices, reserves, operating, rehabilitation and restoration costs and capital expenditures. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

5. Key Sources of Estimation Uncertainty (continued)

Provision for mine rehabilitation cost

A provision for future rehabilitation cost requires estimates and assumptions to be made around the relevant regulatory framework, the magnitude of the possible disturbance and the timing, extent and costs of the required closure and rehabilitation activities. To the extent that the actual future costs differ from these estimates, adjustments will be recorded and the statement of income could be impacted. The provisions, including the estimates and assumptions contained therein are reviewed regularly by management.

Fair value of investment properties

Fair value was based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

6. Capital Risk Management

The Company manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank balances and cash, equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in consolidated statement of changes in equity.

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure.

7. Financial Instruments

(a) Categories of financial instruments

	2011 US$'000	2010 US$'000 (restated)
Financial Assets		
Loans and receivables (including cash and cash equivalents)	**247,548**	62,378
Financial assets at FVTPL	**232,538**	217,694
Available-for-sale investment	**17,361**	15,232
Financial Liabilities		
Amortised cost	**10,404**	256

(b) Financial risk management objectives and policies

The management of the Group manages the financial risks relating to the operations through the monitoring procedures. These risks include market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into derivative financial instruments for hedging purpose. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures.

7. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

Foreign currency risk management

Certain subsidiaries of the Group have financial assets and financial liabilities denominated in Renminbi, Singapore dollars, Canadian dollars, Peruvian nuevo soles and USD which are other than the functional currency of the relevant group entity and expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In addition, the Group is also exposed to foreign currency risk to the extent of non-current inter-group balances that form part of the net investment when the subsidiaries which have HKD as their functional currency injected capital denominated in Australian dollars ("AUD") for operations in Australia which have AUD as their functional currency. The carrying amount of the inter-group balances was US$130,797,000 at 31 March 2011 (2010: Nil).

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities (excluding inter-company balance described above) at the reporting date is as follows:

	Assets		Liabilities	
	2011 US$'000	2010 US$'000 (restated)	**2011 US$'000**	2010 US$'000
Renminbi	**3,569**	3,751	**–**	–
Singapore dollars	**3,081**	2,768	**–**	–
Canadian dollars	**7,000**	–	**–**	–
Peruvian nuevo soles	**4,597**	–	**938**	–
USD	**29,259**	–	**–**	–

The following table details the Group's sensitivity to a 5% (2010: 5%) increase or decrease in the Renminbi, Singapore dollars, Canadian dollars, Peruvian nuevo soles and USD. 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated financial assets and financial liabilities and inter-group loans and adjusts their translation at the end of the reporting period for a 5% (2010: 5%) change in foreign currency rate. A positive number indicates a decrease in loss where the foreign currencies strengthens 5% (2010: 5%) against the functional currency of respective group entity. For a 5% (2010: 5%) weakening of the foreign currencies, against the functional currency of respective group entity, there would be an equal and opposite impact.

	Profit or loss	
	2011 US$'000	2010 US$'000 (restated)
Renminbi	**149**	157
Singapore dollars	**129**	116
Canadian dollars	**292**	–
Peruvian nuevo soles	**161**	–
USD	**1,024**	–

7. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk management (continued)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short-term and pledged bank deposits. If the bank interest rate had been 10 basis point (2010: 10 basis point) increase/decrease while all other variables were held constant, the Group's loss for the year ended 31 March 2011 would decrease/increase by US$219,000 (2010: US$62,000). It is the Group's policy to keep its bank deposits at floating rate of interests so as to minimise the cash flow interest rate risk.

Price risk

The Group is exposed to equity security price risk through its financial assets at FVTPL and available-for-sale investments. The management of the Group manages this exposure by maintaining a portfolio of investments with different risk and return profiles. If the market prices of the financial assets at FVTPL and available-for-sale investments had been 10% (2010: 10%) higher/lower while all other variables were held constant, the Group's loss for the year would decrease/increase by US$19,417,000 (2010: US$18,177,000) and investment revaluation reserve would increase/decrease by US$1,618,000 (2010: US$1,405,000), respectively.

Credit risk

The Group's principal financial assets which are exposed to credit risk are trade receivables, other receivables and bank balances and cash.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position. The Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's trade receivable was due from a single customer within the mining business segment. The customer has a long history of commodity trading in Australia and the Group's management monitor the debtor's performance continuously to ensure the Group's exposure to credit risk is minimised.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

All of the Group's financial liabilities have maturity dates of less than 180 days based on the agreed repayment dates.

7. Financial Instruments (continued)

(c) Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of the unlisted convertible note is determined by using the discounted cash flows method at a market interest rate for the equivalent non-convertible note for its straight debt component and using the binomial model for its derivative components;
- the fair value of the investment fund is determined with reference to the value of the underlying assets of the funds which are provided by the counterparty financial institutions; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
2011				
Financial assets at FVTPL	172,500	3,488	56,550	232,538
Available–for–sale investments	16,181	–	–	16,181
	188,681	**3,488**	**56,550**	**248,719**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2010 (restated)				
Financial assets at FVTPL	174,441	5,212	38,041	217,694
Available–for–sale investments	14,052	–	–	14,052
	188,493	5,212	38,041	231,746

There is no transfer between Level 1 and 2 in the current and prior years.

7. Financial Instruments (continued)

(c) Fair values of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of unlisted investment funds and unlisted convertible notes are as follows:

	Unlisted investment funds US$'000	Unlisted convertible notes US$'000	Total US$'000
At 1 April 2009 (restated)	–	2,478	2,478
Additions	33,377	1,282	34,659
Disposals	–	(3,469)	(3,469)
Gains recognised in profit or loss, included in loss arising from fair value changes of financial assets at FVTPL	746	3,627	4,373
At 31 March 2010 (restated)	34,123	3,918	38,041
Additions	–	16,891	16,891
Disposals	–	(1,282)	(1,282)
Gains (loss) recognised in profit or loss, included in loss arising from fair value changes of financial assets at FVTPL	4,978	(2,078)	2,900
At 31 March 2011	39,101	17,449	56,550

8. Segment Information

During the year, the Group newly acquired its copper mining business following the completion of the acquisition of (i) the entire issued share capital of CSTLA; and (ii) the acquisition of assets and liabilities through acquisition of the entire issued share capital of Chariot Resources Limited (which subsequently merged with China Sci-Tech Minerals Ltd to form CST Minerals Peru Limited). Details of which are set out in notes 35 and 36(a) respectively. The copper mining business in Australia and that in the Republic of Peru ("Peru") form two new operating segments during the year ended 31 March 2011.

The following is an analysis of the Group's revenue and results by operating segment, based on information provided to the chief operating decision maker ("CODM") representing the board of directors of the Company, for the purpose of allocating to segments and to assessing their performance. This is also the basis upon which the Group is arranged and organised. The Group's operating and reportable segments are as follows:

Investments in financial instruments	–	trading of securities, and investments in available-for-sale investments, convertible notes and derivative financial instruments
Property investment	–	properties letting
Mining business – Australia	–	copper mining in Australia
Mining business – Peru	–	copper mining in Peru

8. Segment Information (continued)

Segment revenue and results

Revenue represents dividend income arising from financial assets at fair value through profit or loss, rental income from properties letting under operating leases and sales of copper cathodes. The following is an analysis of the Group's revenue and result by operating segment for the periods under review:

	Segment revenue		Segment results	
	2011 US$'000	2010 US$'000 (restated)	**2011 US$'000**	2010 US$'000 (restated)
Investments in financial instruments	**4,212**	2,883	**511**	(3,594)
Property investment	**538**	503	**4,559**	2,158
Mining business				
– Australia	**44,903**	–	**9,022**	–
– Peru	**–**	–	**(180)**	–
	49,653	3,386	**13,912**	(1,436)
Unallocated income			**6,623**	9,347
Acquisition-related costs on business combination			**(5,481)**	–
Loss on early redemption of convertible notes			**–**	(3,504)
Central administration costs			**(15,592)**	(9,131)
Share-based payment expenses			**(25,604)**	–
Finance costs			**(1,059)**	(1,257)
Loss before taxation			**(27,201)**	(5,981)

All of the segment revenue reported above is generated from external customers.

Accounting policies of the operating segment are the same as the Group's accounting policies described in note 4. Segment result represents the result of each segment without allocation of bank interest and other income, acquisition-related costs on business combination, share-based payment expenses, loss on early redemption of convertible notes, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

8. Segment Information (continued)

Segment assets

The following is an analysis of the Group's assets by operating segments:

	2011 US$'000	2010 US$'000 (restated)
Segment assets:		
– Investments in financial instruments	**249,899**	232,926
– Property investment	**16,950**	12,762
– Mining business		
– Australia	**280,566**	–
– Peru	**245,681**	–
Total segment assets	**793,096**	245,688
Unallocated corporate assets:		
– Bank balances and cash	**175,816**	61,883
– Property, plant and equipment	**5,477**	6,286
– Others	**1,820**	5,649
	183,113	73,818
Consolidated assets	**976,209**	319,506

Other segment information

Amounts included in the measure of segment results or segment assets:

	2011 US$'000	2010 US$'000 (restated)
Investments in financial instruments:		
– Loss on fair value changes of financial assets at FVTPL	**(1,946)**	(4,817)
Property investment:		
– Gain on fair value changes of investment properties	**4,188**	1,801
Mining business – Australia:		
– Additions to non-current assets	**196,987**	–
– Deprecation on property, plant and equipment	**12,578**	–
Mining business – Peru:		
– Additions to non-current assets	**241,084**	–

8. Segment Information (continued)

Geographical information

A geographical analysis of the Group's revenue from external customers based on the geographical market where listed securities are traded for investments in financial instruments segment, geographical location where the goods sold are delivered for mining business segment, geographical location of the properties for property investment segment and information about its carrying amount of non-current assets excluding available-for-sale investments and deferred tax assets by the geographical location of the assets are detailed as follows:

	Revenue from external customers		Carrying amounts of non-current assets	
	2011 US$'000	2010 US$'000 (restated)	**2011 US$'000**	2010 US$'000 (restated)
The People's Republic of China (the "PRC"), other than Hong Kong	**787**	201	**4,540**	3,685
Hong Kong	**3,472**	2,059	**17,887**	15,363
Singapore	**491**	1,126	**–**	–
Australia	**44,903**	–	**209,431**	–
Peru	**–**	–	**241,084**	–
	49,653	3,386	**472,942**	19,048

Information about major customer

US$40,590,000 revenue (2010: Nil) from the largest customer of the Group is from the mining business in Australia, contributing over 80% of the total sales of the Group.

9. Cost Of Sales

	2011 US$'000	2010 US$'000
Electricity	**4,027**	–
Diesel/Fuel	**3,015**	–
Director materials	**3,897**	–
Equipment rental	**3,231**	–
Staff costs	**10,286**	–
Drilling & blasting, earth moving & haulage	**10,907**	–
Overhead	**1,653**	–
Depreciation	**11,144**	–
Movement in inventories	**(21,262)**	–
	26,898	–

10. Other Income and Other Gains

	2011 US$'000	2010 US$'000 (restated)
Bank interest income	**1,001**	334
Net foreign exchange gain	**5,285**	24
Gain arising from acquisition and disposal of entities (note)	**–**	8,885
Others	**337**	104
	6,623	9,347

Note:

On 24 April 2009, Maxter Investments Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, and the Company, as the Purchaser's guarantor, entered into a conditional sale and purchase agreement with OZ Minerals Agincourt Pty Ltd (the "Vendor") and OZ Minerals Limited, as the Vendor's guarantor, to acquire from the Vendor the entire issued share capital of OZ Minerals Martabe Pty Ltd (the "Target Company") for a consideration being the aggregate of US$211,000,000 and a reimbursement amounted to not exceeding US$11,400,000 (the "Consideration"). The Target Company indirectly holds 95% interest in Martabe gold and silver project in the Western side of the island of Sumatera in the Province of North Sumatera, in the Batangtoru sub-district, Indonesia.

On the same date, Polytex Investments Inc., a wholly-owned subsidiary of the Company and the immediate holding company of the Purchaser, granted Acewick Holdings Limited ("Acewick"), a wholly-owned subsidiary of G-Resources Group Limited ("G-Resources"), a call option to acquire the entire issued share capital of the Purchaser. The exercise price of the option was the aggregate of the Consideration plus US$10,000,000 which was satisfied by the allotment and issue of ordinary shares of G-Resources. On 9 May 2009, Acewick exercised the call option for a total consideration of US$221,000,000 plus a reimbursement of US$6,560,000. US$211,000,000 out of US$221,000,000 and the reimbursement were settled by cash and US$10,000,000 was settled by 221,428,571 equity shares of G-Resources at HK$0.395 per share.

Upon the completion of these two transactions, a gain of US$8,885,000 after netting off a transaction cost of US$2,328,000 which could not be reimbursed from G-Resources, was recognised in other income for the year ended 31 March 2010. In addition, a gain of US$2,129,000 (2010: US$2,839,000) arising from the fair value change of 221,428,571 equity shares of G-Resources was recognised in other comprehensive income for the year ended 31 March 2011. At 31 March 2010 and 31 March 2011, the equity shares of G-Resources were classified as available-for-sale investments.

11. Directors' and Employees' Emoluments

(a) Directors

The emoluments paid or payable to each of the fourteen (2010: eleven) directors were as follows:

	Year ended 31 March 2011					
Name	Fees US$'000	Basic salaries allowances and benefits-in-kind US$'000	Performance related bonus US$'000	Contributions to retirement benefit scheme US$'000	Share-based payments US$'000	Total US$'000
Chiu Tao (Chairman)	–	1,929	1,922	2	12,809	16,662
Chiu Kong (resigned on 25 June 2010)	–	47	–	1	–	48
Chung Nai Ting	–	144	38	2	–	184
Damon G. Barber (appointed on 1 April 2010)		599	539	2	4,069	5,209
Hui Richard Rui	–	178	71	2	1,019	1,270
Kwan Kam Hung Jimmy	–	127	38	2	170	337
Lee Ming Tung	–	112	51	2	170	335
Owen L. Hegarty (appointed on 31 May 2010)		598	–	2	5,823	6,423
Tsui Ching Hung	–	135	18	2	57	212
Wah Wang Kei, Jackie (appointed on 25 June 2010)		47	21	1	227	296
Yeung Kwok Yu	–	133	38	2	170	343
Yu Pan	13	–	–	–	–	13
Tong So Yuet	19	–	–	–	–	19
Chan Shek Wah	26	–	–	–	–	26
	58	**4,049**	**2,736**	**20**	**24,514**	**31,377**

(restated)	Year ended 31 March 2010				
Name	Fees US$'000	Basic salaries allowances and benefits-in-kind US$'000	Performance related bonus US$'000	Contributions to retirement benefit scheme US$'000	Total US$'000
Chiu Tao (Chairman)	–	1,812	768	2	2,582
Chiu Kong	–	332	–	2	334
Chung Nai Ting	–	142	37	2	181
Hui Richard Rui	–	112	51	2	165
Kwan Kam Hung Jimmy	–	113	43	2	158
Lee Ming Tung	–	105	38	2	145
Tsui Ching Hung	–	133	19	2	154
Yeung Kwok Yu	–	39	38	1	78
Yu Pan	13	–	–	–	13
Tong So Yuet	19	–	–	–	19
Chan Shek Wah	26	–	–	–	26
	58	2,788	994	15	3,855

The performance related bonus payable to executive directors is determined based on the performance of the individual directors. No directors waived any emoluments in both years.

11. Directors' and Employees' Emoluments (continued)

(b) Information regarding employees' emoluments

Of the five individuals with the highest emoluments in the Group, all are directors of the Company whose emoluments are included in note 11(a).

12. Finance Costs

	2011 US$'000	2010 US$'000 (restated)
Interest on borrowings wholly repayable within five years:		
Other borrowings	**305**	681
Effective interest expense on:		
Provision for mine rehabilitation cost	**754**	–
Convertible notes	**–**	576
	1,059	1,257

13. Loss Before Taxation

	2011 US$'000	2010 US$'000 (restated)
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note 11(a))	**31,377**	3,855
Contributions to the retirement benefit scheme to employee	**34**	18
Other staff costs	**3,647**	723
Total staff costs included in administrative expenses	**35,058**	4,596
Auditor's remuneration	**1,109**	138
Depreciation on property, plant and equipment	**9,058**	288
Loss on disposal of property, plant and equipment	**87**	2
Minimum lease payments paid under operating leases in respect of rented premises	**406**	381
and after crediting to other income and other gains:		
Gross rental income less direct operating expenses of US$79,000 (2010: US$199,000)from investment properties that generated rental income during the year	**459**	303
Net foreign exchange gain	**5,285**	24
Interest income	**1,001**	334

Other staff costs of US$1,809,000, US$14,455,000 and US$10,286,000 incurred during the year ended 31 March 2011 were capitalised in exploration and evaluation assets, mine property and development assets and inventory (US$5,643,000 of which was charged to profit or loss as cost of goods sold), respectively.

14. Taxation

	2011 US$'000	2010 US$'000 (restated)
Current tax:		
Hong Kong Profits Tax	–	1,211
People's Republic of China	**36**	36
Deferred tax (note 21)	**(65)**	–
Taxation for the year	**(29)**	1,247

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the applicable corporate tax law in Australia and Peru, the tax rate is 30% of the estimated assessable profits.

No provision is made for Hong Kong Profits Tax, Peruvian Corporate Income Tax and Australian Income Tax as the Hong Kong group entities, the Peruvian jointly controlled entity and Australian subsidiaries have no assessable profit.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2011 US$'000	2010 US$'000 (restated)
Loss before taxation	**27,201**	5,981
Tax credit at the domestic income tax rate of 16.5%	**4,488**	987
Tax effect of expenses not deductible for tax purpose	**(5,902)**	(1,164)
Tax effect of income not taxable for tax purpose	**2,799**	1,150
Tax effect of tax losses not recognised	**(3,008)**	(2,183)
Recognition of deductible temporary difference not recognised on acquisition	**(2,998)**	–
Effect of different tax rate of subsidiaries and jointly controlled entity operating in other jurisdictions	**(580)**	(37)
Recognition of unused tax losses not recognised on acquisition	**5,230**	–
Taxation for the year	**29**	(1,247)

15. Loss Per Share

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2011 US$'000	2010 US$'000 (restated)
Loss for the year attributable to owners of the Company, for the purposes of basic and diluted loss per share	**27,172**	7,228

	Number Of Share	
	2011 **'000**	2010 '000
Weighted average number of ordinary shares, for the purposes of basic and diluted loss per share	**21,232,301**	2,726,446

The computation of diluted loss per share for the year ended 31 March 2011 does not assume the exercise of the Company's outstanding share options and warrants as the exercise of those options and warrants would result in a decrease in loss per share.

The computation of diluted loss per share for the year ended 31 March 2010 does not assume the conversion of the Company's outstanding convertible notes and exercise of the warrants since their assumed conversion of convertible notes and exercise of warrants would result in a decrease in loss per share.

16. Interest in a Jointly Controlled Entity

During the year, the Group acquired 70% equity interest in a Peruvian mining company as detailed in note 36(a). As at 31 March 2011, the Group had interest in this jointly controlled entity with details as below:

Name of entity	Form of entity	Country of incorporation and place of operation	Proportion of nominal value of issued capital held by the Group	Principal activity
Marcobre S.A.C.	Incorporation	Peru	70%	Exploration, mining, processing and sale of copper in Peru

Pursuant to the shareholder agreement between CST Marcobre I (previously "Chariot Operating Limited") and CST Marcobre II (previously "Chariot Partners Limited"), wholly owned subsidiaries of the Group which hold, in aggregate, 70% interests in Marcobre S.A.C, and the shareholder who holds the remaining 30% interests (the "Venturer"), decisions to manage Marcobre S.A.C's operation will be made jointly by the Group and the Venturer. Thus, the Group's interest in Marcobre S.A.C. is considered an interest in a jointly controlled entity.

The summarised financial information in respect of the Group's interest in the jointly controlled entity which is accounted for using proportionate consolidation with the line-by-line reporting format is set out as below:

	2011 US$'000
Current assets	**14,744**
Non-current assets	**230,878**
Current liabilities	**1,371**
Non-current liabilities	**250**

	Year ended 31 March 2011 US$'000
Other income recognised in profit or loss	**124**
Expenses recognised in profit or loss	**23**
Other comprehensive income	**–**

17. Property, Plant and Equipment

	Exploration and evaluation assets US$'000	Capital work in progress US$'000	Mine property and development assets US$'000	Plant and equipment US$'000	Leasehold land and buildings US$'000	Leasehold improvements US$'000	Furniture and equipment US$'000	Motor vehicles US$'000	Vessel US$'000	Total US$'000
Cost										
At 1 April 2009 (restated)	–	–	–	–	1,691	68	63	387	–	2,209
Acquired through acquisition of a subsidiary (note 36(b))	–	–	–	–	–	–	129	–	3,710	3,839
Additions	–	–	–	–	–	115	153	410	–	678
Disposals	–	–	–	–	–	–	–	(10)	–	(10)
At 31 March 2010 (restated)	–	–	–	–	1,691	183	345	787	3,710	6,716
Exchange adjustments	3,288	–	18,219	3,507	–	–	–	–	–	25,014
Acquired through acquisition of a subsidiary (note 35)	17,464	–	96,808	18,628	–	–	–	–	–	132,900
Arising from acquisition of assets through acquisition of a jointly controlled entity (note 36(a))	–	–	224,534	149	–	–	–	–	–	224,683
Additions	4,848	6,892	29,525	1,866	–	280	391	–	3	43,805
Disposals	–	–	–	(33)	–	(103)	(44)	–	–	(180)
At 31 March 2011	25,600	6,892	369,086	24,117	1,691	360	692	787	3,713	432,938
Depreciation										
At 1 April 2009 (restated)	–	–	–	–	31	13	20	81	–	145
Provided for the year	–	–	–	–	34	28	21	126	79	288
Eliminated on disposals	–	–	–	–	–	–	–	(3)	–	(3)
At 31 March 2010 (restated)	–	–	–	–	65	41	41	204	79	430
Provided for the year	–	–	10,778	1,832	34	92	109	197	940	13,982
Eliminated on disposals	–	–	–	(33)	–	(19)	(17)	–	–	(69)
At 31 March 2011	–	–	10,778	1,799	99	114	133	401	1,019	14,343
Carrying Values										
At 31 March 2011	25,600	6,892	358,308	22,318	1,592	246	559	386	2,694	418,595
At 31 March 2010 (restated)	–	–	–	–	1,626	142	304	583	3,631	6,286

Capital work in progress represents the construction of mine structures and mining site infrastructure and processing facilities.

17. Property, Plant and Equipment (continued)

Depreciation on the mine property and development assets of items in area of interest where mine production commenced is provided using the unit of production method based on the actual production volume over the total estimated proved and probable reserves of the copper mines. The effective depreciation rate for the year ended 31 March 2011 is 11%.

The other items of property, plant and equipment, except for exploration and evaluation assets and capital work in progress, are depreciated on a straight-line basis after taking into account their estimated residual value, at the following rates per annum:

Plant and equipment	20% – 33%, or over the life of the mines whichever is shorter
Leasehold land and buildings	2%
Leasehold improvements	20% – 33%
Furniture and equipment	20% – 25%
Motor vehicles	25%
Vessel	25%

Depreciation expense of plant and equipment of US$30,000, US$14,000 and US$11,144,000 incurred during the year ended 31 March 2011 were capitalised as part of mine property and development assets, exploration and evaluation assets and inventory (US$6,264,000 of which was charged to profit or loss as cost of goods sold), respectively.

At 31 March 2011, leasehold land and buildings with carrying amounts of US$1,592,000 (2010: US$1,626,000) were situated in Hong Kong under long-term leases.

18. Investment Properties

	2011 US$'000	2010 US$'000 (restated)
Fair Value		
At the beginning of the year	**12,762**	10,961
Gain arising from fair value changes recognised in profit or loss	**4,188**	1,801
At the end of the year	**16,950**	12,762

An analysis of the Group's investment properties is as follows:

	2011 US$'000	2010 US$'000 (restated)
Land and buildings in Hong Kong held under long-term leases	**12,410**	9,077
Land and buildings in the PRC held under medium-term leases	**4,540**	3,685
	16,950	12,762

The fair value of the Group's investment properties at the end of both reporting periods has been arrived at on the basis of valuations carried out as of these dates by an independent qualified professional valuer, Asset Appraisal Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The properties were rented out under operating leases.

19. Available-for-sale Investments

Details of available-for-sale investments are set out below:

	2011 US$'000	2010 US$'000 (restated)
Unlisted equity securities	**654**	654
Less: Impairment loss	**(654)**	(654)
	–	–
Equity securities listed in Hong Kong	**16,182**	14,053
Club debenture	**1,179**	1,179
	17,361	15,232

The unlisted equity securities represent approximately 0.07% (2010: 0.07%) investment in Hennabun Capital Group Limited, a company incorporated in the British Virgin Islands and engaged in securities trading, investment holding and provision of brokerage and financial services. The unlisted equity securities and the club debenture are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group's listed equity securities represent 221,428,571 shares of G-Resources, which were classified as available-for-sale investments, received as part of the consideration for the transactions as set out in note 10. At the end of the reporting periods, the listed equity securities are stated at fair values which have been determined based on quoted market bid prices available on the Stock Exchange.

20. Other Receivable

Non-current other receivable represents the refundable Peruvian General Sales Tax (Impuesto General a las Ventas or "IGV") paid. Under the exploration agreement signed with Peruvian government, the Peruvian company is allowed to request the anticipated refund of IGV. This amount is refundable in cash under the IGV early recovery program or as a deduction of export tax on export of mineral products produced by the Group. Majority of the amount will not be refunded within twelve months from 31 March 2011 based on the management's mineral production plan, and therefore it is classified as non-current asset.

21. Deferred Tax Assets

The following are the major deferred tax assets/liabilities in respect of the temporary differences of future deductible exploration and evaluation and mine property and development expenditures of the mine in Peru recognised and movements thereon during the current year:

	Depreciation allowance in excess of related depreciation expenses US$'000	Tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
At 1 April 2009 and 31 March 2010	–	–	–	–	–
(Charge) credit to profit or loss	(10,712)	9,793	1,671	(687)	65
Exchange realignment	(791)	723	123	(50)	5
At 31 March 2011	(11,503)	10,516	1,794	(737)	70

At 31 March 2011, the Group had unused tax losses of US$151,359,000 (2010: US$98,074,000) available to offset against future profits. A deferred tax asset has been recognised in respect of US$35,055,000 (2010: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining US$116,304,000 (2010: US$98,074,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At 31 March 2011, temporary differences resulting from the retranslation of tax base denominated in currency different from the functional currency of the relevant group entity amounted to US$11,845,000 (2010: Nil). Resulting deferred tax assets of US$3,554,000 (2010: Nil) have not been recognised as they are not expected to be crystallised in the foreseeable future. There were no other significant temporary differences arising during the year or at the end of the reporting period.

22. Bank Balances and Cash/Pledged Bank Deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing market interest rates. The effective interest rate ranges from 0.2% to 0.5% (2010: 0.2% to 0.6%) per annum.

The Group has provided certain bank guarantees primarily associated with the terms of mining leases and supplier contracts in respect of which the Group is obliged to indemnify the banks. At the end of the reporting period, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authority and the contract terms of the supplier contract. These guarantees are backed by collateral deposits which amounted to US$23,355,000 as at 31 March 2011 (2010: Nil). The interest rates for the pledged bank deposits range from 4.03% to 5.28% per annum for the year ended 31 March 2011.

23. Inventories

	2011 US$'000	2010 US$'000
Copper in process	**18,103**	–
Copper cathode	**4,729**	–
Spare parts and consumables	**1,565**	–
	24,397	–

24. Trade and Other Receivables

	2011 US$'000	2010 US$'000 (restated)
Trade receivable	**27,467**	–
Less: allowance for doubtful debts	**–**	–
	27,467	–
Other receivables	**9,649**	5,649
Total trade and other receivables	**37,116**	5,649

	2011 US$'000	2010 US$'000
0 – 60 days	**27,467**	–

Trade receivable as at 31 March 2011 represents trade receivable from a reputable customer with a long history of commodity trading in Australia. The balances are due 2 - 3 days from the date of invoice. Management believes that no impairment allowance is necessary in respect of this balance as it is settled subsequently in full. The Group does not hold any collateral over this balance.

25. Financial Assets at Fair Value through Profit or Loss

	2011 US$'000	2010 US$'000 (restated)
Held for trading investment		
Equity securities listed in Hong Kong	**152,198**	166,819
Equity securities listed outside Hong Kong	**13,652**	6,520
Convertible notes:		
listed in Hong Kong	**–**	740
unlisted	**17,449**	3,918
Debt securities	**6,650**	363
Investment funds	**42,589**	39,334
	232,538	217,694

25. Financial Assets at Fair Value through Profit or Loss (continued)

The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant stock exchanges. The fair values of the investment funds are determined with reference to the values of the underlying assets of the funds which are provided by the counterparty financial institutions.

The convertible notes are redeemable and are repayable upon maturity which is ranging from 2 to 5 years from the date of issue. The Group has the right to convert, on any business day, the convertible notes into ordinary shares of the issuer from the date of acquisition of the convertible notes to their maturity dates. As the Group holds the convertible notes for trading purpose, the convertibles notes are classified as investments held for trading.

The fair values of those convertible notes listed on the Stock Exchange and the debt securities listed in the Singapore Stock Exchange are determined based on the quoted market prices in an active market. The fair value of the unlisted convertible note of US$17,449,000 (2010: US$3,918,000) has been arrived at on the basis of a valuation carried out as of that day by an independent qualified professional valuer. The fair value of the unlisted convertible note is calculated using the discounted cash flows method using the prevailing borrowing rate from 4.71% to 29.5% of the issuers for the equivalent non-convertible note for its straight debt component and using the binomial model for its derivative components.

26. Trade and Other Payables

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	2011 **US$'000**	2010 US$'000 (restated)
0-60 days	**7,414**	–
Total trade payables	**7,414**	–
Other payables	**15,680**	356
	23,094	356

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

27. Amount Due to A Non-Controlling Interest

The amount is unsecured, interest-free and repayable on demand.

28. Provision for Mine Rehabilitation Cost

The amount was acquired as a result of acquisition of a subsidiary and acquisition of assets and liabilities set out in notes 35 and 36(a) respectively.

In accordance with relevant rules and regulations in Australia and Peru, the Group is obligated for the cost of rehabilitation upon the closure of the Group's copper mines. The provision for rehabilitation cost has been estimated in accordance with the local rules and regulations in the aforesaid two regions.

Rehabilitation costs have been estimated based on the current regulatory requirements and determined based on the net present value of future cash expenditures upon rehabilitation, and which is expected to result in cashflow of such mine rehabilitation cost in December 2014. Rehabilitation costs are capitalised as mine property and development assets in property, plant and equipment, and are amortised over the life of the mine on a unit-of-production basis.

A bank guarantee of US$23,355,000 (2010: Nil) is placed with the Department of Environment and Resource Management, Queensland Government for the purposes of settling part of these rehabilitation costs.

	US$'000
At 1 April 2009 and 1 April 2010	–
Acquisition of a subsidiary (Note 35)	**13,773**
Acquisition of assets and liabilities through acquisition of a jointly controlled entity (Note 36(a))	**250**
Effective interest	**754**
Additions	**160**
Exchange adjustments	**2,650**
At 31 March 2011	**17,587**

29. Share Capital

	Notes	Number of shares	Share capital US$'000 (restated)
Ordinary shares of HK$0.1 each:			
Authorised			
At 31 March 2010 and 2011		50,000,000,000	641,026
Issued and fully paid			
At 1 April 2009		13,266,212,650	170,080
Arising from the capital reorganisation	(a)	(12,735,564,144)	(163,276)
Issue of shares upon rights issue	(b)	2,653,242,530	34,016
Issue of shares upon exercise of warrants	(c)	2,196,608	28
At 31 March 2010		3,186,087,644	40,848
Issue of shares upon exercise of warrants	(c)	175,934,714	2,255
Issue of shares	(d)	23,400,000,000	300,000
At 31 March 2011		26,762,022,358	343,103

29. Share Capital (continued)

(a) On 10 October 2008, the Company made a proposal of capital reorganisation to the shareholders that: (1) the nominal value of all the existing issued shares to be reduced from HK$0.10 each to HK$0.004 each by cancelling HK$0.096 paid up on each existing issued share by way of reduction of capital; (2) every 25 reduced issued shares of HK$0.004 each to be consolidated into one consolidated share of HK$0.10; and (3) the credit arising from such reduction of capital to offset against the accumulated losses of the Company and the remaining balance of the credit being credited to the other capital reserve of the Company. The capital reorganisation was completed and the consolidation was effected on 1 April 2009. 12,735,564,144 issued and fully paid shares, amounting to par value of HK$1,273,556,000 (equivalent to US$163,276,000) were being cancelled due to the capital reorganisation. Included in the share capital reduction of HK$1,273,556,000 (equivalent to US$163,276,000), HK$669,360,000 (equivalent to US$85,815,000) was used to offset against the accumulated losses of the Company as at 1 April 2009 and the remaining balance of HK$604,196,000 (equivalent to US$77,461,000) was transferred to other capital reserve.

(b) The Company issued 2,653,242,530 ordinary shares at a subscription price of HK$0.15 (equivalent to US$0.0192) each, by way of rights issue, on the basis of five rights shares for every reorganised share held on 3 April 2009. The transaction was completed on 3 June 2009. The net proceeds of approximately HK$388,036,000 (equivalent to US$49,748,000) were received and the new shares rank pari passu in all respects with the then existing issued shares.

(c) **Warrant 1**

Together with the rights issue, the Company also issued 530,648,506 warrants on the basis of one warrant for every five rights shares subscribed for. The exercise price of the warrants is HK$0.20 per share (subject to anti-dilution adjustment), and the warrants can be exercised by warrant holders on or before 2 June 2011.

During the year ended 31 March 2010, 2,196,608 warrants were exercised, resulting in the issuance of 2,196,608 ordinary shares at a subscription price of HK$0.20 per share.

As a result of the grant of share options with details set out in note 33 (part 1), the subscription price of the outstanding warrants was adjusted from HK$0.20 per share to HK$0.113 per share, and the number of outstanding warrants was adjusted by a factor of 1.77.

During the year ended 31 March 2011, 66,975,636 and 108,959,078 warrants were exercised, resulting in the issuance of 66,975,636 and 108,959,078 ordinary shares of the Company, respectively, at a subscription price of HK$0.20 and HK$0.113 per share respectively. The new shares rank pari passu in all respects with the then existing issued shares.

At 31 March 2011, the Company had outstanding 707,813,067 (2010: 528,451,898) warrants. Exercise in full of such warrants would result in the issue of 707,813,067 additional ordinary shares at a subscription price of HK$0.113 each (2010: HK$0.2 each).

29. Share Capital (continued)

(d) On 25 June 2010, the Company placed 23,400,000,000 ordinary shares at a placing price of HK$0.20 per share, at a proceeds of HK$4,680,000,000 (equivalent to US$600,000,000). The proceeds received are mainly used for the settlement of the consideration for acquisition of a subsidiary and acquisition of assets and liabilities as disclosed in notes 35 and 36(a).

(e) **Warrant 2**

On 26 October 2010, the Company entered into a warrant subscription agreement with 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. and OZ ELS Master Fund, Ltd. (collectively as "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 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, a leading global institutional asset management firm.

No warrants were exercised during the year ended 31 March 2011 and at 31 March 2011, 685,000,000 warrants at the warrant exercise price of HK$0.26 was outstanding.

30. Retirement Benefit Scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The MPF Scheme is funded by monthly contribution from both employees and the Group at a rate of 5% of the employee's relevant income with maximum employee's contribution of not exceeding HK$1,000 (equivalent to US$128) a month.

The employees in the Group's subsidiary in Australia and Peru are members of the Compulsory Superannuation Guarantee Contributions and social security. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions.

During the year, the amount contributed by the Group to the MPF Scheme charged to the profit or loss was US$54,000 (2010: US$33,000). The Group also contributed US$1,218,000 and US$198,000, respectively, to the superannuation operated in Australia and social security in Peru and the contribution amount were charged to profit or loss, or capitalised as exploration and evaluation assets and mine property and development assets (included in the property, plant and equipment) or inventory and to cost of sales as according to its nature.

31. Operating Lease Arrangements

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments payable under non-cancellable operating leases which fall due as follows:

	2011 US$'000	2010 US$'000 (restated)
In respect of rented premises:		
Within one year	**800**	544
In the second to fifth years inclusive	**1,226**	711
	2,026	1,255

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for an average term of two years.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments to the Group:

	2011 US$'000	2010 US$'000 (restated)
Within one year	**285**	333
In the second to fifth years inclusive	**2**	182
	287	515

Leases are negotiated for an average term of two years.

32. Capital Commitments

At the end of the reporting periods, the Group had the following capital commitments:

	2011 US$'000	2010 US$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**5,072**	–
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**1,385**	–

33. Share-Based Payment Transactions

The Company has a share option scheme (the "Scheme") which was adopted on 11 May 2007. The Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Company may grant options to employees (including existing and proposed directors), adviser, consultant, agent, contractor, client and supplier of any members of the Group (collectively the "Participants"). The purpose of the Scheme is to attract, retain and motivate Participants to strive for future development and expansion of the Group and to provide incentive to encourage the Participants to enjoy the results of the Company attained through their efforts and contributions. The total number of shares of the Company available for issue under the Scheme is 2,665,483,035 which represented 10% of the issued share capital of the Company as at 6 August 2010.

No Participants shall be granted an option if the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in twelve month period up to and including the date of grant to such Participants would exceed 1% of the shares of the Company for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates abstaining from voting.

Up to 31 March 2010, no share options have been granted by the Company since the adoption of the Scheme. At 31 March 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,087,500,000, representing approximately 4% of the shares of the Company in issue at that date.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of the directors of the Company (the "Board") may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. The subscription price of the option shall be determined by the Board but in any case shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of grant which must be a trading day, (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of grant and (iii) the nominal value of a share of the Company. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

33. Share-Based Payment Transactions (continued)

The following tables disclose the details of the Company's share options granted under the scheme for both years:

Share options granted under the Scheme

Tranche A

Category of participants	Date of grant	Exercise period	Exercise price HK$	As at 1.4.2009 and 1.4.2010	Granted during the year	As at 31.3.2011
Directors	02.09.2010	17.09.2011 – 16.09.2015	0.2000	–	370,000,000	370,000,000
Employees	02.09.2010	17.09.2011 – 16.09.2015	0.2000	–	16,800,000	16,800,000
of the Group	24.09.2010	24.09.2011 – 23.09.2015	0.2000	–	16,000,000	16,000,000
	30.09.2010	30.09.2011 – 29.09.2015	0.2350	–	36,000,000	36,000,000
	01.12.2010	01.12.2011 – 30.11.2015	0.2300	–	100,000,000	100,000,000
	05.12.2010	05.12.2011 – 04.12.2015	0.2350	–	100,000,000	100,000,000
	13.12.2010	13.12.2011 – 12.12.2015	0.2700	–	16,000,000	16,000,000
	28.02.2011	28.02.2012 – 27.02.2016	0.2350	–	63,000,000	63,000,000
	16.03.2011	17.03.2012 – 16.03.2016	0.2350	–	10,000,000	10,000,000
Total for employees				–	357,800,000	357,800,000
Total for Tranche A				–	727,800,000	727,800,000

Tranche B

Category of participants	Date of grant	Exercise period	Exercise price HK$	As at 1.4.2009 and 1.4.2010	Granted during the year	As at 31.3.2011
Directors	02.09.2010	17.09.2011 – 16.09.2015	0.2000	–	130,000,000	130,000,000
Employees	02.09.2010	17.09.2011 – 16.09.2015	0.2000	–	164,200,000	164,200,000
of the Group	24.09.2010	24.09.2011 – 23.09.2015	0.2000	–	4,000,000	4,000,000
	30.09.2010	30.09.2011 – 29.09.2015	0.2350	–	4,000,000	4,000,000
	13.12.2010	13.12.2011 – 12.12.2015	0.2700	–	4,000,000	4,000,000
	28.02.2011	28.02.2012 – 27.02.2016	0.2350	–	53,500,000	53,500,000
Total for employees				–	229,700,000	229,700,000
Total for Tranche B				–	359,700,000	359,700,000

Vesting condition:

(1) Tranche A

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;

(ii) as to another one-third of the share options, upon the first copper production by the Mina Justa Project (as defined in note 36(a)) held by Chariot Group (as defined in note 36(a)); and

(iii) as to the remaining one-third, upon the process plant of the Mina Justa Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the Board for a continuous period of six months.

(2) Tranche B

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;

(ii) as to another one-third of the share options, upon CSTLA producing averaging 2,300 tonnes per month of saleable copper production over a six consecutive month period; and

(iii) as to the remaining one-third, upon CSTLA achieving 75,000 tonnes of cumulative saleable copper cathode production.

33. Share-Based Payment Transactions (continued)

Share options granted under share option agreements

On 19 March 2010 and 24 March 2010, four Directors and one employee of the Group entered into share option agreements with the Company, pursuant to which the Company granted to each of them share options to subscribe for shares of the Company subject to fulfilment of the conditions set out therein.

Category of participants	Date of share option agreement	Exercise period	Exercise price HK$	As at 1.4.2009 and 1.4.2010	Granted during the year	As at 31.3.2011
Director	19.03.2010	22.06.2011 – 21.06.2015	0.2000	–	60,000,000	60,000,000
Director	19.03.2010	06.07.2011 – 05.07.2015	0.2000	–	240,000,000	240,000,000
Directors	24.03.2010	22.06.2011 – 21.06.2015	0.2000	–	305,000,000	305,000,000
Directors	24.03.2010	06.07.2011 – 05.07.2015	0.2000	–	1,220,000,000	1,220,000,000
Total				–	1,825,000,000	1,825,000,000

Vesting condition:

(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months of the fulfilment of (a) the Listing Committee of the Stock Exchange granting the approval of the listing of and permission to deal in the shares under the share option scheme upon the exercise of the share options; and (b) the approval by the shareholders of the issue of the share options and the shares under the share option scheme upon exercise of the share options, being not less than 200% of the exercise price (the "First Event"), or upon both the Second Event (as defined below) and the Third Event (as defined below) having been achieved while the First Event has not taken place; and

(ii) as to another one-third of the share options, (a) upon the first copper production by the Mina Justa Project after the completion of acquisition of Chariot Group; or upon twelve months after the copper production by CSTLA after the completion of acquisition of entire issued share capital of CSTLA (the "Second Event"); and

(iii) as to the remaining one-third, (a) upon the process plant of the Mina Justa Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the Board, which schedule and plan are intended to be completed within a period of four months after the completion of acquisition of Chariot Group, for a continuous period of six months; or (b) upon twelve months after achieving an annual copper production of 25,000 tonnes under the mining business of CSTLA after the completion of acquisition of CSTLA (the "Third Events").

Weighted average exercise price of the share options is HK$0.2048 (equivalent to US$0.0263) at 31 March 2011.

All the share options granted during the current year are valid upon fulfilment of vesting conditions and up to a maximum period of five years from the effective date. The grantee shall continue to provide services to the Group as director or employees of the Group during the vesting period of respective share options.

In each case, no share option shall vest at any time prior to the expiry of twelve months from the effective date of the share options.

Fair values of the options are determined at the dates of grant using the Binominal model. Share-based payment expenses was recognised over the vesting period based on the contractual period of twelve months or management's estimation of the timing when the vesting conditions described are met. The fair value of the total share options granted during the year ended 31 March 2011 is HK$523,078,000 (equivalent to US$67,061,000) (2010: Nil). For the year ended 31 March 2011, the Group recognised the share-based payment expenses of HK$199,711,000 (equivalent to US$25,604,000) (2010: Nil) in relation to these share options.

33. Share-Based Payment Transactions (continued)

The following assumptions were used to calculate the fair values of share options:

Grant date	31 May 2010	11 June 2010	2 September 2010	24 September 2010	30 September 2010
Number of share options granted	365,000,000	1,460,000,000	681,000,000	20,000,000	40,000,000
Share price on date of grant	HK$0.375	HK$0.375	HK$0.157	HK$0.181	HK$0.214
Exercise price	HK$0.200	HK$0.200	HK$0.200	HK$0.200	HK$0.235
Expected life	2.5-3.3 years	2.6-4.6 years	4.2-4.8 years	3.9-4.7 years	3.9-4.7 years
Expected volatility	66.10%	65.97%	64.62%	64.20%	64.23%
Dividend yield	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	1.630%	1.681%	1.114%	1.203%	1.167%
Fair value of share option	HK$0.219-HK$0.233	HK$0.225-HK$0.255	HK$0.063-HK$0.073	HK$0.077-HK$0.089	HK$0.092-HK$0.105

Grant date	1 December 2010	5 December 2010	13 December 2010	28 February 2011	16 March 2011
Number of share options granted	100,000,000	100,000,000	20,000,000	116,500,000	10,000,000
Share price on date of grant	HK$0.226	HK$0.230	HK$0.225	HK$0.229	HK$0.224
Exercise price	HK$0.230	HK$0.235	HK$0.270	HK$0.235	HK$0.235
Expected life	3.8-4.6 years	3.8-4.6 years	3.9-4.6 years	3.9-4.6 years	3.8-4.5 years
Expected volatility	63.84%	63.86%	63.62%	63.08%	62.76%
Dividend yield	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	1.375%	1.538%	1.662%	1.852%	1.672%
Fair value of share option	HK$0.100-HK$0.114	HK$0.102-HK$0.116	HK$0.092-HK$0.113	HK$0.097-HK$0.113	HK$0.097-HK$0.108

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

34. Major Non-Cash Transaction

During the year ended 31 March 2010, the Group received 221,428,571 equity shares of G-Resources at HK$0.395 (equivalent to US$0.0506) per share, which were classified as available-for-sale investments, as a part of the consideration for the transactions as set out in note 10.

35. Acquisition of a Subsidiary

On 31 May 2010, the Group acquired the entire issued share capital of CSTLA. An aggregate cash consideration of A$130,000,000 (equivalent to US$110,073,000), was paid by the Group on the acquisition date, with an additional contingent cash as detailed below. CSTLA is engaged in copper mining business and its principal assets are mine property and development assets and exploration and evaluation assets located in north-western Queensland, Australia. Commercial production commenced in September 2010 and the first copper was produced in November 2010.

35. Acquisition of a Subsidiary (continued)

Consideration transferred is as follow:

	US$'000
Cash	**110,073**
Contingent consideration (note)	**4,073**
	114,146

Note: Based on the relevant agreement, the Group is required to pay (i) an additional amount of A$2,500,000 upon the production of the first 10,000 tonnes of copper cathode from CSTLA and (ii) a further A$2,500,000 upon the delineation of additional ore reserves containing 25,000 tonnes of contained copper. Obligation stated in (i) of A$2,500,000 (equivalent to US$2,117,000) and (ii) of A$2,309,000 (equivalent to US$1,956,000) represents the estimated fair value of the obligation and has been fully provided.

Acquisition-related costs amount to US$5,481,000 (mainly represented finance costs) have been excluded from the cost of acquisition and have been recognised as an expense in the current year.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	US$'000
Property, plant and equipment	**132,900**
Other receivables	**263**
Inventory	**183**
Pledged bank deposits	**591**
Bank balances and cash	**48**
Other payables	**(6,066)**
Provision for mine rehabilitation cost	**(13,773)**
	114,146

Net cash outflow arising on acquisition of a subsidiary is as follows:

	US$'000
Cash consideration paid	**110,073**
Less: bank balances and cash acquired	**(48)**
	110,025

Included in the loss for the year is US$9,022,000 profit attributable to the mining business generated by CSTLA. Revenue for the year includes US$44,903,000 generated from CSTLA.

As the copper mine is at care and maintenance stage before the completion of acquisition, there would have been no significant difference in the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2010.

36. Acquisition of Assets and Liabilities

(a) Acquisition of assets and liabilities through acquisition of a jointly controlled entity

On 11 June 2010, the Group acquired the entire issued capital of Chariot Resources Limited ("Chariot"), which holds an equity interest of 70% in a Peruvian mining company (hereinafter collectively referred to as "Chariot Group") at an aggregate cash consideration of Canadian dollars ("C$") 249,682,000 (equivalent to US$235,551,000). The principal assets of the Peruvian mining company are mine property and development assets of a copper mine located in Peru ("Mina Justa Project"). As at 31 March 2011, the copper mine has not yet commenced mining operation. The acquisition has been accounted for as an acquisition of assets and liabilities as the companies acquired are not business.

36. Acquisition of Assets and Liabilities (continued)

(a) Acquisition of assets and liabilities through acquisition of a jointly controlled entity (continued)

The consolidated net assets acquired (including the net assets of the Peruvian mining company which are attributable to Chariot's equity interest of 70% in the jointly controlled entity) was summarised as follows:

	US$'000
Net assets acquired:	
Property, plant and equipment	224,683
Other receivables	13,535
Bank balances and cash	11,278
Other payables	(3,148)
Provision for mine rehabilitation cost	(250)
	246,098
Total consideration satisfied by:	
Cash	235,551
Directly attributable costs	10,547
	246,098
Net cash outflow arising on the acquisition of assets and liabilities through acquisition of a jointly controlled entity:	
Cash consideration paid	235,551
Cash paid for directly attributable costs	10,547
Less: bank balances and cash acquired	(11,278)
	234,820

(b) Acquisition of assets and liabilities through acquisition of a subsidiary

On 5 March 2010, the Group has acquired the vessel and its related furniture and equipment held by Deep Bowl Limited through acquisition of the entire issued share capital of Deep Bowl Limited.

	US$'000 (restated)
Net assets acquired:	
Property, plant and equipment	3,839
Other receivables	7
Total consideration, satisfied by cash	3,846

37. Pledge of Assets

As at 31 March 2011 and the date of its acquisition by the Group, Chariot's 70% equity interest in Marcobre S.A.C., a jointly controlled entity of Chariot, was pledged to secure Marcobre S.A.C.'s contractual obligations to payments to two independent third parties. Marcobre S.A.C. is obligated to make the payment in the event of the Group and another joint venturer approving the commencement of the construction of mine and processing facilities on the copper mine in Peru and when the mine resources in the relevant copper mine in Peru reached certain milestones. The Group's share of such future payment is US$7,000,000 assuming all the milestones are met.

In the opinion of the directors, it is not probable that all of above conditions will be reached as at 31 March 2011 and hence no provision is made for such payment.

38. Related Party Disclosures

1. *Key management personnel compensation*

The remuneration of directors who are also key management during the year was as follow:

	2011 US$'000	2010 US$'000 (restated)
Short–term benefits	**6,843**	3,840
Share–based payment expenses (Note)	**24,514**	–
Post–employment benefits	**20**	15
	31,377	3,855

Note: Share-based payment expenses represent the portion of the total fair value at the grant date of share options issued under the Scheme and the share option agreements which has been charged to the consolidated comprehensive income statement during the year ended 31 March 2011.

2. On 29 March 2010, Mr Chiu Tao, chairman and director of the Company, has entered into two subscription agreements with the Company to subscribe 3,120,000,000 shares and 780,000,000 shares of the Company's new shares as part of the placement as detailed in note 29(d). The subscription price is HK$0.20 per share and the total consideration payable under the subscription agreements is HK$780,000,000 (equivalent to US$100,000,000). Mr Chiu Tao has agreed and undertaken that unless he obtained the prior written consent of the Company, he will not offer or sell during the two years period commencing from the subscription closing date.

39. Event After The Reporting Period

Issue of new capital

The warrant scheme detailed in note 29(c) was expired on 2 June 2011. A total of 684,446,603 warrants were exercised during the period from 1 April 2011 to 2 June 2011, resulting the issuance of 684,446,603 additional ordinary shares at a subscription price of HK$0.113 per share. 23,366,464 warrants remained unexercised and were lapsed on 2 June 2011.

40. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2011 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered and paid up capital	Proportion of nominal value of issued share capital/registered and paid up capital held by the Company		Principal activities
			Directly	Indirectly	
China Sci-Tech Secretaries Limited	Hong Kong	HK$10,000	100%	–	Provision of secretarial services and investment holding
CST Minerals Lady Annie Pty Limited*	Australia	A$2	–	100%	Exploration, mining, processing and sale of copper in Australia
Deep Bowl Limited	British Virgin Islands	US$1	–	100%	Vessel holding
Isenberg Holdings Limited	Hong Kong	HK$2	–	100%	Property investment
Jabour Limited	Hong Kong	HK$2	–	100%	Property investment
Kingarm Company Limited	Hong Kong	HK$2	–	100%	Property investment
Skytop Technology Limited	Hong Kong	HK$3	–	100%	Securities investment
Unigolden Limited	Hong Kong	HK$2	–	100%	Property investment

* Newly acquired during the year.

In the opinion of the directors of the Company, the above companies principally affected the operations of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 March 2010 and 2011 or at any time during both years.

Financial Summary

	Year ended 31 March				
	2011 **US$'000**	2010 US$'000 (restated)	2009 US$'000 (restated)	2008 US$'000 (restated)	2007 US$'000 (restated)
Results					
(Loss) for the year	**(27,172)**	(7,228)	(46,990)	(39,176)	(8,083)

	At 31 March				
	2011 **US$'000**	2010 US$'000 (restated)	2009 US$'000 (restated)	2008 US$'000 (restated)	2007 US$'000 (restated)
Assets and liabilities					
Total assets	**976,209**	319,506	284,839	315,248	51,926
Total liabilities	**(42,148)**	(1,823)	(12,571)	(705)	(13,576)
Net assets	**934,061**	317,683	272,268	314,543	38,350

Particulars of Properties Held by the Group

Location	Use	Lease term
Unit Nos. 1104-1107 and Unit Nos. 2501-2512 Oriental Building No. 39 Jianshe Road Luohu District Shenzhen Guangdong Province PRC	Commercial	Medium term lease
East Portion of level 18 and Unit No. 2601 and Carparking Space No. 20 on basement level Shartex Plaza No. 88 Zunyi South Road Changning District Shanghai PRC	Commercial	Medium term lease
Unit B on 2/F Unit A and B on 3/F Unit B on 5/F Unit A, B & C on 16/F to 23/F of Fortwest No. 1 Westlands Road Quarry Bay Hong Kong	Residential	Long term lease
Flat 10 on 20/F Apartment Tower on the Western Side Convention Plaza No. 1 Harbour Road Hong Kong	Residential	Long term lease

Corporate Information

Board of Directors

Executive Directors

Mr Chiu Tao *(Chairman)*
Mr Owen L. Hegarty *(Vice Chairman)*
Mr Damon G. Barber *(Chief Executive Officer)*
Mr Hui Richard Rui *(General Manager)*
Mr Yeung Kwok Yu
Mr Kwan Kam Hung, Jimmy
Mr Tsui Ching Hung
Mr Chung Nai Ting
Mr Lee Ming Tung
Mr Wah Wang Kei, Jackie

Independent Non-Executive Directors

Mr Yu Pan
Ms Tong So Yuet
Mr Chan Shek Wah

Company Secretary

Mr Chow Kim Hang

Registered Office

Ground Floor
Caledonian House
Mary Street
P.O. Box 1043
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Rooms 4503-05, 45th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Banker

Hang Seng Bank Limited

Principal Share Registrars and Transfer Office

The R&H Trust Co. Ltd.
Windward 1
Regatta Office Park
P.O. Box 897
Grand Cayman KY1-1103
Cayman Islands

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CST Mining Group Limited
(Incorporated in Cayman Islands with limited liability)
Stock code: 985

Registered office
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Cayman Islands

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