
SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves, according to the Hatch Report. On the Listing Date, we will also be the first non-ferrous metal pure mining company⁽¹⁾ listed on the Stock Exchange. As a pure mining company, we only conduct upstream operations in exploration, mining and primary processing of mineral resources with no downstream operations in smelting and refining. We currently own and operate a large-scale, high-grade lead-zinc-silver polymetallic mine in Yunnan Province, the Shizishan Mine, which contains abundant and high-grade silver reserves. The mining permit for the Shizishan Mine has a term of 15 years ending in April 2026 and covers an area of 3.20 sq. km. We are currently at the commercial production stage of the Shizishan Mine with a current mining capacity of 700 tpd. We started trial production at the Shizishan Mine at the end of July 2011 and commenced commercial production in October 2011. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. We also own an exploration permit to the Dazhupeng Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. We have not obtained a mining permit for the Dazhupeng Mine and may not conduct mining activities at the Dazhupeng Mine at this stage. In line with our vision to be a leading non-ferrous metal pure mining company in China and in order to leverage on our transferable experience and skills of processing lead-zinc-silver ore, we have also secured exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine in Yunnan Province. Such exclusive raw ore supply arrangement is expected to enable us to capitalize on any potential increase in the market price of tungsten and tin.

Yunnan Province has the second largest lead reserves, the second largest zinc reserves and the third largest silver resources in China, according to the Hatch Report. To tap into the abundant non-ferrous metal resources in Yunnan Province, we have entered into an agreement to acquire the Liziping Mine, a lead-zinc-silver polymetallic mine in Yunnan Province, and have an option to acquire the Dakuangshan Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. With our abundant and high-grade lead, zinc and silver resources and reserves and strategic proximity to local mineral assets and smelters in Yunnan Province, we believe that we are well-positioned to capture the market opportunities presented by the increasing demand for refined lead and zinc and the resulting significant supply shortfall in lead and zinc concentrates in China. In addition, we believe that non-ferrous metal concentrate producers enjoy and will continue to enjoy the highest margin in the non-ferrous metal value chain. Therefore, our strategy is to continue to focus on our business

Note:

- (1) Non-ferrous metal pure mining company refers to a pure mining company that operates mines containing metals other than iron, manganese and chromium and alloys that do not contain appreciable amounts of iron, manganese or chromium, which includes lead, zinc, silver, tungsten and tin.

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operation as a pure mining company and currently we do not intend to expand our operations to downstream business such as metal smelting and refining. In line with common industry practice, we outsource substantially all our exploration, mine construction and mining works to third-party contractors.

Our Owned Mine Projects

We currently own and operate a large-scale, high-grade lead-zinc-silver polymetallic mine in Yunnan Province, the Shizishan Mine, the mining permit for which has a term of 15 years ending in April 2026. Minarco has completed the Competent Person's Report for the Shizishan Mine, under which Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine. We also own an exploration permit to the Dazhupeng Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. The following table provides certain information on our owned mine projects:

Mine	Company's rights in the mine	Current stage	Whether completed feasibility study	Whether covered by Competent Person's Report	Amount of IPO net proceeds to be applied (mid-point, assuming the Over-allotment Option is not exercised)
Shizishan Mine	Mining right	Commercial production	Yes	Yes, with resources and reserves estimation ⁽¹⁾	Approximately 18% of the net proceeds from the Global Offering, or HK\$195 million
Dazhupeng Mine	Exploration right	Early stage exploration	No	No ⁽²⁾	Approximately 17% of the net proceeds from the Global Offering, or HK\$184 million

Notes:

- (1) Information of the Shizishan Mine contained in the Competent Person's Report includes its mineral resource and ore reserve estimation, planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans and environmental and social setting.
- (2) The Competent Person's Report does not include information of the Dazhupeng Mine because the Dazhupeng Mine is still at its early stage exploration. Therefore, there is no sufficient information available for the Competent Person to conduct JORC compliant geological and exploration reviews at the Dazhupeng Mine that can be included in the Competent Person's Report. We have not conducted advanced exploration at this stage at the Dazhupeng Mine as we already owned its exploration rights and therefore have greater flexibility with regard to the timing of conducting further exploration at the Dazhupeng Mine. Further exploration activities at the Dazhupeng Mine will be funded out of the net proceeds from the Global Offering.

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Our Mineral Resources

The Shizishan Mine contains abundant and high-grade lead, zinc and silver resources and reserves. According to the Competent Person's Report, as of October 25, 2011, the Shizishan Mine had an aggregate of 8,829,000 tonnes of JORC measured and indicated resources and 8,024,000 tonnes of JORC reserves, containing 745,900 tonnes of lead metal, 477,300 tonnes of zinc metal and 2,000 tonnes (64.3 million ounces) of silver metal in JORC reserves. The estimated average resource and reserve grades for lead, zinc and silver of the Shizishan Mine are 9.4% and 9.3%, 6.0% and 6.0%, and 256 g/t and 250 g/t, respectively. These are significantly higher than 3.3%, 5.4% and 100 g/t, which are the industry average grades for underground lead mines, underground zinc mines and the silver content threshold for silver ore in China, respectively, according to the Hatch Report. Based on the JORC ore reserves of 8,024,000 tonnes at the Shizishan Mine and our current estimated production level of 48 ktpa (350 tpd) in 2011, 419 ktpa (1,270 tpd) in 2012, and 660 ktpa (2,000 tpd) from 2013 and onwards, the ore reserves at the Shizishan Mine are estimated to support approximately 12.5 years of mine operation. In addition, according to the Competent Person's Report, there is excellent potential to expand the currently defined resources at the Shizishan Mine. Our abundant and high-grade lead, zinc and silver polymetallic resources and reserves position us well to capitalize on any increase in the market demand for and price of lead, zinc and silver. See "Business — Our Mineral Resources."

The following table, which is based on Table 2.4-1 in the Competent Person's Report, provides information on the lead-zinc-silver polymetallic resources and the average grade of lead, zinc and silver at the Shizishan Mine as of October 25, 2011:

JORC Resources	Quantity(t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Measured	2,431,000	10.9	6.6	271	263,800	160,000	700
Indicated	6,398,000	9.0	5.9	250	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247	39,600	24,500	100
Total	9,345,000	9.4	6.0	256	878,500	563,000	2,400

Note: The above indicated and inferred resource data for the Shizishan Mine includes a total of 108,800 tonnes of indicated and inferred mineral resources containing 4.7% of lead, 4.4% of zinc and 171 g/t of silver that are below the 1,000 m elevation limit of our current mining permit.

The following table, which is based on Table 2.5-1 in the Competent Person's Report, provides information on the lead-zinc-silver polymetallic reserves and the average grade of lead, zinc and silver at the Shizishan Mine as of October 25, 2011:

JORC Ore Reserve	Quantity(t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	2,311,000	10.0	6.1	251	231,400	140,400	600
Probable	5,713,000	9.0	5.9	250	514,500	336,900	1,400
Total	8,024,000	9.3	6.0	250	745,900	477,300	2,000

Our Current Operations and Ramp-Up Plans

We are currently at the commercial production stage of the Shizishan Mine with a current mining capacity of 700 tpd. We started trial production at the Shizishan Mine at the end of July 2011 and commenced commercial production in October 2011. In August, September and October of 2011, we mined a total of approximately 24,800 tonnes of raw ore and processed a total of approximately

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22,690 tonnes of raw ore, out of which we produced approximately 1,035 tonnes and 1,769 tonnes of lead-silver concentrates and zinc-silver concentrates, respectively. During this period, we sold a total of approximately 355 tonnes and 777 tonnes of lead-silver concentrates and zinc-silver concentrates, with an average selling price of approximately RMB9,596 and RMB3,880 per tonne, respectively, to our customers. We sell our concentrate products to both smelter customers and concentrate traders who resell them to smelters. Based on the terms of the offtake agreements and concentrate supply agreements we entered into with our five customers as of the Latest Practicable Date, these customers agreed to purchase from us lead-silver concentrate and/or zinc-silver concentrate which would enable us to sell concentrates containing, in the aggregate, at least 47,900 tonnes of lead metal and 47,800 tonnes of zinc metal, respectively, in 2011 and 2012. We price our concentrates based on the prevailing spot market prices of metals contained in the concentrates.

We are undertaking a ramp-up of our mining capacity, which is expected to enable us to attain a planned mining capacity of 1,000 tpd in the second quarter of 2012 and 2,000 tpd (our full planned mining capacity) in the fourth quarter of 2012. We have completed the construction of a large ore processing facility at the Shizishan Mine and attained a full planned processing capacity of 2,000 tpd at the end of July 2011. The table below, which is based on Table 2.7-2 in the Competent Person's Report, summaries the processing production schedule for the Shizishan Mine for the periods indicated:

	Items	Unit	Actual 2011			Planned			
			Aug	Sept	Oct	2011	2012	2013-2023	
								(annual)	2024
ROM Ore	Mined	kt	6.2	8.8	9.8	48	419	660	297
	Processed	kt	5.1	7.8	9.8	48	419	660	297
	Annualized processed*	ktpa	25.5	36.3	42.3	48	419	660	297
Feed Grade	Lead	%	2.7	3.6	3.6	9.3	9.3	9.3	9.3
	Zinc	%	4.4	4.3	4.2	6.0	6.0	6.0	6.0
	Silver	g/t	41	40	44	250	250	250	250
Recovery	Lead	%	71.8	75.0	76.2	74.4	93	93	93
	Zinc	%	83.8	84.1	84.1	71.2	89	89	89
	Silver in lead concentrate	%	64.1	71.5	72.4	71.2	89	89	89
	Silver in zinc concentrate	%	5.9	6.4	5.9	5.9	7.4	7.4	7.4
Concentrate Grade	Lead	%	60	55	55	55	55	55	55
	Zinc	%	45	46	46	55	55	55	55
	Silver in lead concentrate	g/t	808	595	632	1,414	1,414	1,414	1,414
	Silver in zinc concentrate	g/t	30	33	34	192	192	192	192
Concentrate Tonnes	Lead-silver concentrate	kt	0.164	0.378	0.493	6.0	65.9	103.8	46.71
	Zinc-silver concentrate	kt	0.409	0.611	0.749	3.7	40.3	63.6	28.62
Metal Contained in Concentrate	Lead	t	98	209	270	3,320	36,220	57,080	25,686
	Zinc	t	184	279	348	2,030	22,180	34,950	15,728
	Silver in lead concentrate	kg	133	225	311	8,540	93,130	146,790	66,056
	Silver in zinc concentrate	kg	12	20	25	710	7,740	12,200	5,490

* Annualized rate assumes 2011 year commenced in August

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The table below, which is based on Table 2.8-2 in the Competent Person's Report, summarizes the actual and planned capital expenditure in relation to the ramp-up plan for the Shizishan Mine for the periods indicated:

	Apr 23, 2009 to Dec 31, 2009	2010	2011	2012	Total
Mining	6.0	34.7	68.5	120.5	229.7
Mining Infrastructure	0.3	0.3	35.7	120.5	156.8
Mining Right and Exploration	5.7	34.4	32.8	0.0	72.9
Processing	1.3	48.7	91.5	4.5	146.0
Processing Factory and Equipment	0.3	40.0	77.3	0.5	118.1
Tailing Storage Facilities	1.0	8.7	14.2	4.0	27.9
Land Use Right	0.0	7.2	10.3	0.0	17.5
Buildings	0.0	0.0	10.0	0.0	10.0
Total	<u>7.3</u>	<u>90.6</u>	<u>180.3</u>	<u>125.0</u>	<u>403.2</u>

Because of the high-grade and polymetallic nature of our lead-zinc ore from the Shizishan Mine that also includes abundant and high-grade silver content, we believe that we will become a low-cost producer in the lead and zinc mining industry in China after we complete the full ramp-up plan of our mining and processing capacities. According to the Competent Person's Report, the estimated total cash cost, which includes mining costs, processing costs, general administration and other costs, taxes and royalties, and total production cost, which includes total cash costs and depreciation and amortization costs, for the Shizishan Mine will be approximately RMB1,313 (approximately US\$207) and RMB1,511 (approximately US\$238), respectively, per tonne of concentrate in 2013, the first year in which we will operate at our full planned mining and processing capacities. Silver is a byproduct of our processing process due to the polymetallic nature of the lead-zinc ore of the Shizishan Mine. As a result, revenue from silver can be deducted from the estimated total cash cost and production cost for the Shizishan Mine as a byproduct credit, which is consistent with common industry practice to deduct byproduct credit from cash cost and production cost of main stream products. Because of the high degree of silver contained in our concentrate products, both of the estimated total cash cost and total production cost for the Shizishan Mine are negative after deducting revenue from silver which is higher than the estimated total cash cost and total production cost at the Shizishan Mine. After deducting the value of silver contained in our concentrates based on the average spot price of silver for October 2011 on the Shanghai White Platinum & Silver Exchange, which is RMB6.89 per gram, our estimated total cash cost and total production cost will be approximately RMB-3,022 (approximately US\$-475) and RMB-2,825 (approximately US\$-444), respectively, per tonne of concentrate in 2013. See "Business — Ramp-up Plans for Our Mining and Processing Capacities."

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The table below, which is based on Table 2.8-1 in the Competent Person's Report, sets forth a summary of the forecast total cash cost and total production cost for the Shizishan Mine for the periods indicated:

Cost Item	Unit	Aug 2011	Sep 2011	Oct 2011	2011	2012	2013	2014	2015
		(Actual)	(Actual)	(Actual)					
Mining cost	RMB/t ore mined	62	58	58	62	62	62	62	62
Subcontracting fee	RMB/t ore mined	62	58	58	62	62	62	62	62
Processing cost	RMB/t ore processed	153	129	146	121	89	82	82	82
Materials cost . . .	RMB/t ore processed	51	53	60	40	38	38	38	38
Labor	RMB/t ore processed	49	35	32	41	13	8	8	8
Electricity and Water	RMB/t ore processed	39	37	46	23	23	23	23	23
Maintenance and Others	RMB/t ore processed	14	4	8	17	15	13	13	13
G&A and Other Costs	RMB/t ore processed	84	113	103	270	55	39	40	42
Total Operating Cash Cost	RMB/t ore processed	299	300	307	453	206	183	184	186
Total Operating Cash Cost	RMB/t concentrate	2,633	2,366	2,419	2,232	812	722	726	734
Total Taxes and Royalties	RMB/t ore processed	55	63	79	176	154	150	150	150
Total Cash Cost	RMB/t ore processed	354	363	386	629	360	333	334	336
Total Cash Cost	RMB/t concentrate	3,117	2,863	3,041	3,100	1,420	1,313	1,317	1,325
Total Depreciation and Amortization ⁽¹⁾	RMB/t ore processed	38	28	123	110	52	50	50	50
Total Production Cost	RMB/t ore processed	392	391	509	739	412	383	384	386
Total Production Cost	RMB/t concentrate	3,452	3,083	4,010	3,642	1,625	1,511	1,515	1,522

Note:

- (1) Total depreciation and amortization includes depletion charges arising from the capital expenditures for the mining infrastructure and mining right of the Shizishan Mine, which are depreciated and amortized over the entire mine life of the Shizishan Mine and account for approximately 56% of total depreciation and amortization from year 2013 (i.e. the first year in which we will operate at our full planned mining and processing capacities) and onwards.

In line with common industry practice, we outsource substantially all of our exploration, mine construction and mining works to third-party contractors. We process extracted ore ourselves at our ore processing facilities and sell our concentrate products through our own sales team. We have a dedicated exploration team to identify exploration opportunities and to assess the prospect, scale, nature and timing of the exploration activities for each specific exploration target. In addition, we manage and supervise the exploration, mine construction and mining activities undertaken by our third-party contractors to ensure that they meet our quality, budgetary, production safety and environmental protection standards.

Our Mining Rights and Exploration Rights

We obtained an initial mining permit for the Shizishan Mine in February 2010 and a renewed mining permit in April 2011 for a term of 15 years ending in April 2026. Our renewed mining permit

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covers an area of 3.20 sq. km with an elevation limit from 1,000 m to 1,498 m above sea level. In April 2011, we mortgaged our mining right to the Shizishan Mine to the Agricultural Bank of China to secure banking facilities amounting to RMB130 million, which has been completely drawn down as of September 30, 2011. Such mining right mortgage will be released upon repayment of all borrowings under the banking facilities in 2014. We also received a production safety permit for our mining activities at the Shizishan Mine on May 10, 2011 for a term of three years and a production safety permit for our tailing storage facility on October 14, 2011 for a term of three year.

The table below summarizes the information, including the mining and processing activities, in relation to the Shizishan Mine:

<u>Items</u>	
Permits and approvals obtained	Mining permit and production safety permit
Mining permit number	C5300002010023220056038
Validity period	April 6, 2011 to April 5, 2026
Mining areas and extraction limits	3.20 sq. km with an elevation limit from 1,000 m to 1,498 m above sea level
JORC ore resources (tonnes)	9,345,000
JORC ore resources grade	Lead: 9.4%; zinc: 6.0%; silver: 256 g/t
JORC ore reserve (tonnes)	8,024,000
JORC ore reserves grade	Lead: 9.3%; zinc: 6.0%; silver: 250 g/t
Commencement date of trial	Trial production commenced at the end of July 2011
and commercial production	Commercial production commenced in October 2011
Average concentrate grade	Lead: 55%; Zinc: 55%; Silver in lead concentrate: 1,414 g/t; Silver in zinc concentrate: 192 g/t
Estimate mine life	12.5 years
Capital expenditure incurred	RMB253.1 million
as of October 31, 2011	
Remaining capital expenditure to be incurred	RMB150.2 million
Current status	Commercial production
Technical Report	The Competent Person's Report, dated November 25, 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult

We obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km. We are currently at the early exploration stage of the Dazhupeng Mine and expect to complete such exploration activities in the second quarter of 2012. Upon completion of our exploration activities at the Dazhupeng Mine and if we consider beneficial to do so, we will apply for a mining permit for the Dazhupeng Mine and start to evaluate its economic feasibility and make detailed production and capital investment plans then.

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We have not obtained a mining permit for the Dazhupeng Mine and may not conduct mining activities at the Dazhupeng Mine at this stage. We cannot guarantee that we will be able to obtain the mining permit for the Dazhupeng Mine in a timely manner.

The table below summarizes certain information, including the exploration activities, in relation to the Dazhupeng Mine:

<u>Items</u>	
Permits and approvals obtained	Exploration permit
Exploration permit number	T53420110402044608
Validity period	April 26, 2011 to April 26, 2014
Exploration area	15.19 sq. km.
Capital expenditure incurred as of October 31, 2011	RMB3.2 million
Remaining capital expenditure to be incurred	RMB221.9 million ⁽¹⁾
Current status	Early stage exploration; expected to complete exploration in the second quarter of 2012 and start production in the second quarter of 2014
Technical Report	The Dazhupeng Preliminary Survey, dated April 2011, prepared by 106 Geological Team of Sichuan Bureau of Geology and Mineral Resource (四川省地質礦產調查開發局106地質隊)

Note:

- (1) The Dazhupeng Mine is currently at its early stage exploration, therefore, our capital expenditure plan for the Dazhupeng Mine is only a preliminary plan based on our current estimation of its exploration potential and assumes that we will apply for its mining permit and develop the mine. The actual capital expenditure may be adjusted substantially and will be determined according to the final exploration results and development plan.

As advised by our PRC legal advisor, we have obtained all the necessary licenses, approvals and permits which are material for our current operations in China. As also advised by our PRC legal advisor, we have obtained all the licenses, permits and approvals required for the commencement of our commercial production at the Shizishan Mine in October 2011. See “Business — Mining Rights, Exploration Permit and Production Safety Permit.”

Mine Projects not Currently Owned

We have secured exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine owned by Xiangcaopo Mining, an Independent Third Party. We have also entered into an agreement to acquire the Liziping Mine, a lead-zinc-silver polymetallic mine owned by the Liziping Company, an Independent Third Party, and have an option to acquire the Dakuangshan Mine, a lead-zinc-silver polymetallic mine owned by Dakuangshan Company, an Independent Third Party. All these three mining projects are located in Yunnan Province.

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The following table provides certain information on the three mine projects that are not currently owned by us:

Mine	Company's rights in the mine	Expected completion date of acquisition	Current stage	Whether covered by Competent Person's Report	Amount of IPO net proceeds to be applied (mid-point, assuming the Over-allotment Option is not exercised)
Lushan Mine	All polymetallic tungsten-tin raw ore from the Lushan Mine will be supplied to us for a period of at least 15 years, with the price for the raw ore of RMB260/t for the first five years	N/A	Preliminary exploration	No ⁽¹⁾	Approximately 5% of the net proceeds from the Global Offering, or HK\$54 million ⁽²⁾
Liziping Mine	We agreed to purchase 90% equity interests in the Liziping Company from Song Denghong and will complete the purchase if all conditions are met	May 2012, subject to fulfillment of the relevant conditions	Preliminary exploration	Yes, without resources and reserves estimation ⁽³⁾	Approximately 48% of the net proceeds from the Global Offering, or HK\$519 million
Dakuangshan Mine	We obtained a right (with no obligation) to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011	Prior to November 2012, subject to satisfactory exploration results	In small-scale operation	No ⁽⁴⁾	Approximately 12% of the net proceeds from the Global Offering, or HK\$130 million

Notes:

- (1) The Competent Person's Report does not include information of the Lushan Mine because we have only secured long-term exclusive raw ore supply from the Lushan Mine through exclusive ore supply agreement and do not have legal ownership right to the Lushan Mine.
- (2) These net proceeds will be primarily used to fund the construction of a new gravity-selection processing line at the Shizishan Mine ore processing plant to process the tungsten-tin raw ore sourced from the Lushan Mines.
- (3) Information of the Liziping Mine contained in the Competent Person's Report includes its JORC compliant geological and exploration reviews without mineral resource and ore reserve estimation, or information relating to its planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, or

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environmental and social setting. Please also see the section “Risk Factors — Information of the Liziping Mine contained in the Competent Person’s Report is a geological and exploration review based on preliminary exploration activities at the Liziping Mine and the actual resources and/or exploration potential of the Liziping Mine may be subject to substantial changes pending findings of further exploration activities.” for further details.

- (4) The Competent Person’s Report does not include information of the Dakuangshan Mine. We have not conducted advanced exploration at this stage at the Dakuangshan Mine because we only hold an option at present that provides us the right (but not the obligation) to acquire the mine and such option will only expire in November 2012. The relatively late expiration date of the option allows us the practical possibility of utilizing the net proceeds from the Global Offering for the payment of the acquisition consideration. More importantly, we have not made any decision on whether to exercise the option to acquire the Dakuangshan Mine. Further exploration activities at the Dakuangshan Mine will be funded out of net proceeds from the Global Offering.

Lushan Mine and Our Exclusive Ore Supply Agreement

On December 31, 2010, we secured an exclusive long-term, low-cost polymetallic tungsten-tin raw ore supply from the Lushan Mine, a tungsten-tin polymetallic mine in Yunnan Province located only approximately 30 km away from the Shizishan Mine. Pursuant to our exclusive supply agreement with Xiangcaopo Mining and its owner, Li Jincheng, Xiangcaopo Mining, which owns the exploration right to the Lushan Mine, will supply all its polymetallic tungsten-tin raw ore to us for a period of at least 15 years, with the price for the tungsten-tin raw ore of RMB260/t for the first five years. Such prefixed price was determined based on arms-length negotiations among the parties after taking into account the prevailing market price of tungsten concentrate which is usually 65% grade and tin concentrate which is usually 45%-55% grade according to the Hatch Report and the estimated normal costs for processing tungsten-tin raw ore with 0.6% tungsten grade and 0.4% tin grade, according to the minimum grade undertaken in the Lushan Mine exclusive supply agreement, into concentrate. As of December 2010, when the raw ore supply agreement was executed, the prevailing market price of tungsten concentrate and tin concentrate was RMB108,500/t and RMB80,582/t (calculated based on tin metal price of RMB161,163/t and concentrate grade of 50%), respectively. This prefixed price is expected to enable us to capitalize on any potential increase in the market price of tungsten and tin. According to the Lushan Geological Report, the results of the drill holes, and geological logging and underground sampling of the Lushan Mine have been highly encouraging to date, and clearly highlight the exploration potential within the exploration permit. With successful completion of the exploration, it is highly likely a significant mineral resource will be defined within the exploration limits of the Lushan Mine. The drilling and sampling will also likely result in further identification of mineralization along strike of the known mineralization. We plan to construct a new gravity-selection processing line at the Shizishan Mine ore processing plant to process tungsten-tin raw ore sourced from the Lushan Mine. See “Business — Lushan Mine and Exclusive Ore Supply Agreement.”

The table below summarizes certain information for the Lushan Mine:

Items

Date of agreement	December 31, 2010, as amended
Key rights obtained	Xiangcaopo Mining will supply all its polymetallic tungsten-tin raw ore to us for a period of at least 15 years, with the price for the raw ore of RMB260/t for the first five years
Pledges/guarantees provided by the seller	Li Jincheng pledged 100% of his equity interests in Xiangcaopo Mining to us and entered into a guarantee agreement with us

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Items

Prepayment	We made a prepayment of RMB18 million, representing approximately 49% of the purchase price for the total raw ore to be supplied by Xiangcaopo Mining by the end of 2012
Loans provided	We provided interest-free loans of RMB72.6 million to Li Jincheng as of October 31, 2011 to be used solely in connection with the exploration activities at the Lushan Mine. The Lushan Mine contains valuable tungsten and tin resources, and its owner, Li Jincheng, pledged his entire interest in the Lushan Mine to us and agreed to personally guarantee its performance and to refund any loan and prepayment amount advanced by us if Xiangcaopo Mining defaults in its raw ore supply to us, all of which provide relatively good assurance for the recoverability of the prepayment and loan made by us.
Raw ore to be supplied	Xiangcaopo Mining undertakes to supply us an annual amount of at least 120 kt, 240 kt and 330 kt of tungsten and tin raw ore with an average grade of no less than 0.6% for tungsten and no less than 0.4% for tin in 2012, 2013 and 2014. It also undertakes to us that the tungsten and tin resources that are category 332 and above are no less than 100 kt (in terms of metal contained) pursuant to the agreement.
License and approvals	Exploration permit with validity date from January 1, 2010 to January 1, 2013
Areas covered under exploration permit	81.55 sq. km
Commencement date of raw ore supply	Xiangcaopo Mining expects to complete its first phase exploration activities in the first quarter of 2012 and commence its polymetallic tungsten-tin raw ore supply to us from the third quarter of 2012
Capital expenditure incurred as of October 31, 2011	RMB0.0
Remaining capital expenditure to be incurred	RMB41.0 million ⁽¹⁾
Current status	Preliminary exploration, expected to complete exploration in the first quarter of 2013

SUMMARY

Items

Technical Report	Lushan Preliminary Exploration Report, dated January 2011, prepared by 101 Geological Team of Sichuan Bureau of Geology and Mineral Resource (四川省地質礦產勘查開發局101地質隊); Lushan Geological Report, dated October 25, 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult
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Note:

- (1) The Lushan Mine is currently at the preliminary exploration stage, therefore, our capital expenditure plan for the Lushan Mine is only a preliminary plan based on our current estimation of its exploration potential and assumes that the mining permit will be obtained and the mine will be developed. The actual capital expenditure may be adjusted substantially and will be determined according to the final exploration results and development plan.

Our Agreement and Option to Acquire Additional Mine Assets in Yunnan Province

To expand our resources and reserves in Yunnan Province, we entered into a share transfer agreement on June 9, 2011 with Song Denghong (an Independent Third Party), the owner of the Liziping Company which owns the exploration right (covering an area of 18.29 sq.km and with a validity term from December 2010 to December 2012) to the Liziping Mine, a lead-zinc-silver polymetallic mine in Yunnan Province. Pursuant the share transfer agreement, we agreed to purchase 90% equity interests in the Liziping Company from Song Denghong. Under the share transfer agreement, Song Denghong undertakes to us that the lead and zinc resources of the Liziping Mine are not less than 1,000 kt in terms of metal contained. According to the Competent Person's Report, the Competent Person considers the likelihood of the definition of resources in the area of the Liziping Mine that will be drilled to be high and the mineralization tenor and geometry observed likely to be continuous. The Competent Person also considers the potential identification of the mineralized structures at depth to be encouraging for future exploration and the likelihood for discovery of significant mineralization at depth to be likely. Information of the Liziping Mine contained in the Competent Person's Report is a JORC compliant geological and exploration review without mineral resource and ore reserve estimation, or information relating to the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, or environmental and social setting, for the Liziping Mine. As we have signed the share transfer agreement with the Liziping Company, we included the geological and exploration information of the Liziping Mine in the Competent Persons's Report. As at the Latest Practicable Date, we have not completed such acquisition, therefore, we have no legal ownership right to the Liziping Mine. We currently expect to complete such acquisition in May 2012.

On May 21, 2011, we also entered into an option agreement with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011. As of the Latest Practicable Date, we have not exercised such option, therefore, we have no legal ownership right to the Dakuangshan Mine. The Dakuangshan Mine is a lead-zinc-silver polymetallic mine and has a mining permit covering an area of 1.56 sq. km. Under the option agreement, Xi Wanli undertakes to us that the Dakuangshan Mine has lead and zinc resources of no less than 400 kt in terms of metals contained, with the grades for lead, zinc and silver contained being no less than 3%, 7% and 50 g/t, respectively. See "Business — Competitive Strength — We are well-positioned to expand our resources and reserves through selective acquisitions" and "Business — Our agreement and option to acquire additional mine assets."

SUMMARY

The table below summarizes certain information for the Liziping Mine and the Dakuangshan Mine:

Items	Liziping Mine	Dakuangshan Mine
Date of agreement	June 9, 2011, as amended	May 21, 2011, as amended
Key rights obtained	We conditionally agreed to purchase 90% equity interests in the Liziping Company from Song Denghong and will complete the purchase if all conditions are met	We obtained a right (with no obligation) to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011
Considerations range under the agreement	Consideration to be determined based on the amount of lead and zinc metals contained in the estimated resources of the Liziping Mine, and will be no less than RMB216 million and no more than RMB756 million	Consideration to be determined based on the amount of lead and zinc metals contained in the estimated resources of the Dakuangshan Mine and will be no more than RMB145.0 million
Pledges/guarantees provided by the seller	Song Denghong pledged his entire interest in the Liziping Company to us	Xi Wanli pledged 50% of his equity interests in the Dakuangshan Company to us
Deposits made	We made deposit of RMB100.0 million as of October 31, 2011, which can be deducted from the total consideration if the acquisition is completed. The Liziping Mine contains valuable lead and zinc resources and its owner Song Denghong has also pledged his entire interest in the Liziping Mine to us to secure his performance under the share transfer agreement, all of which provide relatively good assurance for the recoverability of the deposit made by us	We made a good-faith deposit of RMB40.0 million as of October 31, 2011, which is fully refundable if we decide not to exercise the option. The Dakuangshan Mine contains valuable lead and zinc resources, its owner Xi Wanli has pledged his 50% interest in the Dakuangshan Mine to us to secure his performance under the option agreement, and we also have a right to unilaterally terminate option agreement and request a full refund of all the deposit made by us, all of which provide relatively good assurance for the recoverability of the deposit made by us
Agreed resources	The lead and zinc resources of the Liziping Mine must not be less than 1,000 kt in terms of metal contained according to the agreement	The lead and zinc resources of the Dakuangshan Mine (in terms of metals contained) shall be no less than 400 kt according to the agreement
License and approvals	Exploration permit with validity date from December 2010 to December 2012	In the process of renewing mining permit
Areas covered under the mining/ exploration permit	18.29 sq. km.	1.56 sq. km
Commencement date of trial and commercial production	At preliminary exploration stage, estimated to commence trial production at the end of 2013	Has a current mining capacity of approximately 500 tpd and processing capacity of approximately 100 tpd
Estimated total consideration	RMB495 million ⁽¹⁾	RMB145.0 million ⁽²⁾
Capital expenditure incurred as of October 31, 2011	RMB9.7 million	RMB12.6 million
Remaining capital expenditure to be incurred	RMB395.3 million ⁽¹⁾	RMB83.4 million ⁽²⁾

SUMMARY

Items	Liziping Mine	Dakuangshan Mine
Current status	Preliminary exploration, expected to complete exploration in the third quarter of 2012 and start production at end of 2013	In small-scale operation
Technical Report	The Competent Person's Report, dated November 25, 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult	The Dakuangshan Preliminary Survey, dated August 2011, prepared by Sichuan Geological Project Group Company (四川省地質工程集團公司)

Notes:

- (1) The Liziping Mine is currently at the preliminary exploration stage and we have not yet completed our acquisition of the Liziping Mine. As a result, the estimated consideration to be paid by us and our capital expenditure plan for the Liziping Mine are only preliminary estimations based on the resources agreed in the share transfer agreement and our current estimation of its exploration potential, may be substantially adjusted after its exploration activities (and the feasibility study, in the case of our capital expenditure plan) are completed, and is subject to satisfaction of all the conditions to close the acquisitions as stipulated in the share transfer agreement.
- (2) Preliminary stage exploration is currently being conducted at the Dakuangshan Mine and we have not yet exercised the option to acquire the Dakuangshan Mine. As a result, the estimated consideration to be paid by us and our capital expenditure plan for the Dakuangshan Mine are only preliminary estimations based on our current estimation of its exploration potential, may be substantially adjusted after its exploration activities (and the feasibility study, in the case of our capital expenditure plan) are completed, and is subject to our final decision to exercise the option to acquire the Dakuangshan Mine.

OUR STRENGTHS

We believe that we possess the following competitive strengths:

- We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves and, on the Listing Date, will be the first non-ferrous metal pure mining company listed on the Stock Exchange with abundant and high-grade silver reserves
- The Shizishan Mine has abundant and high-grade polymetallic resources and reserves
- Our favorable cost position will enable us to enjoy high profitability
- We will enjoy stable and low-cost polymetallic ore supply from the Lushan Mine on an exclusive basis
- We are well-positioned to expand our resources and reserves through selective acquisitions
- The Shizishan Mine, Dazhupeng Mine and Lushan Mine have significant exploration potential
- We benefit from our strategic location in Yunnan Province and our mine's close proximity to end customers and readily accessible infrastructure
- We have a strong management team with extensive industry and management experience, and a high standard of corporate governance enhanced by a significant composition of our Board comprised of our independent non-executive Directors

SUMMARY

OUR STRATEGIES

Our goal is to become a leading non-ferrous metal pure mining company in China, which we plan to accomplish through implementing the following strategies:

- Ramp up our mining and processing capacities
- Expand our resources and reserves through selective acquisitions
- Expand our resources and reserves through further exploration
- Pursue technological innovation to improve operational efficiency, mining safety and environmental protection
- Strengthen our customer relationships and broaden our customer base

SUMMARY

RESULTS OF OPERATIONS

Since our inception in April, 2009, we have primarily focused our business activities on exploration, mine planning, and construction and infrastructure development to prepare for the commercial production of lead-silver and zinc-silver concentrates and did not generate revenue from our operations during the Track Record Period. As a result, our loss for the period from April 23, 2009 to December 31, 2009, the year ended December 31, 2010, and the six months ended June 30, 2011 were RMB1.5 million, RMB5.1 million, and RMB245.6 million, respectively.

The summary financial information of (i) our consolidated statements of comprehensive income and statements of cash flows for the period from April 23, 2009 (date of the business combination of our Group under common control) to December 31, 2009, the year ended December 31, 2010, and the six months ended June 30, 2010 and 2011, and (ii) our consolidated statements of financial position as of December 31, 2009 and 2010 and June 30, 2011 as set forth below, are derived from the Accountants' Report included in Appendix I to this Prospectus, and should be read in conjunction with the Accountants' Report, including the notes thereto, and the discussions included herein.

Summary Consolidated Statements of Comprehensive Income

	Period from April 23, 2009 to December 31, 2009	Year ended December 31, 2010	Six months ended June 30,	
			2010	2011
			(RMB'000)	
Other income and gains	—	5,576	773	4,439
Administrative expenses	(1,939)	(11,987)	(4,328)	(16,667)
Recognition of equity-settled share-based payment	—	—	—	(233,000) ⁽¹⁾
Other operating expenses	—	(235)	—	(1,248)
Loss before tax	(1,939)	(6,646)	(3,555)	(246,476)
Income tax credit	435	1,586	766	847
Loss for the year/period and total comprehensive loss for the year/period	(1,504)	(5,060)	(2,789)	(245,629)
Attributable to:				
Owners of the Company	(1,178)	(4,840)	(2,685)	(245,356)
Non-controlling interest	(326)	(220)	(104)	(273)
	<u>(1,504)</u>	<u>(5,060)</u>	<u>(2,789)</u>	<u>(245,629)</u>

Note:

- (1) Representing share-based compensation expense of approximately RMB233.0 million arising from shares allotted and issued to our chief executive officer, Mr. Zhu Xiaolin, in recognition for his valuable and indispensable contribution to the Group, which was a one-off non-cash expense.

SUMMARY

Summary Consolidated Statements of Financial Position

	As of December 31,		As of June 30,
	2009	2010	2011
		(RMB'000)	
Non-current assets	7,815	128,723	353,152
Current assets	25,550	75,252	275,235
Current liabilities	30,969	206,279	55,071
Net current assets/(liabilities)	(5,419)	(131,027)	220,164
Total assets less current liabilities	2,396	(2,304)	573,316
Non-current liabilities	—	351	73,796
Net assets/(liabilities)	2,396	(2,655)	499,520
Total equity/(deficit)	2,396	(2,655)	499,520

Summary Consolidated Statements of Cash Flows

	Period from April 23, 2009 to December 31, 2009	Year ended December 31, 2010	Six months ended June 30,	
			2010	2011
			(RMB'000)	
Net cash flows used in operating activities	(1,720)	(62,482)	(8,574)	(33,160)
Net cash flows used in investing activities	(7,382)	(106,399)	(46,511)	(179,301)
Net cash flows from financing activities	34,421	163,986	165,169	392,799
Net increase/(decrease) in cash and cash equivalents	25,319	(4,895)	110,084	180,338
Cash and cash equivalents at beginning of the year/period . . .	—	25,319	25,319	20,320
Effect of foreign exchange rate changes	—	(104)	(28)	(762)
Cash and cash equivalents at end of year/period	25,319	20,320	135,375	199,896

SUMMARY

CAPITAL REQUIREMENTS FOR MINE PROJECTS

The following table sets forth our estimated capital requirements in relation to the acquisition considerations, capital expenditure and working capital for the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine for the periods indicated:

	Estimated maximum acquisition consideration to be paid	Estimated capital expenditure to be incurred ⁽⁴⁾	Estimated working capital requirement
	December 1, 2011-December 31, 2012		
(RMB million)			
Shizishan Mine	N/A	135.3	421.0
Dazhupeng Mine	N/A	26.9	N/A ⁽²⁾
Lushan Mine	N/A	41.0	36.5 ⁽³⁾
Liziping Mine	636.0 ⁽¹⁾	66.5	N/A ⁽²⁾
Dakuangshan Mine	105.0 ⁽¹⁾	83.5	N/A ⁽²⁾
Total	741.0	353.2	457.5

Notes:

- (1) The estimated acquisition consideration for the Liziping Mine and the Dakuangshan Mine is based on the maximum consideration stipulated in the share transfer agreement between Song Denghong and us and the option agreement between Xi Wanli and us, respectively, and is subject to adjustment. Such amounts exclude a deposit of RMB100 million, which can be deducted from the total consideration if the acquisition is completed, and a good-faith deposit of RMB40 million we made as of October 31, 2011 for the Liziping Mine and the Dakuangshan Mine, respectively, and a further deposit of RMB20 million to be paid by the end of 2011 for the Liziping Mine.
- (2) The Dazhupeng Mine, Liziping Mine and Dakuangshan Mine are currently at preliminary exploration stage, therefore, information in relation to their working capital requirement is currently not available.
- (3) The Lushan Mine's working capital requirement estimation only covers the purchase cost of the raw ore calculated based on the unit purchase cost excluding value-added tax of RMB260/t and the annual supply amount of 120 kt of raw ore in 2012 as stipulated in the exclusive raw ore supply agreement between Xiangcaopo Mining and us, excluding a prepayment of RMB18.0 million. Other working capital requirement of the Lushan Mine is not available because the Lushan Mine is still at the preliminary exploration stage. Given the market price of tungsten concentrate of approximately RMB140,400/t in October 2011 and the prefixed low-cost raw ore supply, we believe the operating cash flow generated from the processing of raw ore supplied from the Lushan Mine is sufficient to cover the related working capital requirement.
- (4) Total outstanding capital expenditure to be spent from December 1, 2011 to December 31, 2012 for the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine is RMB135.3 million, RMB26.9 million, RMB41.0 million, RMB66.5 million and RMB83.5 million, respectively. We plan to fund these capital expenditure requirements by utilizing the net proceeds from the Global Offering which are estimated to be HK\$1,005 million (equivalent to RMB820.1 million, assuming the Over-allotment Option is not exercised), based on the low end of the indicative Offer Price range.

We further plan to utilize our internal operating cash inflow and bank loans that we may receive from time to time to fund the gap between the total remaining capital expenditure to be incurred and the net proceeds from the Global Offering. For the capital expenditure incurred as of October 31, 2011 and the total remaining capital expenditure to be incurred for the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine, please refer to pages 7, 8, 11 and 13 of this Prospectus, respectively. Approximately RMB322 million and RMB195 million (totaling RMB517 million) of additional capital expenditure for the Liziping Mine and Dazhupeng Mine have not been taken into account in the above table, as they will be deployed only in 2013 and 2014 based on the respective development schedule of these two mines. It is currently planned that the Liziping Mine and the Dazhupeng Mine will only commence production by the end of 2013 and the second quarter of 2014, respectively. We intend to also fund the capital expenditures for the Liziping Mine and Dazhupeng Mine in 2013 and 2014 through operating cash inflow generated from our operating activities at the Shizishan Mine and bank loans that we may obtain from time to time in the future.

SUMMARY

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including the cash generated from our operations following the commencement of production of the Shizishan Mine and the estimated net proceeds of approximately HK\$1,005 million (equivalent to approximately RMB820.1 million, assuming the Over-allotment Option is not exercised) from the Global Offering, based on the low end of the indicative Offer Price range, and the estimated capital expenditure requirements and acquisition considerations of the Shizishan Mine, Dazhupeng Mine, Lushan Mine, Liziping Mine and Dakuangshan Mine, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have available sufficient working capital for 125% of our present requirements for at least 12 months from the date of this Prospectus.

The following table sets forth our existing and estimated source of funding and estimated major working capital requirements for the Shizishan Mine for the 12 months from the date of Prospectus:

	<u>(RMB million)</u>
Source of funding:	
Estimated net proceeds from the Global Offering	820.1 ⁽¹⁾
Cash and cash equivalents as at October 31, 2011	73.8
Estimated operating cash inflow from the Shizishan Mine from December 1, 2011 to December 31, 2012	1,012.3 ⁽²⁾
Less:	
Estimated acquisition considerations and capital expenditure to be incurred from December 1, 2011 to December 31, 2012	<u>1,094.2</u>
	812.0
Cash requirement for the Shizishan Mine from December 1, 2011 to December 31, 2012:	
Production costs	57.0
VAT and other business taxes and royalties	151.0
Income taxes	107.0
Staff costs	27.0
Administrative expenses and others	<u>79.0</u>
Total	<u><u>421.0</u></u>

Notes:

- (1) Approximately HK\$1,005 million equivalent, based on the low end of the indicative Offer Price range and assuming the Over-allotment Option is not exercised.
- (2) Estimated operating cash inflow from the Shizishan Mine for the period from December 1, 2011 to December 31, 2012 is prepared by our Directors and is unaudited and for indicative purpose only. Actual results may vary from the estimates.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$1,082 million from the Global Offering (assuming the Over-allotment Option is not exercised), after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK\$2.38 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus.

SUMMARY

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 60%, or HK\$649 million, is expected to be used primarily to acquire and develop additional non-ferrous and/or precious metal resources identified and to be identified by us, which may include two mines with respect to which we have entered into a share transfer agreement and an option agreement as described below. Our growth model includes the acquisition of non-ferrous metal and/or precious metal mines in Yunnan Province and other regions in China. We have begun to identify potential acquisition targets since inception. In particular, we have entered into a share transfer agreement with Song Denghong, the owner of the Liziping Company which owns the exploration right to the Liziping Mine, pursuant to which we agreed to purchase 90% equity interests in the Liziping Company from Song Denghong. We currently expect to complete such acquisition in May 2012. The consideration payable for the 90% equity interests of the Liziping Company will be determined based on the amount of lead and zinc resources of the Liziping Mine, and will in any event be no less than RMB216 million and no more than RMB756 million. If (i) the lead and zinc resources of the Liziping Mine are less than 1,000 kt (in terms of metal contained) according to the final reviewed exploration report prepared by an Independent Third Party exploration entity designated by us or (ii) we are not satisfied with the results of our legal due diligence or audit on the Liziping Company and/or the Liziping Mine, we have the right to unilaterally terminate the share purchase agreement and Song Denghong shall refund all the deposit and payment made, and all the exploration expenses incurred, by us. We currently expect to spend a total of approximately RMB900.0 million for the acquisition, exploration and development of the Liziping Mine and as of October 31, 2011, the remaining acquisition and capital expenditure to be incurred is approximately RMB790.3 million. Such estimated amount is subject to a number of factors, including the estimated resource and reserve amounts to be determined and the actual conclusion of the Liziping Mine's feasibility study, and is further subject to satisfaction of all the conditions to complete the acquisition. We have also entered into an option agreement with Xi Wanli (an Independent Third Party), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Xi Wanli at our sole discretion within a period of 18 months starting from May 2011. The consideration for the 90% equity interests in the Dakuangshan Company will be determined based on the lead and zinc metals contained in the estimated resources of the Dakuangshan Mine that are category 332 and above at a price not less than RMB500/t and not more than RMB700/t (which was determined based on arms-length negotiations among the parties and was not referenced to any specific prevailing market price or benchmark) and will not exceed RMB145.0 million. If we decide to exercise our option, the terms of purchase would be subject to further negotiations with Xi Wanli and such purchase will comply with the applicable requirements of the Listing Rules. If we were to elect to exercise the option, we expect to spend a total of approximately RMB241.0 million for the acquisition, exploration and development of the Dakuangshan Mine. Such estimated amount is subject to a number of factors, including the estimated resource and reserve amounts to be determined and the actual conclusion of the Dakuangshan Mine's feasibility study report. Please see the section headed "Business — Competitive Strength — We are well-positioned to expand our resources and reserves through selective acquisitions" and "Business — Our agreement and option to acquire additional mine assets" in this Prospectus for additional information on the share transfer agreement and the option agreement.

SUMMARY

- approximately 18%, or HK\$195 million, is expected to be used to finance the ramp-up of the mining capacity of the Shizishan Mine and the expansion of the tailing storage facility capacity at the Shizishan Mine. We believe that the amount is sufficient to finance our ramp-up activities at the Shizishan Mine, based on our current operations and ramp-up plan at the Shizishan Mine; and
- approximately 22%, or HK\$238 million, is expected to be used to finance our activities relating to the Dazhupeng Mine and the Lushan Mine owned by Xiangcaopo Mining, an Independent Third Party, including: (i) the exploration activities at the Dazhupeng Mine and the construction of the mining and processing facilities at the Dazhupeng Mine after we complete its exploration activities and obtain the mining permit for the Dazhupeng Mine; and (ii) the construction of the gravity-selection processing line to be used to process polymetallic tungsten-tin raw ore from the Lushan Mine. See “Business — Lushan Mine and Exclusive Ore Supply Agreement.”

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorized financial institutions in Hong Kong or China.

If the Offer Price is set above the mid-point of the proposed Offer Price range, we intend to increase the amount of net proceeds allocated for the acquisition and development of additional non-ferrous and/or precious metal resources. If the Offer Price is set below the mid-point of the proposed Offer Price range, we intend to decrease the amount of net proceeds allocated for the acquisition and development of additional non-ferrous metal and/or precious resources.

In the event that the Over-allotment Option is exercised in full, we estimate we will receive additional net proceeds of approximately HK\$170 million, assuming an Offer Price of HK\$2.38 per Share, being the mid-point of the offer price range stated in this Prospectus. We intend to use the additional net proceeds to acquire and develop additional non-ferrous and/or precious metal resources by leveraging our strategic location in Yunnan Province and our dedicated and experienced asset acquisition team led by our chief executive officer, Mr. Zhu Xiaolin. However, whether or not and how we will proceed with any acquisition depends on the potential of the target, if any, the nature and condition of the target, and the market condition in general. Any such acquisition will comply with the applicable requirements of the Listing Rules.

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and bank borrowings.

EXCHANGEABLE BONDS

Silver Lion issued two rounds of Exchangeable Bonds for an aggregate principal sum of US\$85,000,000 to several investors, including leading international financial institutions and reputable private equity firms such as Challenger Mining 8 Limited (“Challenger”), Deutsche Bank AG, London Branch and MS China 3 Limited, an affiliate of Morgan Stanley. The Directors believe bringing in investors of such caliber will enhance the profile of the Group. We expect to benefit from the investors’ commitment to the Company, and to leverage on their global perspective and

SUMMARY

corporate governance measures, together with their investment experience, local knowledge and relationship network to enhance our strategic business model.

On February 8, 2010, Challenger subscribed for the Round 1 Bond in the aggregate principal amount of US\$25,000,000 issued by Silver Lion. The Round 1 Bond is convertible into our Shares owned and held by Silver Lion, representing approximately 8.6% of the issued share capital of the Company immediately prior to the Global Offering (without taking into account the exercise of the Over-allotment Option). If Challenger does not exercise its exchange right to exchange the Round 1 Bond into our Shares prior to the Global Offering, all outstanding principal sum and accrued interest (which was pre-determined to be 200% of the outstanding principal amount on date of redemption) will be mandatorily redeemed on the Business Day before the Listing Date.

On April 20, 2011, the Round 2 Bond Investors (including Deutsche Bank AG, London Branch and MS China 3 Limited, an affiliate of Morgan Stanley) subscribed for secured bonds in the aggregate principal amount of US\$60,000,000 issued by Silver Lion. The Round 2 Bond Investors have the automatic right to exchange the Round 2 Bond into our Shares on the Listing Date, representing approximately 15.7% of the issued share capital of the Company immediately prior to the Global Offering (without taking into account the exercise of the Over-allotment Option). If any of the Round 2 Bond Investors does not exercise its exchange right to exchange into our Shares prior to the Global Offering, such outstanding principal sum and accrued interest (which was pre-determined to be 140% of the outstanding principal amount on the date of redemption) will be mandatorily redeemed on the Business Day before the Listing Date.

We are not and will not be obliged to issue any new Shares in connection with the exchange of the Round 1 Bond and Round 2 Bond. As a result, any exchange of the Round 1 Bond and Round 2 Bond will not affect the number of Shares in issue and there will be no dilutive effect on our shareholding. The Shares that would be exchanged and held by each of Challenger and the Round 2 Bond Investors are subject to a lock-up period of six months immediately after the Listing Date. All obligations imposed on us in connection with the Round 1 Bond and Round 2 Bond would lapse upon the Listing. See the section headed “Exchangeable Bonds” for further details.

SHARE AWARD

On June 27, 2011, Grow Brilliant, a company wholly owned by Mr. Zhu Xiaolin, our executive Director and chief executive officer, was allotted and issued 6,399 Shares in our Company, which will represent 6.01% of our share capital immediately before the Global Offering (without taking into account any exercise of the Over-allotment Option and options granted under the Share Option Scheme), in recognition of Mr. Zhu Xiaolin’s valuable and indispensable contribution to the Group. The fair value of these Shares was RMB233.0 million as of June 30, 2011. Please see the sections headed “Financial Information — Results of Operations — Six months ended June 30, 2011 compared with six months ended June 30, 2010 — Administrative expenses” and “History and Organization — Information on Our Shareholders — Reorganization at the Level of Our Shareholders” for further details.

DIVIDEND POLICY

Following completion of the Global Offering, our Shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividends will be at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results

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and capital requirements, interests of our Shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our Share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividends are to be paid.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under the PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. In general, we will not declare dividends in a year when we do not have any distributable earnings.

We currently intend to retain most, if not all, of our available funds and any future earnings until the end of 2012 to operate and expand our business, primarily through production ramp-up and selective acquisitions. Subject to the considerations and constraints above, we currently intend to distribute as dividends to all of our Shareholders no less than 20% of our consolidated net profit after tax in respect of the year ending December 31, 2013 and each year thereafter. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

CORPORATE GOVERNANCE

We have six experienced independent non-executive directors to enhance our high standard of corporate governance. They all possess strong experiences and stellar reputations in their respective fields of expertise in finance, accounting, investments, consulting and mining and all have long track-record of serving managerial roles and supervising corporate governance in public companies listed in the world's major stock exchanges, leading investment banks, consulting firms or accounting firms. Our audit, remuneration and nomination committees consist of a majority of independent non-executive directors and are chaired by independent non-executive directors. We believe that our independent non-executive directors, who comprise nearly half of the Board seats and a majority of the members of our audit, remuneration and nomination committees, will significantly enhance the standard of corporate governance of the Company and improve transparency and soundness of the Board's decision-making process, which in turn will better serve the interests of our public investors and our Company as a whole. For instance, our management will prepare a detailed monthly management report to the independent non-executive directors, which would include the monthly sales price and sales volume of our products. Further, our management will report to the independent non-executive directors every quarter on our Group's financial position at the board meetings to be held every quarter. For details of the biography of our six independent non-executive directors, please refer to the section headed "Directors, senior management and employees".

THE GLOBAL OFFERING

The Global Offering by us consists of:

- the offer by us of initially 50,000,000 Shares, or Hong Kong Offer Shares, for subscription by the public in Hong Kong, referred to in this Prospectus as the Hong Kong Public Offer; and

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- the offering of initially 450,000,000 Shares, or International Placing Shares, by us outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act, referred to in this Prospectus as the International Placing.

The number of Hong Kong Offer Shares and International Placing Shares, or together, Offer Shares, is subject to adjustment and reallocation as described in the section headed “Structure and Conditions of the Global Offering.”

Mr. Ran Chenghao, Mr. Ran Xiaochuan, Hover Wealth, Silver Lion and Total Flourish have agreed to extend the lock-up period for **thirty-six months** from the Listing Date to the Company, the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters); and will not during the same period dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the securities of the Company held by them now or in the future unless the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) consents otherwise. Such extended lock-up period is longer than the lock-up period required under Rule 10.07 of the Listing Rules which indicates that the Controlling Shareholders are confident of the prospects and the future of our Group.

LOSS FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

The loss forecast has been prepared by our Directors based on the bases and assumptions set out in Appendix III to this Prospectus.

Consolidated loss forecast attributable to owners of the Company ⁽¹⁾ . . .	RMB246.6 million (HK\$302.2 million) ⁽³⁾
Unaudited pro forma forecast loss per Share for the year ending December 31, 2011 ⁽²⁾	RMB0.123 (HK\$0.150)

Notes:

- (1) The bases and assumptions on which the consolidated loss forecast attributable to owners of the Company for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this Prospectus.
- (2) The calculation of unaudited pro forma forecast loss per Share is based on the consolidated loss forecast attributable to owners of the Company for the year ending December 31, 2011 of RMB246.6 million and on the assumption that the Company has been listed since January 1, 2011 and a total number of 2,000,000,000 Shares were in issue during the year ending December 31, 2011.
- (3) The consolidated loss forecast attributable to owners of the Company includes a one-off equity-settled share-based expense of RMB233.0 million and the expenses in relation to the Global Offering.

We have analyzed the sensitivity of the loss forecast of the Group for the year ending December 31, 2011 with reference to the potential movements in the key bases in the loss forecast, such as the selling price of lead-silver concentrates and zinc-silver concentrates, the sales volume of lead-silver concentrates and zinc-silver concentrates and the unit cost of sales of lead-silver concentrates and zinc-silver concentrates for the year ending December 31, 2011.

The sensitivity of the loss forecast for the movements in average selling price of lead-silver concentrates and zinc-silver concentrates, sales volume of lead-silver concentrates and zinc-silver

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concentrates and average unit cost of sales of lead-silver concentrates and zinc-silver concentrates is analyzed as follows:

	For the year ending December 31, 2011
	RMB'000
	Increase/(decrease) in profit attributable to the owners of the Company
(A) Movement in average selling price of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	2,496
Increase 10%	4,991
Increase 15%	7,487
Increase 20%	9,983
Increase 25%	12,479
Increase 30%	14,974
Decrease 5%	(2,496)
Decrease 10%	(4,991)
Decrease 15%	(7,487)
Decrease 20%	(9,983)
Decrease 25%	(12,479)
Decrease 30%	(14,974)
(B) Movement in sales volume of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	2,029
Increase 10%	4,059
Decrease 5%	(2,029)
Decrease 10%	(4,059)
(C) Movement in average unit cost of sales of lead-silver concentrates and zinc-silver concentrates	
Increase 5%	(471)
Increase 10%	(941)
Decrease 5%	471
Decrease 10%	941

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GLOBAL OFFERING STATISTICS⁽¹⁾

	<u>Based on Offer Price of HK\$2.22</u>	<u>Based on Offer Price of HK\$2.54</u>
Market capitalization of our Shares ⁽²⁾	HK\$4,440 million	HK\$5,080 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽³⁾	HK\$0.761	HK\$0.838

Notes:

- (1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 2,000,000,000 Shares expected to be in issue immediately after completion of the Global Offering.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 2,000,000,000 Shares expected to be issued and outstanding immediately after completion of the Global Offering.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$2.22 and HK\$2.54, respectively, the unaudited pro forma adjusted net tangible asset value per Share will be HK\$0.810 per Share and HK\$0.895 per Share, respectively.

RISK FACTORS

These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting operations in China and (iii) risks relating to the Shares and the Global Offering. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our business, financial condition and results of operations.

Risks Relating to Our Business and Industry

- As a developing mining company with limited operating history, we cannot guarantee that we will generate revenue or positive cash flow and grow our business as planned.
- The market price for lead, zinc, silver and other non-ferrous metal concentrates may fluctuate.
- Our operations are primarily exposed to uncertainties in relation to one major project, the Shizishan Mine.
- Our existing and future major capital expenditure projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.
- Our failure or inability to obtain and renew required government approvals, permits and licenses for our exploration and mining activities could prevent us from continuing operations.

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- Our inability to develop existing mineral reserves or acquire additional ones may adversely impact our financial condition and interfere with our development plans.
- Our exploration and mining projects, acquisition activities and expansion plans require substantial capital investment, and may not achieve the intended economic results.
- If we fail to manage our liquidity situation carefully, our ability to expand and, in turn, our results of operations may be materially and adversely affected.
- Our business, financial condition and results of operations may be adversely affected if Xiangcaopo Mining fails or refuses to perform the agreed upon transaction with us or if our exclusive supply agreement with Xiangcaopo Mining fails to yield anticipated benefits.
- Our business, financial condition, results of operations and expansion plan may be adversely affected if the owners of the Liziping Mine and the Dakuangshan Mine fail to refund the deposits made by us in connection with the proposed acquisition of the Liziping Mine and the option to acquire the Dakuangshan Mine in the event of an abortion of the related acquisition or otherwise default in the share transfer agreement or the option agreement.
- We may have difficulty in managing our future growth and the associated increased scale of our operations.
- The resource and reserve data cited in this Prospectus are estimates based on a number of assumptions and may be inaccurate.
- Information of the Liziping Mine contained in the Competent Person's Report is a geological and exploration review based on preliminary exploration activities at the Liziping Mine and the actual resources and/or exploration potential of the Liziping Mine may be subject to substantial changes pending findings of further exploration activities.
- We depend on a few major customers.
- We face certain risks and uncertainties beyond our control from manmade and natural disasters that may negatively impact our and our customers' operations.
- We engage third-party contractors for our mining operations and are subject to risks inherent in such arrangements.
- Our business depends on reliable and adequate transportation capacity for our concentrate products.
- Our operations are subject to risks relating to occupational hazards and production safety.
- Our operations are subject to risks relating to environmental protection and rehabilitation.
- Our mining operations have a finite life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

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- We may not be able to retain or secure key qualified personnel.
- We may not be adequately insured against losses and liabilities arising from our operations.
- Changes to the PRC regulatory regime for the mining industry may adversely affect our business, prospects, financial condition and results of operations.
- Our business depends on the health and outlook of the Chinese and global economy.
- Our operations depend on adequate and timely supply of water, electricity and other critical supplies and equipment.
- Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.

Risks Relating to Conducting Operations in China

- We are vulnerable to adverse changes in political, social and economic policies of the PRC government that may affect economic growth in China.
- Uncertainties with respect to the PRC legal system could have a material adverse effect on us.
- We may not be able to obtain necessary approvals from the relevant governmental authority for capital investments.
- Government control of currency conversion and fluctuations in the exchange rate between the Renminbi and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.
- It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce non-PRC court judgments against them in China.
- We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC corporate Shareholders.
- Restrictions on the payment of dividends under applicable regulations may limit the ability of our PRC operating subsidiary to remit dividends to us, which could affect our liquidity and our ability to pay dividends.
- Any widespread outbreak of contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries’ ability to distribute profits to us, or otherwise adversely affect our financial position.
- PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make

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loans or capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

- Failure to comply with PRC regulations relating to the registration of share options that belong to our employees who are PRC citizens may subject such employees or us to legal or administrative sanctions.

Risks Relating to the Shares and the Global Offering

- There has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.
- Future sales of Shares could adversely affect our Company's Share price.
- The market price of our Shares when trading begins could be lower than the Offer Price.
- Future financing may cause a dilution in your shareholding or place restrictions on our operations.
- Potential investors will experience immediate and substantial dilution as a result of the Global Offering.
- Our financial results are expected to be affected by the expenses in relation to the Global Offering.
- You may face difficulties in protecting your interests under Cayman Islands law.
- Information, forecasts and other statistics obtained from industry organization and official government sources contained in this Prospectus may not be accurate.
- Facts and statistics in this Prospectus relating to the PRC economy, mineral products and mining industry in the PRC may not be fully reliable.
- You should read the entire Prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.
- This Prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which are subject to risks and uncertainties.