
PRC LAWS AND REGULATIONS

PRC LAWS RELATING TO THE MINERAL INDUSTRY

According to the Mineral Resource Law of the PRC (中華人民共和國礦產資源法) promulgated on March 19, 1986, effective as of October 1, 1986 and amended on August 29, 1996 and August 27, 2009, and the Rules for the Implementation of the Mineral Resources Law (中華人民共和國礦產資源法實施細則) promulgated and effective as of March 26, 1994, an enterprise that intends to explore and exploit mineral resources shall apply for separate exploration and mining rights, and is required to undergo the registration process for each of the exploration and mining rights, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained mining rights.

The Procedures for the Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法) (the “State Council Circular No. 241”) was promulgated by the State Council and became effective as of February 12, 1998. Under the State Council Circular No. 241, anyone with mining rights shall file an application for registration of change(s) with the competent registration administration authority within the term of the mining permit term if there is any change in the scope of the mining area, the main exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. If continuation of mining is necessary after the expiration of the term of the mining permit, the holder of a mining permit shall apply for an extension with the competent registration authority within 30 days prior to the expiration of the term of the mining permit. If the holder of a mining permit fails to apply for an extension prior to the expiration of the term, the mining permit shall terminate automatically.

According to the Tentative Provisions on Granting and Assigning Mining Industry Rights (礦業權出讓轉讓管理暫行規定) (the “Tentative Provisions”) promulgated and effective as of November 1, 2000, a holder of the exploration and mining rights (“mining industry right”) has the right to possess, use, benefit from and dispose of its mining industry right in accordance with laws. A mining industry right holder may lawfully assign a mining industry right to another in accordance with the Tentative Provisions through sale, capital contribution, cooperative exploration or mining or share listing. The parties to the assignment shall complete the procedure for the change of registration of the mining industry right with the original registration and licensing authority. A mining industry right holder may also lease or mortgage a mining industry right in accordance with the Tentative Provisions.

According to the Notice on Further Standardizing the Administration of Granting the Mineral Rights (關於進一步規範礦業權出讓管理的通知) promulgated and effective as of January 24, 2006, the mines were categorized, on basis of the natural existing conditions of mineral resources and extent of past geological investigation, into three classes, with different grant procedures.

As advised by our PRC legal advisor, foreign investment in the exploration and mining of lead, zinc or silver raw ore is not prohibited, and foreign investment in the processing of lead, zinc, silver, tungsten or tin raw ore is not prohibited or restricted in the PRC.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of PRC (中華人民共和國環境保護法) (the “Environmental Protection Law”) promulgated and effective as of December 26, 1989, the State Administration for Environmental Protection shall establish the national standards for environment quality. The people’s governments of provinces, autonomous regions and municipalities directly under the Central Government may establish local standards for environment quality for items not

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specified in the national standards and shall report them to State Administration for Environmental Protection for the record.

The Environmental Protection Law requires all units that cause environmental pollution and other public hazards shall set up a responsibility system for environmental protection. These units shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Pursuant to the Environmental Protection Law, the design, construction and commission of installations for the prevention and control of pollution at a construction project shall be conducted at the same time with that of the principal parts of the projects. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the requisite standard by the competent department of environmental protection administration that examined and approved the environmental impact statement.

According to the Ordinance of Environmental Protection Administration for the Construction Project (建設項目環境保護管理條例) promulgated and effective as of November 29, 1998 and the Law on Environmental Impact Appraisal of the PRC (中華人民共和國環境影響評價法) promulgated and effective as of September 1, 2003, the PRC government has established a system to appraise environmental impact for construction project and administer environmental impact appraisal based on the degree of environmental impact. Construction units shall submit the environmental impact documents to competent environment authorities for approval, and they cannot commence the construction without the approvals of competent environment authorities.

According to the Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated on May 11, 1984 and amended on May 15, 1996 and February 28, 2008, and effective as of June 1, 2008, new construction project, expansion, reconstruction project and other installment on water that directly or indirectly discharges pollutants into the water body shall be subject to the state regulations on environmental protection of construction projects. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department their existing facilities for discharging and treating pollutants, and the categories, quantities and concentrations of pollutants discharged under their normal operation conditions, and also submit to the same department technical information concerning prevention and control of water pollution. It is necessary to obtain the pollutant discharge permit for direct or indirect discharge of pollutants into the water. Enterprises and institutions that discharge pollutants into a water body shall pay a pollutant discharge fee; if the discharge exceeds the limits set by the national or local standards, they shall pay additional fee for the excess of the discharge according to State regulations.

According to the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) promulgated on September 5, 1987 and amended on August 29, 1995 and April 29, 2000, and effective as of September 1, 2000, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Units that discharge atmospheric pollutants shall report to the local administrative department of environmental protection about their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department their technical information concerning prevention and control of atmospheric pollution.

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The State implements a system of collecting fees for discharging pollutants based on the categories and quantities of the atmospheric pollutants discharged, and establishes reasonable standards for collecting the fees therefor according to the needs of strengthening prevention and control of atmospheric pollution and the State's economic and technological conditions.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) promulgated on October 30, 1995 and amended on December 29, 2004, and effective as of April 1, 2005, polluters shall bear their legal liability and producers, salesmen, importers and users shall bear the legal liability to prevent and control of solid wastes.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Noise (中華人民共和國環境噪聲污染防治法) promulgated on October 29, 1996 and effective as of March 1, 1997, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Industrial enterprises that discharge noise during industrial production with fixed facilities shall report to the local environmental protection department categories and quantities of their existing facilities for discharging noise, and the noise volume of noise discharged under their normal operation conditions as well as treating facilities against noise, and also submit to the same department technical information with regard to the prevention and control of noise pollution. Units discharge noise exceeding the relevant standards shall pay the discharge fee subject to the regulations.

PRC LAWS RELATING TO GEOLOGICAL ENVIRONMENT PROTECTION

According to the Provisions on the Protection of the Geologic Environment of Mines (礦山地質環境保護規定) promulgated on March 2, 2009 and effective as of May 1, 2009, (i) when an applicant for mining rights applies for the mining permit, the applicant shall prepare a plan for the protection and restoration of the mine's geological environment and submit such plan to the competent land and resources authority for approval; (ii) when a mine's geological environment is destroyed due to mineral mining, the holder of a mining permit shall be responsible for restoration of the environment to its condition prior to any mining activities and the cost of such restoration is included in the production cost; and (iii) the holder of a mining permit shall pay a security deposit for the restoration of the geological environment of mines. The standard and measures for the payment of the security deposit for the restoration of the geological environment of mines are implemented in compliance with relevant provisions formulated by each province, autonomous region or municipality.

PRC LAWS RELATING TO PRODUCTION SAFETY

According to the Production Safety Law of the PRC (中華人民共和國安全生產法) promulgated on June 29, 2002, effective as of November 1, 2002 and amended on August 27, 2009, the Law of the PRC on Safety in Mines (中華人民共和國礦山安全法) promulgated on November 7, 1992, effective as of May 1, 1993 and amended on August 27, 2009 and its related implementation rules promulgated and effective as of October 30, 1996, (i) the design, construction and operation of safety facilities in mine construction projects shall be conducted at the same time with that of the principal parts of the projects; (ii) the design of a mine shall comply with the safety rules and technological standards of the mining industry and shall be approved by the relevant authorities; and (iii) such mines may start production or operations only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

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According to the Regulation on Work Safety Licenses (安全生產許可證條例) promulgated and effective as of January 13, 2004 and the Measures for the Implementation of Work Safety Licenses for Non-coal Mine Enterprises (非煤礦礦山企業安全生產許可證實施辦法) promulgated on May 17, 2004, amended on April 30, 2009 and effective as of June 8, 2009, (i) the work safety licensing system is applicable to any enterprise engaging in non-coal mining and such enterprise shall not produce any products without obtaining a work safety license; (ii) prior to producing any products, the non-coal mining enterprise shall apply for a work safety license, which is valid for three years; (iii) the work safety bureau at or above provincial level are in charge of issuing the work safety license for non-coal mining enterprise; and (iv) if a work safety license needs to be extended, the enterprise shall apply for an extension with the administrative authority who issued the original license three months prior to the expiration of the original license.

PRC LAWS RELATING TO TAXATION AND FEE

According to the Enterprise Income Taxation Law (中華人民共和國企業所得稅法) effective as of January 1, 2008 and its implementation rules, a unified enterprise income tax rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises.

According to the Interim Regulations of the PRC on Resource Tax (中華人民共和國資源稅暫行條例) promulgated on December 25, 1993 and amended on September 30, 2011, any enterprise engaged in the exploitation of mineral products within the PRC is subject to pay a resource tax.

According to the Notice on Adjusting Resource Tax Applicable to lead-zinc ore and other tax items (財政部、國家稅務總局關於調整鉛鋅礦石等稅目資源稅適用稅額標準的通知) promulgated on July 5, 2007 and effective as of August 1, 2007, statutory resource tax rate for lead-zinc ore ranges from RMB10 to RMB20 per ton.

According to the Provisions on the Administration of the Collection of Mineral Resources Compensation Fees (礦產資源補償費徵收管理規定) promulgated on February 27, 1994, effective as of April 1, 1994 and amended on July 3, 1997, mineral resources compensation fees shall be paid by the holder of the mining permit if such holder exploits mineral resources within the PRC territory based on a ratio of the sale income from mineral products.

PRC LAWS RELATING TO LAND

According to the Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated on June 25, 1986, effective as of January 1, 1987 and amended on August 28, 2004, an entity shall obtain land use rights for construction projects, which includes mining activities. Land collectively owned by rural residents is contracted to and operated by the members of respective collective economic entities for uses such as plantation, forestry, livestock husbandry or fishery production. The land use rights of collectively owned land shall not be granted, assigned or leased to any party for any non-agricultural uses. In the case of temporary use of state-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural economic collective organizations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years.

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Pursuant to the Interim Regulations of the PRC on Grant and Transfer of the Right to Use State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated and effective on May 19, 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium. All local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not reclaim lawfully granted land use rights prior to expiration of the term of grant. If public interest requires repossession by the state under special circumstances during the term of grant, compensation will be paid by the state. A land grantee may lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant. Upon expiration of the term of grant, renewal is possibly subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will revert to the state without compensation.

PRC LAWS RELATING TO PREVENTION AND CONTROL OF OCCUPATIONAL DISEASES

According to the Prevention and Control of Occupational Diseases Law of the PRC (中華人民共和國職業病防治法) promulgated on October 27, 2001 and effective as of May 1, 2002, construction projects, including projects to be constructed, expanded or reconstructed, and projects for technical renovation and introduction which may incur occupational disease hazards, the unit responsible for the construction project shall: (i) during the period of feasibility study, submit to the health administrative department a preliminary assessment report on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is completed for inspection and acceptance; and (iii) adopt protective facilities against occupational diseases. The protective facilities may be put into formal operation and use only after they have passed the inspection by the public health administration department.

According to the Prevention and Control of Occupational Diseases Law of the PRC, an employing unit shall: (i) establish and improve the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases resulted therefrom; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the laborers for personal use against occupational diseases; (iv) establish alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labor contract with employees.

PRC LAWS RELATING TO LABOR

According to the PRC Labor Law (中華人民共和國勞動法) promulgated on July 5, 1994 and effective as of January 1, 1995 and the PRC Labor Contract Law (中華人民共和國勞動合同法) promulgated on June 29, 2007 and effective as of January 1, 2008, labor contracts shall be entered into if labor relationships are to be established between the units and the laborers. The units cannot require the laborers to work in excess of the prescribed time limit and shall provide the wages which are no lower than local standards on minimum wages to the laborers in time. The units shall establish and improve their system for labor safety and sanitation, and shall strictly comply with the rules and

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standards on labor safety and sanitation set by the State, educate laborers in labor safety and sanitation. The units shall provide laborers with labor safety and sanitation conditions meeting stipulations by the State and necessary articles of labor protection, and carry out regular health examination for laborers engaged in work with occupational hazards.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and effective as of January 22, 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective as of March 19, 1999, the units in the PRC shall conduct the registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees.

According to the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated on April 27, 2003 and effective as of January 1, 2004, as amended on December 20, 2010, and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated on December 14, 1994 and effective as of January 1, 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees.

According to the Regulations on the Administration of Housing Fund (住房公積金管理條例) promulgated and effective as of April 3, 1999, as amended on March 24, 2002, PRC unit shall register with the applicable housing fund management center and open a special housing fund account with a designated bank. Each of the PRC unit and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of an individual employee's monthly average wage during the preceding year.

PRC LAWS RELATING TO FOREIGN EXCHANGE

According to the Regulations on Foreign Exchange Control of the PRC (中華人民共和國外匯管理條例) promulgated on January 29, 1996, effective as of April 1, 1996 and amended on August 5, 2008, payments made in foreign currencies for international transactions, such as the sale or purchase of goods, are not subject to PRC governmental control or restrictions. Certain organizations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorized to conduct foreign exchange business upon providing valid commercial documents to such banks. However, approvals are required for the relevant capital account transactions, such as an overseas investment by a domestic company.