
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please refer to the sections headed “Business — Business Strategies” and “Business — Ramp-up Plans for Our Mining and Processing Capacities” in this Prospectus for a detailed discussion of our future plans.

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.

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

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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.

- 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.

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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.