The following is the text of a report, prepared for inclusion in this Prospectus, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
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December 2, 2011

The Directors
China Polymetallic Mining Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information of China Polymetallic Mining Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the period from April 23, 2009 (date of the business combination of the Group under common control) to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as of December 31, 2009 and 2010 and June 30, 2011, together with the notes thereto, (the "Financial Information") and the comparative consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended June 30, 2010 (the "Interim Comparative Information"), prepared on the basis of presentation set out in Note 2.1 of Section II below, for inclusion in the prospectus of the Company dated December 2, 2011 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 30, 2009. Pursuant to a group reorganization (the "Reorganization") as set out in Note 2.1 of Section II below, which was completed on June 25, 2010, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As of the date of this report, no statutory financial statements have been prepared for the Company since the date of its incorporation as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As of the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All companies now comprising the Group have adopted December 31, as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the period from April 23, 2009 (date of the business combination of the Group under common control) to December 31, 2009, the year ended December 31, 2010 and the six months ended June 30, 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in Note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as of December 31, 2009 and 2010 and June 30, 2011 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	Notes	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income and gains	5	—	5,576	773	4,439
Administrative expenses		(1,939)	(11,987)	(4,328)	(16,667)
Recognition of equity-settled share-based payment	23	—	—	—	(233,000)
Other operating expenses		—	(235)	—	(1,248)
Loss before tax	6	(1,939)	(6,646)	(3,555)	(246,476)
Income tax credit	8	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 interests		(326)	(220)	(104)	(273)
		(1,504)	(5,060)	(2,789)	(245,629)
Loss per share attributable to ordinary equity holders of the Company:					
— Basic	9	N/A	N/A	N/A	N/A

Consolidated statements of financial position

		December 31,		June 30,
		2009	2010	2011
	Notes	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	10	52	56,806	183,768
Intangible assets	11	—	44,879	76,486
Payments in advance	12	7,328	24,666	89,180
Deferred tax assets	14	435	2,372	3,718
		7,815	128,723	353,152
Current assets				
Cash and cash equivalents	15	25,319	20,320	199,896
Prepayments, deposits and other receivables	16	231	54,187	73,468
Inventories	17	—	745	1,871
		25,550	75,252	275,235
Current liabilities				
Other payables and accruals	18	448	17,088	54,617
Tax payable		—	—	454
Due to a director	19	5,190	—	—
Due to the immediate holding company	19	25,331	189,191	—
		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				
Interest-bearing bank loans	20	—	—	62,000
Provision for rehabilitation	21	—	—	11,796
Deferred tax liabilities	14	—	351	—
		—	351	73,796
Net assets/(liabilities)		2,396	(2,655)	499,520
Equity/(deficit)				
Equity/deficit attributable to owners of the Company				
Issued capital	22	—	9	9
Reserves	24	2,136	(10,133)	498,475
		2,136	(10,124)	498,484
Non-controlling interests		260	7,469	1,036
Total equity/(deficit)		2,396	(2,655)	499,520

Consolidated statements of changes in equity

	Notes	Attributable to owners of the Company								Non-controlling interest	Total equity
		Share capital	Share premium*	Statutory reserves*	Contributed reserve*	Capital contribution reserve*	Difference arising from changes of non-controlling interest*	Accumulated losses*	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 22	Note 24(a)	Note 24(b)	Note 24(c)	Note 23					
At April 23, 2009		—	—	—	2,730	—	—	—	2,730	1,170	3,900
Acquisition of non-controlling interest in a subsidiary	25(a)	—	—	—	780	—	(196)	—	584	(584)	—
Total comprehensive loss for the period		—	—	—	—	—	—	(1,178)	(1,178)	(326)	(1,504)
At December 31, 2009 and January 1, 2010		—	—	—	3,510	—	(196)	(1,178)	2,136	260	2,396
Issue of shares	22(b)&(c)	9	—	—	—	—	—		9	—	9
Acquisition of non-controlling interest in a subsidiary	25(b)	—	—	—		—	(141)	—	(141)	(249)	(390)
Capital contribution		—	—	—	390	—	—	—	390	—	390
Changes in non-controlling interest in a subsidiary	25(c)	—	—	—	(3,900)	—	(3,778)	—	(7,678)	7,678	—
Total comprehensive loss for the year		—	—	—	—	—	—	(4,840)	(4,840)	(220)	(5,060)
At December 31, 2010 and January 1, 2011		9	—	—	—	—	(4,115)	(6,018)	(10,124)	7,469	(2,655)
Issue of shares	22(d)	—	520,964	—	—	—	—	—	520,964	—	520,964
Transfer from/(to) reserves		—	—	102	—	—	—	(102)	—	—	—
Acquisition of non-controlling interests in a subsidiary	25(d)	—	—	—	—	—	—	—	—	(6,160)	(6,160)
Recognition of equity-settled share-based payments	23	—	—	—	—	233,000	—	—	233,000	—	233,000
Total comprehensive loss for the period		—	—	—	—	—	—	(245,356)	(245,356)	(273)	(245,629)
At June 30, 2011		9	520,964	102	—	233,000	(4,115)	(251,476)	498,484	1,036	499,520

		Attributable to owners of the Company									
		Share capital	Share premium*	Statutory reserves*	Contributed reserve*	Capital contribution reserve*	Difference arising from changes of non-controlling interest*	Accumulated losses*	Total	Non-controlling interest	Total equity
	Notes	RMB'000 Note 22	RMB'000 Note 24(a)	RMB'000 Note 24(b)	RMB'000 Note 24(c)	RMB'000 Note 23	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)											
At January 1, 2010		—	—	—	3,510	—	(196)	(1,178)	2,136	260	2,396
Issue of shares	22(b)	1	—	—	—	—	—	—	1	—	1
Acquisition of non-controlling interests in a subsidiary		—	—	—	—	—	(141)	—	(141)	(249)	(390)
Capital contribution		—	—	—	390	—	—	—	390	—	390
Changes in non-controlling interests in a subsidiary	25(c)	—	—	—	(3,900)	—	(3,778)	—	(7,678)	7,678	—
Total comprehensive loss for the period		—	—	—	—	—	—	(2,685)	(2,685)	(104)	(2,789)
At June 30, 2010		1	—	—	—	—	(4,115)	(3,863)	(7,977)	7,585	(392)

* These reserve accounts comprise the reserves in the consolidated statements of financial position.

Consolidated statements of cash flows

	Notes	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(1,939)	(6,646)	(3,555)	(246,476)
Adjustments for:					
Depreciation of property, plant and equipment	6, 10	2	203	38	638
Unrealized foreign exchange gains	5	—	(5,203)	(722)	(4,424)
Recognition of equity-settled share-based payments	23	—	—	—	233,000
Bank interest income	5	—	(159)	(51)	(15)
		(1,937)	(11,805)	(4,290)	(17,277)
Increase in inventories		—	(745)	(768)	(1,126)
Increase in prepayments, deposits and other receivables		(231)	(53,956)	(5,185)	(19,281)
Increase in other payables and accruals		448	3,865	1,618	4,905
Cash used in operations		(1,720)	(62,641)	(8,625)	(32,779)
Interest received		—	159	51	15
Income tax paid		—	—	—	(396)
Net cash flows used in operating activities		(1,720)	(62,482)	(8,574)	(33,160)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of items of property, plant and equipment		(1,654)	(62,729)	(19,629)	(73,835)
Purchase of intangible assets		(5,728)	(34,366)	(26,882)	(29,086)
Payment in advance for purchase of land use rights		—	(7,203)	—	(6,380)
Payment in advance for purchase of an exploration right		—	(2,101)	—	(70,000)
Net cash flows used in investing activities		(7,382)	(106,399)	(46,511)	(179,301)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in an amount due to the immediate holding company		25,331	169,167	169,136	336,959
Changes in balances with a director		5,190	(5,190)	(3,968)	—
Proceeds from bank loans	20	—	—	—	62,000
Acquisition of non-controlling interest in a subsidiary	25(b)&(d)	—	(390)	(390)	(6,160)
Capital contribution from:					
— non-controlling interest of a subsidiary		1,170	—	—	—
— the owner of the Company		2,730	390	390	—
Issue of shares		—	9	1	—
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 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
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	15	25,319	20,320	135,375	199,896

Statements of financial position

		December 31,		June 30,
		2009	2010	2011
	Notes	RMB'000	RMB'000	RMB'000
Non-current asset				
Investment in a subsidiary	13	25,274	187,763	514,931
Current assets				
Cash and cash equivalents		—	—	1
Prepayments	16	47	624	4,212
		47	624	4,213
Current liability				
Other payables and accruals	18	—	—	8,708
Due to a subsidiary	13	—	—	3,125
Due to the immediate holding company	19	25,331	189,184	—
		25,331	189,184	11,833
Net current liabilities		(25,284)	(188,560)	(7,620)
Net assets (liabilities)		(10)	(797)	507,311
Equity/(deficit)				
Issued capital	22	—	9	9
Reserves	24	(10)	(806)	507,302
Total equity/(deficit)		(10)	(797)	507,311

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were primarily in their development stage.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Our History" in the section headed "History and Organization" to the Prospectus.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company are Silver Lion Investment Holdings Limited ("Silver Lion") and Hover Wealth Limited, respectively, both of which are incorporated in the British Virgin Islands.

As of the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, particulars of which are set out below:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Gilberta Holdings Limited ("Gilberta") (Note (a))	British Virgin Islands November 3, 2009	US$1.00	100	—	Investment holding
Next Horizon Investments Limited 迅新投資有限公司 ("Next Horizon") (Note (b))	Hong Kong November 3, 2009	HK$1.00	—	100	Investment holding
Dehong Yinbang Mining Technology Development Company Limited 德宏銀邦礦業技術發展有限公司 ("Dehong Yinbang") (Note (c))	Mainland China December 23, 2009	US$40 million	—	100	Sale of ore products
Dehong Yinrun Mining Technology Development Company Limited 德宏銀潤礦業技術發展有限公司 ("Dehong Yinrun") (Note (c))	Mainland China January 7, 2010	RMB10 million	—	100	Sale of ore products
Yingjiang County Kunrun Industry Company Limited 盈江縣昆潤實業有限公司 ("Kunrun") (Note (d))	Mainland China April 23, 2009	RMB56 million	—	99	Mining, ore processing and sale of lead-zinc ore products

Notes:

(a) As of the end of the Relevant Periods, no audited financial statements have been prepared since the date of incorporation of Gilberta as it has not carried out any business other than the Reorganization as described in the paragraph headed "Our History" in the section headed "History and Organization" to the Prospectus.

(b) The statutory financial statements of Next Horizon for the period from November 3, 2009 (date of incorporation) to December 2010 was audited by Ernst & Young, Certified Public Accountants Hong Kong.

(c) The statutory financial statements of these entities for the year ended December 31, 2010 were audited by Dehong Yongxing Lianhe Certified Public Accountants 德宏永興（聯合）會計師事務所, certified public accountants registered in the PRC.

(d) The statutory financial statements of Kunrun for the period from its inception to December 31, 2009 were audited by Dehong Qiushi Certified Public Accountants 德宏求實會計師事務所, certified public accountants registered in the PRC. The statutory financial statements of Kunrun for the year ended December 31, 2010 were audited by Dehong Yongxing Lianhe Certified Public Accountants 德宏永興（聯合）會計師事務所, certified public accountants registered in the PRC.

The English names of certain subsidiaries and auditors registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have any official English name.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed "Our History" in the section headed "History and Organization" to the Prospectus, the Company became the holding company of the companies now comprising the Group on June 25, 2010. The Reorganization involved companies under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the date when the subsidiaries first came under common control. The consolidated statements of financial position of the Group as of December 31, 2009 and 2010 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries held by parties other than the controlling shareholders, and changes therein, prior to the Reorganization, are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting periods commencing from January 1, 2011, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRSs 7 Amendments	Amendments to IFRSs 7 *Financial Instruments: Disclosures —Transfers of Financial Assets*[1]
IFRSs 1 Amendments	Amendments to IFRSs 1 *First-time Adoption of IFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*[1]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[3]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statement - Presentation of Items of Other Comprehensive Income*[4]
IFRS 9	*Financial Instruments*[3]
IFRS 10	*Consolidated Financial Statements*[3]
IFRS 11	*Joint Arrangements*[3]
IFRS 12	*Disclosure of Interests in Other Entities*[3]
IFRS 13	*Fair Value Measurement*[3]
IAS 27	*Separate Financial Statements*[3]
IAS 28	*Investments in Associates and Joint Ventures*[3]

1 Effective for annual periods beginning on or after July 1, 2011
2 Effective for annual periods beginning on or after January 1, 2012
3 Effective for annual periods beginning on or after January 1, 2013
4 Effective for annual periods beginning on or after July 1, 2012

Further information about these changes, which are expected to significantly affect the Group, is as follows:

IFRSs 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirement of IAS 39.

In October 2010, the IASB issued additions to IFRSs 9 to address financial liabilities (the "Additions") and incorporated in IFRSs 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39 while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRSs 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRSs 9 from January 1, 2013.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-12 Consolidation — Special Purpose Entities.

The Group has also adopted the consequential amendments made to IAS 27 as a result of the issuance of the above new standard.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating polices the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where:

(i) the entity and the Group are members of the same Group;

(ii) the entity is an associate or joint venture of the Group or vice versa (or an associate or joint venture of a member of a group of which the Group is a member or vice versa);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) the entity is a joint venture of a third party and the Group is an associate of the same entity or vice versa;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (or the entity is the sponsoring employers if the Group is itself such a plan);

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over an entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to depreciate the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of items of property, plant and equipment are as follows:

Buildings	20 - 30 years
Plant and machinery	5 -15 years
Office equipment	3 years
Motor vehicles	4 - 6 years

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to depreciate the cost of the assets proportionate to the extraction of the proved and probable mineral reserves.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortization and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortization and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralization in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment test is performed if any of the following indicators is present:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognized for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalized are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortized using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investment, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

During the Relevant Periods, the Group's financial assets included cash and cash equivalents and other receivables.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in "Other income" in the consolidated statements of comprehensive income. The loss arising from impairment is recognized in the consolidated statements of comprehensive income in "Other operating expenses".

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the assets (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset of the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amounts and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "Other operating expenses" in the consolidated statements of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

During the Relevant Periods, the Group's financial liabilities included other payables and accruals, an amount due to a director, an amount due to the immediate holding company and interest-bearing bank loans.

Subsequent measurement

The measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank loans are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortization is included in "Finance costs" in the consolidated statements of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included "finance costs" in profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognized within "finance costs" in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), will be recognized as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Financial Information is presented in RMB, as it is the principal currency of the economic environment on which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in Mainland China. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution retirement benefit plans.

3.3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

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

(a) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the Relevant Periods.

(b) PRC corporate income tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the differences realize. The carrying amount of PRC CIT payable as of June 30, 2011 was RMB454,000.

(c) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete assets that have been abandoned. The carrying amounts of property, plant and equipment as of December 31, 2009 and 2010 and June 30, 2011 were RMB52,000, RMB56,806,000 and RMB183,768,000, respectively.

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Recovery of deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets as of December 31, 2009 and 2010 and June 30, 2011 were RMB435,000, RMB2,372,000 and RMB3,718,000, respectively.

(f) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the amortization rate calculated on a UOP basis. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(g) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will result either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of the mine reserve is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(h) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation (7.68% as of June 30, 2011) to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation as of June 30, 2011 was RMB11,796,000.

(i) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amounts of inventories as of December 31, 2010 and June 30, 2011 were RMB745,000 and RMB1,871,000, respectively.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services. During the Relevant Periods, the Group's operations consist principally of mining development activities, which are regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's management for the purposes of resources allocation and performance assessment. In addition, all the principal assets employed by the Group are located in Yunnan Province, the PRC. Accordingly, no segment analysis is provided.

5 OTHER INCOME AND GAINS

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30,	
			2010	2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sale of spare parts	—	214	—	—
Bank interest income	—	159	51	15
Foreign exchange gains	—	5,203	722	4,424
	—	5,576	773	4,439

6 LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30,	
			2010	2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expense (including directors' remuneration as set out in Note 7):				
Wages and salaries (Note 23)	238	6,431	1,280	1,776
Equity-settled share-based payments	—	—	—	233,000
Pension scheme contributions				
— Defined contribution fund	—	44	20	25
Total employee benefit expense	238	6,475	1,300	234,801
Auditors' remuneration	—	20	20	23
Depreciation of items of property plant and equipment (Note 10)	2	203	38	638
Operating lease rental in respect of motor vehicles	169	324	135	80

7 DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of directors, disclosed pursuant to the disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30,	
			2010	2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	—	1,494	376	1,814
Pension scheme contributions	—	—	—	18
	—	1,494	376	1,832

(a) Independent non-executive directors

Messrs. Richard Wingate Edward Charlton, Keith Wayne Abell, Christopher Michael Casey, Maarten Albert Kelder, William Beckwith Hayden and Miu Edward Kwok Chi were appointed as independent non-executive directors on November 24, 2011.

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive director and non-executive director

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2010				
Executive				
Mr. Shi Xiangdong	—	1,494	—	1,494
Non-Executive				
Mr. Sharon Rahamin Kedar	—	—	—	—
	—	1,494	—	1,494
Period ended June 30, 2011				
Executive				
Mr. Ran Xiaochuan	—	379	5	384
Mr. Zhu Xiaolin	—	379	5	384
Mr. Huang Wei	—	42	—	42
Mr. Wang Fahai	—	42	—	42
Mr. Wu Wei	—	111	5	116
Mr. Zhao Shaohua	—	111	3	114
	—	1,064	18	1,082
Non-Executive				
Mr. Shi Xiangdong	—	750	—	750
	—	1,814	18	1,832
Period ended June 30, 2010 (Unaudited)				
Executive				
Mr. Shi Xiangdong	—	376	—	376
Non-Executive				
Mr. Sharon Rahamin Kedar	—	—	—	—
	—	376	—	376

On June 8, 2011, Mr. Sharon Rahamin Kedar resigned as the Company's non-executive director.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(c) Five highest paid employees

The five highest paid employees during the Relevant Periods fall into the following categories:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
Directors	—	1	1	4
Non-director	—	4	4	1
	—	5	5	5

Details of directors' remuneration are set out in Note 7 (b) above.

Details of the remuneration of the remaining non-director, highest paid employees during the Relevant Periods are as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	—	4,233	1,273	135
Pension scheme contributions	—	31	12	5
	—	4,264	1,285	140

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Nil to HK$1,000,000	—	2	4	1
HK$1,000,001 to HK$1,500,000	—	2	—	—
	—	4	4	1

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8 INCOME TAX CREDIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong during the Relevant Periods.

Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated during the Relevant Periods.

The major components of income tax credit for the Relevant Periods are as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current — Mainland China				
Charge for the year/period	—	—	—	454
Adjustment in respect of current income tax of previous year	—	—	—	396
Deferred (Note 14)	(435)	(1,586)	(766)	(1,697)
	(435)	(1,586)	(766)	(847)

A reconciliation between the income tax credit and the loss before tax at the statutory tax rate is as follows:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before tax	(1,939)	(6,646)	(3,555)	(246,476)
Tax at the respective statutory tax rates:				
— PRC subsidiaries, at 25%	(485)	(2,090)	(998)	(62,116)
— HK subsidiary, at 16.5%	—	282	(72)	349
Non-taxable income	—	(405)	—	(483)
Tax losses not recognized	—	123	72	134
Non-deductible expenses	50	504	232	61,225
Adjustments in respect of current and deferred income tax of previous year	—	—	—	396
Reversal of net deferred tax liabilities recognized in previous year	—	—	—	(352)
Income tax credit	(435)	(1,586)	(766)	(847)

9 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results for the Relevant Periods as disclosed in Note 2.1 above

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Mining infrastructure	Construction in progress ("CIP")	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At April 23, 2009	—	—	—	—	—	—
Additions	—	34	—	—	20	54
At December 31, 2009 and January 1, 2010	—	34	—	—	20	54
Additions	5,007	950	802	—	50,198	56,957
Transferred from CIP	11,933	—	—	—	(11,933)	—
At December 31, 2010 and January 1, 2011	16,940	984	802		38,285	57,011
Additions	—	138	2,481	11,796	113,185	127,600
At June 30, 2011	16,940	1,122	3,283	11,796	151,470	184,611
Accumulated depreciation:						
At April 23, 2009	—	—	—	—	—	—
Provided for the period	—	2	—	—	—	2
At December 31, 2009 and January 1, 2010	—	2	—	—	—	2
Provided for the year	48	80	75	—	—	203
At December 31, 2010 and January 1, 2011	48	82	75	—	—	205
Provided for the period	409	134	95	—	—	638
At June 30, 2011	457	216	170	—	—	843
Net book amount:						
At April 23, 2009	—	—	—	—	—	—
At December 31, 2009	—	32	—	—	20	52
At December 31, 2010	16,892	902	727	—	38,285	56,806
At June 30, 2011	16,483	906	3,113	11,796	151,470	183,768

(a) As of December 31, 2010 and June 30, 2011, the Group was in the process of obtaining the relevant building ownership certificate for the Group's warehouse with a net book amount of approximately RMB5,007,000 and RMB4,889,000, respectively (2009: Not applicable).

(b) Additions to CIP during the six months ended June 30, 2011 include interest capitalized in respect of bank loans amounting to approximately RMB507,000. The interest rate of borrowing costs capitalized was 7.68% per annum.

11 INTANGIBLE ASSETS

	Mining rights	Exploration rights and assets	Total
	RMB'000 (a)	RMB'000 (b)	RMB'000
Cost and net book amount:			
At April 23, 2009, December 31, 2009 and January 1, 2010	—	—	—
Additions	9,282	35,597	44,879
At December 31, 2010 and January 1, 2011	9,282	35,597	44,879
Additions	55	31,552	31,607
Transfer to mining rights	63,905	(63,905)	—
At June 30, 2011	73,242	3,244	76,486

Notes:

(a) The mining rights represent the rights for the mining of lead-zinc ore in Shizishan Mine, which is located in Yingjiang County, Yunnan Province, the PRC. There was no amortization on the mining rights for the year ended December 31, 2010 and for the six months ended June 30, 2011 as the Group has not commenced any mining operations.

(b) As of June 30, 2011, the exploration rights and assets represent the exploration right for the Dazhupeng Mine located in Yingjiang County, Yunnan Province, the PRC.

12 PAYMENTS IN ADVANCE

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
In respect of the purchase of:			
Land use rights	—	7,203	13,583
Exploration rights*	—	2,101	70,000
Mining rights	5,728	—	—
Property, plant and equipment	1,600	15,362	5,597
	7,328	24,666	89,180

* As of June 30, 2011, payment in advance in respect of the purchase of exploration right represented the prepayment made for the acquisition of the Liziping Mine, a lead-zinc polymetallic mine located in Lanping County, Yunnan Province, the PRC. The exploration right of the Liziping Mine is owned by the Liziping Company. The Directors expect to complete such acquisition in May 2012. Please refer to Section III below for the supplementary financial information of the Liziping Company.

13 INVESTMENT IN A SUBSIDIARY

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost:			
— Gilberta*	—	—	—
Advances to a subsidiary	25,274	187,763	514,931
	25,274	187,763	514,931

* The cost of investment in Gilberta is US$1.00

The amounts advanced to the subsidiary included in the investment in a subsidiary above are denominated in US$, which are unsecured and have no fixed terms of repayment. In the opinion of the Directors, these advances are considered as quasi-equity loans to the subsidiary.

The amount due to a subsidiary as of June 30, 2011 included in the Company's current liabilities was unsecured, interest-free and repayable on demand or within one year.

14 DEFERRED TAX

The movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Pre-operating expenses	Losses available for off-setting against future taxable profits	Unrealized profit from intra-group transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At April 23, 2009	—	—	—	—
Deferred tax credited to profit or loss during the period (Note 8)	435	—	—	435
At December 31, 2009 and January 1, 2010	435	—	—	435
Deferred tax credited to profit or loss during the year (Note 8)	1,505	766	—	2,271
Gross deferred tax assets at December 31, 2010 and January 1, 2011	1,940	766	—	2,706
Deferred tax credited/(charged) to profit or loss during the period (Note 8)	863	(445)	594	1,012
Gross deferred tax assets at June 30, 2011	2,803	321	594	3,718

The Group has tax losses arising in Mainland China during the year ended December 31, 2010 and the six months ended June 30, 2011 of RMB3,064,000 and RMB1,284,000, respectively (financial period ended December 31, 2009: Nil) that will expire in five years for offsetting against future taxable profits.

The Group also has tax losses arising in Hong Kong of RMB745,000 and RMB812,000 for the year ended December 31, 2010 and the six months ended June 30, 2011, respectively (financial period ended December 31, 2009: Nil) that are available indefinitely for offsetting against future taxable profits of this Hong Kong subsidiary in which the losses arose, Deferred tax asset has not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Deferred tax liabilities

	Unrealized foreign exchange gains
	RMB'000
At April 23, 2009, December 31, 2009 and January 1, 2010	—
Deferred tax charged to profit or loss during the year (Note 8)	685
Gross deferred tax liabilities at December 31, 2010 and January 1, 2011	685
Deferred tax credited to profit or loss during the period (Note 8)	(685)
Gross deferred tax liabilities at June 30, 2011	—

Deferred tax assets and liabilities related to the PRC subsidiaries have been provided at the enacted corporate income tax rate of 25%.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Net deferred tax assets	435	2,372	3,718
Net deferred tax liabilities	—	(351)	—
	435	2,021	3,718

15 CASH AND CASH EQUIVALENTS

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cash on hand	45	10	30
Cash at banks	25,274	20,310	199,866
Cash and cash equivalents	25,319	20,320	199,896

At the end of the reporting period, the Group's cash and cash equivalents were denominated in the following currencies:

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
RMB	45	8,942	39,374
HK$	—	1	1,080
US$	25,274	11,377	159,442
Cash and cash equivalents	25,319	20,320	199,896

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of

Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of cash and cash equivalents approximate to their fair value.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

		December 31,		June 30,
		2009	2010	2011
	Notes	RMB'000	RMB'000	RMB'000
Prepayments in respect of:				
— the purchase of inventories	(a)	—	18,000	18,000
— professional services		—	993	—
Deposits		—	170	439
Deferred listing fees	(b)	47	624	4,212
Staff advances		184	811	2,239
Other receivables	(c)	—	33,589	48,578
		231	54,187	73,468

Notes:

(a) The balance represents a prepayment made to Xiangcaopo Mining Co., Ltd ("Xiangcaopo Mining) an independent third party supplier for the purchase of Tungsten and Tin ores, where the delivery of products is expected to take place within the next 12 months from the end of the reporting date.

(b) Deferred listing fees represent legal and other professional fees relating to the Listing, and they will be deducted from equity when the Company completes the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing" or "IPO").

(c) The balance represents interest-free advances given to Mr. Li Jincheng, an independent third party and the owner of Xiangcaopo Mining for exploration activities at the Lushan Mine operated by Xiangcaopo Mining. Both Mr. Li Jincheng and Xiangcaopo Mining entered into an equity pledge agreement with the Group, pursuant to which Mr. Li Jincheng pledged his entire equity interest in Xiangcaopo Mining to the Group.

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

Company

As of December 31, 2010 and June 30, 2011, prepayments represented deferred listing fees incurred for the Listing as further explained in (b) above.

17 INVENTORIES

As of December 31, 2010 and June 30, 2011, inventories represent spare parts and consumables.

18 OTHER PAYABLES AND ACCRUALS

Group

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Payables relate to:			
Mining rights	—	489	489
Exploration and evaluation assets	—	4,296	4,716
Property, plant and equipment	—	7,990	40,194
Professional fees	—	—	8,708
Tax other than income tax	12	(825)	317
Payroll and welfare	99	185	33
Others	337	69	160
	448	12,204	54,617
Accruals	—	4,884	—
	448	17,088	54,617

Company

As of June 30, 2011, other payables represented various professional fees payable in relation to the Listing.

Other payables are non-interest-bearing and have average payment terms within one year.

19 BALANCES WITH RELATED PARTIES

Group

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Due to a director:			
Mr. Ran Xiaochuan	5,190	—	—
Due to the immediate holding company:			
Silver Lion	25,331	189,191	—

At the end of each reporting period, except for an amount due to the immediate holding company, which was denominated in US$, the remaining balances with related parties were denominated in RMB. Balances with related parties were non-trade, interest-free, unsecured and have no fixed terms of repayment.

The balance due to Silver Lion was settled via one new share issued by the Company to Silver Lion on June 27, 2011. The difference between the balance due to Silver Lion on June 27, 2011 and the nominal value of the one share issued to Silver Lion was credited to the Company's share premium account.

Company

The amount due to the immediate holding company was non-trade, interest-free, unsecured, has no fixed term of repayment and is denominated in US$.

The carrying amount of the amount due to the immediate holding company approximates to its fair value.

20 INTEREST-BEARING BANK LOANS

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Secured bank loans and repayable:			
In the second year	—	—	10,000
In the third year	—	—	52,000
	—	—	62,000

The Group's bank loans are secured by the mortgage over the Group's mining right to the Shizishan Mine with a net book amount of RMB73,242,000 as of June 30, 2011 (December 31, 2009 and 2010: Not applicable). As of June 30, 2011, all bank loans are denominated in RMB and bear interest at 7.68% per annum.

The carrying amounts of the interest-bearing bank loans approximates to their fair values.

21 PROVISION FOR REHABILITATION

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At beginning of year/period	—	—	—
Additions	—	—	11,796
At end of year/period	—	—	11,796

A provision for rehabilitation is mainly recognized for the present value of costs to be incurred for the removal of the processing plants and the restoration of tailing storage facilities in complying with the Group's obligations for the closure and environmental restoration and clean-up on completion of the Group's mining activities. These costs are expected to be incurred on mine closure, based on the current terms of mining rights for Shizishan Mine and are discounted at a discount rate of 7.68% (financial period/year ended December 31, 2009 and 2010: Not applicable). Changes in assumptions could significantly affect these estimates.

22 SHARE CAPITAL

(a) The Company was incorporated in the Cayman Islands on November 30, 2009 with authorized share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. At the date of incorporation, 1 ordinary share was allotted and issued for cash at par to Silver Lion.

Other than the issue of the above share, there was no movement in the Company's ordinary share capital since the date of incorporation of the Company to December 31, 2009.

(b) On February 3, 2010, the Company allotted and issued 7,311 ordinary shares for cash to Silver Lion and on February 8, 2010, 4,000 ordinary shares were allotted and issued for cash to Grow Brilliant Limited ("Grow Brilliant").

(c) On December 23, 2010, the Company issued an additional 88,688 ordinary shares for cash to Silver Lion.

(d) On June 27, 2011, the Company further allotted and issued 6,399 ordinary shares to Grow Brilliant, credited as fully paid shares at a par value of HK$0.1 each, totaling RMB532 (see Note 23).

On the same day, Silver Lion subscribed one ordinary share by way of a share premium in the amount of US$80,500,000 (equivalent to approximately RMB520,964,000) (see Note 24(a)).

As of December 31, 2010 and June 30, 2011, 100,000 shares and 106,400 shares were in issue, respectively, at HK$0.10 each.

23 SHARE-BASED PAYMENT TRANSACTIONS

The Company allotted and issued 6,399 ordinary shares (the "Awarded Shares") to Grow Brilliant pursuant to a shareholders' resolution passed on June 27, 2011. Grow Brilliant is a company which is wholly owned and controlled by Mr. Zhu Xiaolin, the executive director and chief executive officer of the Company. The objective of the Awarded Shares is to reward his contribution to the Group's development. The Awarded Shares are not subject to a vesting period and vested immediately when the Awarded Shares were allotted and issued to Grow Brilliant on June 27, 2011.

The fair value of the shares granted under the Award Shares during the six months ended June 30, 2011 was RMB233,000,000 and was determined by an external valuer using the discounted cash flow method. The significant inputs into the model were the weighted average cost of capital as discount rate and required return on equity.

The Group recognized an expense of RMB233,000,000 for the six months ended June 30, 2011 in relation to Awarded Shares by the Company with a corresponding amount credited to capital contribution reserve.

24 RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) *Share premium*

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

As described in Note 22(d) above, Silver Lion subscribed one new Share in the Company by way of a share premium in the amount of US$80,500,000 (equivalent to approximately RMB520,964,000) on June 27, 2011. The difference between the balance due to Silver Lion of RMB520,964,000 and the nominal value of the one share issued to Silver Lion was credited to the Company's share premium account.

(b) *Statutory reserve*

In accordance with the Company Law of the PRC and the respective articles of associations of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profits after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Dehong Yinbang is a foreign investment enterprise since its establishment on December 23, 2009, allocation to SSR is not required. According to Dehong Yinbang's articles of association, Dehong Yinbang is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF").

SSR and SRF are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalized as paid-up capital.

(c) *Contributed reserve*

The contributed reserve of the Group resulted from the preparation of the Financial Information on the basis of preparation set out in Note 2.1 of Section II. It represents the difference between a consideration of RMB390,000 paid by the Group for the acquisition of Kunrun as part of the Reorganization and the aggregate nominal amount of the paid-up capital of Kunrun attributable to the owner of the Company. Prior to the Reorganization, the contributed reserve represents the aggregate nominal amount of the paid-up capital of Kunrun attributable to the owner of the Company.

Company

The amounts of the Company's reserves and the movements therein are as follows:

	Notes	Share premium account RMB'000	Capital contribution reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At April 23, 2009		—	—	—	—
Total comprehensive loss for the period		—	—	(10)	(10)
At December 31, 2009 and January 1, 2010		—	—	(10)	(10)
Total comprehensive loss for the year		—	—	(796)	(796)
At December 31, 2010 and January 1, 2011		—	—	(806)	(806)
Issue of new shares	22	520,964	—	—	520,964
Recognition of equity-settled share-based payments	23	—	233,000	—	233,000
Total comprehensive loss for the period		—	—	(245,856)	(245,856)
At June 30, 2011		520,964	233,000	(246,662)	507,302

Movements in the Company's accumulated losses.

25 MOVEMENTS IN NON-CONTROLLING INTEREST OF A SUBSIDIARY

(a) Acquisition of non-controlling interest during the period from April 23, 2009 to December 31, 2009 represented the acquisition of 20% equity interest in Kunrun by Mr. Ran Xiaochuan for a consideration of RMB780,000. The consideration paid by Mr. Ran Xiaochuan was recorded as "Contributed reserve" and the difference between the consideration paid by Mr. Ran Xiaochuan and the share of net assets acquired of RMB196,000 has been recognized in equity as the acquisition of non-controlling interest in a subsidiary from the controlling party's perspective prior to the common control combination.

(b) Acquisition of non-controlling interest during the year ended December 31, 2010 represented the acquisition of 10% equity interest in Kunrun by Dehong Yinrun for a consideration of RMB390,000. The difference between the consideration paid by Dehong Yinrun and the share of net assets acquired of RMB141,000 is recognized as an equity transaction.

(c) As described in the paragraph headed "Our History" in the section headed "History and Organization" to the Prospectus", on June 25, 2010, the registered and paid-up capital of Kunrun was increased from RMB13.0 million to RMB56.0 million by way of capital injection from Dehong Yinrun. Following the capital injection and completion of the Reorganization on June 25, 2010, Kunrun was owned as to 93.04% by Dehong Yinrun and 6.96% by Mr. Ran Xiaochuan. The 6.96% equity interest attributable to Mr. Ran Xiaochuan on June 25, 2010 of RMB7,678,000 was treated as a distribution of a non-controlling interest with a corresponding decrease in "Contributed reserve" and "Difference arising from changes of non-controlling interest" by RMB3,900,000 and RMB3,778,000, respectively.

(d) Pursuant to an equity transfer agreement entered into between Mr. Ran Xiaochuan and Dehing Yinrun dated June 18, 2011, Mr. Ran Xiaochuan transferred 5.96% of the equity interest in Kunrun to Dehong Yinrun for a consideration of RMB6,160,000. The consideration was determined by reference to the book value of the share of net assets acquired in Kunrun. Upon completion of the acquisition, Kunrun was owned as to 99% by Dehong Yinrun and 1% by Mr. Ran Xiaochuan.

26 COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	December 31,		June 30,
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
— Exploration and evaluation expenditures	—	16,635	175,204
— Property, plant and equipment	—	35,615	46,632
	—	52,250	221,836
Authorized, but not contracted for:			
— Property, plant and equipment	—	358,333	113,262
	—	410,583	335,098

27 CONTINGENT LIABILITIES

On February 8, 2010, Challenger Mining 8 Limited ("Challenger") entered into a bond deed with the Company, Silver Lion, Gilberta, Next Horizon, Dehong Yinbang, Dehong Yinrun, Kunrun, Mr. Ran Xiaochuan and Mr. Shi Xiangdong, pursuant to which Challenger subscribed for secured bonds in the aggregate principal amount of US$25 million due in 2012 (the "Round 1 Bond") and issued by Silver Lion (the "Round 1 Bond Deed"). The maturity date of the Round 1 Bond Deed was extended to April 26, 2013 by a deed of amendment dated April 21, 2011. The Round 1 Bond is convertible into the Company's shares owned and held by Silver Lion immediately prior to the commencement of dealings of the Company's shares on the Stock Exchange on the date of the Listing.

On April 20, 2011, Deutsche Bank AG, London Branch, CMS 2 Limited Partnership, F.S. B. S. Limited Partnership, RD 8 Limited Partnership and MS China 3 Limited (the "Round 2 Bond Investors") entered into a subscription agreement with the Company, Silver Lion, Mr. Ran Xiaochuan and Mr. Ran Chenghao, pursuant to which the Round 2 Bond Investors subscribed for secured bonds in the aggregate principal amount of US$60 million (the "Round 2 Bond") and issued by Silver Lion (the "Round 2 Bond Deed"). The Round 2 Bond was issued by Silver Lion on April 26, 2011. The Round 2 Bond is convertible into the Company's shares owned and held by Silver Lion immediately prior to the commencement of dealings of the Company's shares on the Stock Exchange on the date of the Listing.

Pursuant to the Round 1 and Round 2 Bond Deed, the Company shall indemnify each of Challenger's stakeholder and their directors, officers and agents (collectively, the "Indemnified Persons") against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding (collectively, "Losses") that any Indemnified Persons may at any time become subject to or liable for in connection with claims by third parties by reason of the status of such stakeholder as stakeholder of the Company or of such director as a director of the Company, as the case may be, other than Losses arising from the gross negligence, wilful misconduct, fraud or dishonesty of such Indemnified Persons.

28 RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group had the following material transactions with related parties:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest-free loan provided by the immediate holding company	25,331	169,167	169,167	324,407

The Directors consider that the interest-free loan provided by the immediate holding company was conducted based on terms more favorable than terms available from an independent third party. The aforesaid loan was capitalized via one new share issued by the Company to Silver Lion on June 27, 2011.

(b) Details of the Group's balances with related parties at the end of each reporting period are disclosed in Note 19.

(c) Compensation of key management personnel of the Group:

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Basic salaries and other benefits	—	5,727	1,649	1,949
Equity-settled share based payments	—	—	—	233,000
Pension scheme contributions	—	31	12	23
	—	5,758	1,661	234,972

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to credit risk, foreign currency risk and liquidity risk arises in the normal course of business. These risks are managed by the Group's financial management policies and practices as described below:

Credit risk

The Group has no significant concentrations of credit risk as the Group was primarily in its development stage. The carrying amounts of cash and cash equivalents and other receivables represented the Group's maximum exposure to credit risk in relation to financial assets. All the Group's cash and cash equivalents are held in major financial institutions located in Mainland China, which management believes are of high credit quality.

As the Group is primarily in its development stage, no credit sales were made to customers by the Group.

Foreign currency risk

The Group's businesses are located in Mainland China and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for an amount due to the immediate holding company and certain cash at bank which are denominated in US$.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currency. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity to a 5.0% change in RMB against US$. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against US$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of cash and cash equivalents and an amount due to the immediate holding company denominated in US$).

	Period from April 23, to December 31, 2009	Year ended December 31, 2010	Six months ended June 30, 2010	Six months ended June 30, 2011
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Increase/(decrease) in profit before tax:				
If RMB weakens against US$	(3)	(8,836)	(9,145)	8,212
If RMB strengthens against US$	3	8,836	9,145	(8,212)

Liquidity risk

In the management of liquidity risk, the Group monitors the level of working capital and maintains it at a level deemed adequate, and maintains a balance between continuity of funding and flexibility through the funding from its holding company and interest-bearing bank loans.

The maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	December 31, 2009				
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	448	—	—	—	448
Due to a director	5,190	—	—	—	5,190
Due to the immediate holding company	25,331	—	—	—	25,331
	30,969	—	—	—	30,969

	December 31, 2010				
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	12,203	—	—	—	12,203
Due to the immediate holding company	189,191	—	—	—	189,191
	201,394	—	—	—	201,394

	June 30, 2011				
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	54,617	—	—	—	54,617
Interest-bearing bank loans	—	—	—	73,382	73,382
	54,617	—	—	73,382	127,999

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in Note 20. The Group manages its interest rate exposure from its interest-bearing bank borrowings through the use of fixed rates.

In addition, the Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's profit or loss during the Relevant Periods.

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's long term interest-bearing bank approximate to its fair values based on the prevailing borrowing rates available for the loan with similar terms and maturities at each of the reporting period.

The carrying amounts of the Group's all other financial instruments approximated to their fair values due to the short term to maturity at the end of each of the reporting period.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. During the start-up stage of the Group, the investor of the Company contributed capital based on the needs of these entities. The dividend policy will be established when the Group starts to generate revenues from its activities.

No changes were made in the objectives, policies or processes for managing financial risks during the Relevant Periods.

30 EVENT AFTER THE REPORTING PERIOD

(a) On May 21, 2011, Dehong Yinrun entered into an option agreement with Mr. Xi Wanli (an independent third party), the sole shareholder of a lead-zinc-silver polymetallic mine company, pursuant to which Dehong Yinrun agreed to purchase 90% of the equity interest in the mine company from the shareholder at Dehong Yinrun's sole discretion within a period of 18 months commencing from May 2011. This lead-zinc-silver polymetallic mine (the Dakuangshan Mine) has a mining permit covering an area of 1.56 sq. km. The consideration for the 90% equity interest in the mine company will be determined based on the lead and zinc metal components contained in the estimated resources of the Dakuangshan Mine and will in any event be no more than RMB145 million. Dehong Yinrun made a good-faith deposit of RMB40.0 million to the mine company in July 2011 and no further payment was made thereafter. Pursuant to the option agreement, if the option is not exercised, such good-faith deposit shall be refunded to Dehong Yinrun in full.

(b) On November 24, 2011, written shareholders' resolutions were passed to approve matters described in the paragraph headed "Statutory and General Information — Further Information about Our Group — Resolutions of our shareholders" attached as Appendix VIII to the Prospectus.

III. SUPPLEMENTARY FINANCIAL INFORMATION OF THE LIZIPING COMPANY

Financial information of the Liziping Company for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred hereafter as the ''Financial Information of the Liziping Company".

The Liziping Company was established in Mainland China on May 15, 2007 as a limited liability company. The Liziping Company was in its preliminary development stage during the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011.

1. FINANCIAL INFORMATION

Statements of comprehensive income

		Year ended December 31,			Six months ended June 30,	
		2008	2009	2010	2010	2011
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	2.2	—	—	—	—	—
Cost of sales		—	—	—	—	—
Gross profit		—	—	—	—	—
Administrative expenses		(6)	(72)	(365)	(25)	(94)
Other operating expense		—	—		—	(103)
Loss before tax	2.3	(6)	(72)	(365)	(25)	(197)
Income tax credit	2.4	—	18	91	6	49
Loss for the year/period and total comprehensive loss for the year/period attributable to owners of the Liziping Company		(6)	(54)	(274)	(19)	(148)

Statements of financial position

	Notes	December 31, 2008 RMB'000	December 31, 2009 RMB'000	December 31, 2010 RMB'000	June 30, 2011 RMB'000
Non-current assets					
Motor vehicles	2.5	—	—	202	493
Intangible assets	2.6	—	542	1,304	1,874
Payments in advance	2.7	—	—	—	200
Deferred tax assets	2.8	—	18	109	158
		—	560	1,615	2,725
Current assets					
Cash and cash equivalents	2.9	41	37	7	53
Other receivables	2.10	2,950	2,399	18,041	16,737
		2,991	2,436	18,048	16,790
Current liabilities					
Other payables	2.11	—	59	—	—
		—	59	—	—
Net current assets		2,991	2,377	18,048	16,790
Total assets less current liabilities		2,991	2,937	19,663	19,515
Net assets		2,991	2,937	19,663	19,515
Equity					
Equity attributable to owners of the Company					
Share capital		3,000	3,000	20,000	20,000
Accumulated losses		(9)	(63)	(337)	(485)
Total equity		2,991	2,937	19,663	19,515

Statements of changes in equity

	Share capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At January 1, 2008	3,000	(3)	2,997
Total comprehensive loss for the year	—	(6)	(6)
At December 31, 2008 and January 1, 2009	3,000	(9)	2,991
Total comprehensive loss for the year	—	(54)	(54)
At December 31, 2009 and January 1, 2010	3,000	(63)	2,937
Capital injection	17,000	—	17,000
Total comprehensive loss for the year	—	(274)	(274)
At December 31, 2010 and January 1, 2011	20,000	(337)	19,663
Total comprehensive loss for the period	—	(148)	(148)
At June 30, 2011	20,000	(485)	19,515

Statements of cash flows

		Year ended December 31,			Six months ended June 30,	
		2008	2009	2010	2010	2011
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(6)	(72)	(365)	(25)	(197)
Adjustments for:						
Depreciation of property, plant and equipment	2.3, 2.5	—	—	5	—	16
		(6)	(72)	(360)	(25)	(181)
Decrease/(increase) in prepayments, deposits and other receivables		(2)	551	(15,642)	160	1,304
Increase/(decrease) in other payables and accruals		—	59	(59)	—	—
Net cash flow from/(used in) operating activities		(8)	538	(16,061)	135	1,123
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of items of property, plant and equipment		—	—	(207)	—	(307)
Purchase of intangible assets		—	(542)	(762)	(161)	(570)
Payment in advance for purchase of machinery		—	—	—	—	(200)
Net cash flows used in investing activities		—	(542)	(969)	(161)	(1,077)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from capital injection		—	—	17,000	—	—
Net cash flows from financing activities		—	—	17,000	—	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(8)	(4)	(30)	(26)	46
Cash and cash equivalents at beginning of year/period		49	41	37	37	7
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		41	37	7	11	53
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	2.9	41	37	7	11	53

2. NOTES TO THE FINANCIAL INFORMATION OF THE LIZIPING COMPANY

2.1 Principal accounting policies

The financial information of the Liziping Company has been prepared in accordance with the accounting policies set out in Section II, Note 3.2 of this report: Summary of significant accounting policies.

2.2 Revenue

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. As the Liziping Company had not commenced commercial production, there were no revenue, trade discounts or returns during the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011.

2.3 Loss before tax

The Liziping Company's loss before tax is arrived at after charging:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	4	49	68	18	30
Pension scheme contributions — Defined contribution fund	1	10	14	3	6
	5	59	82	21	36
Auditors' remuneration	—	—	8	—	—
Depreciation of items of property plant and equipment (Note 2.5)	—	—	5	—	16
Operating lease rental in respect of motor vehicles	—	—	—	—	6

2.4 Income tax credit

In accordance with the relevant PRC income tax rules and regulations, prior to January 1, 2008, the Liziping Company was subject to the PRC corporate income tax (''CIT'') at a statutory rate of 33% on its taxable income. During the 5th Session of the 10th National People's Congress, which was concluded on March 16, 2007, the new PRC CIT Law was approved and became effective on January 1, 2008. The new PRC CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the CIT rate for domestic-invested and foreign-invested enterprises at 25%.

The major components of income tax credit for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current — Mainland China Charge for the year/period	—	—	—	—	—
Deferred (Note 2.8)	—	(18)	(91)	(6)	(49)
	—	(18)	(91)	(6)	(49)

A reconciliation between the income tax credit and the loss before tax at the statutory tax rate of the Liziping Company for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before tax	(6)	(72)	(365)	(25)	(197)
Tax at the statutory tax rate of the Liziping Company	(2)	(18)	(91)	(6)	(49)
Tax losses during the year not recognized	2	—	—	—	—
Income tax credit	—	(18)	(91)	(6)	(49)

2.5 Motor vehicles

	RMB'000
Cost:	
At January 1, 2008, December 31, 2008, January 1, 2009, December 31, 2009 and January 1, 2010	—
Additions	207
At December 31, 2010 and January 1, 2011	207
Additions	307
At June 30, 2011	514
Accumulated depreciation:	
At January 1, 2008, December 31, 2008, January 1, 2009, December 31, 2009 and January 1, 2010	—
Additions	5
At December 31, 2010 and January 1, 2011	5
Additions	16
At June 30, 2011	21
Net book amount:	
At January 1, 2008, December 31, 2008, January 1, 2009, December 31, 2009 and January 1, 2010	—
At December 31, 2010	202
At June 30, 2011	493

2.6 Intangible assets

	Exploration right
	RMB'000
Cost and net book amount:	
At January 1, 2008, December 31, 2008 and January 1, 2009	—
Additions	542
At December 31, 2009 and January 1, 2010	542
Additions	762
At December 31, 2010 and January 1, 2011	1,304
Additions	570
At June 30, 2011	1,874

The exploration rights represent the exploration right for the Liziping Mine which is located in Lanping County, Yunnan Province, the PRC. The Mine is owned by the Liziping Company.

2.7 Payment in advance

As of June 30, 2011, payment in advance is respect of the purchase of motor vehicles and office equipment.

2.8 Deferred tax assets

	Losses available for off-setting against taxable profits
At January 1, 2008, December 31, 2008 and January 1, 2009	—
Deferred tax credited to profit or loss during the year (Note 2.4)	18
At December 31, 2009 and January 1, 2010	18
Deferred tax credited to profit or loss during the year (Note 2.4)	91
At December 31, 2010 and January 1, 2011	109
Deferred tax credited to profit or loss during the period (Note 2.4)	49
At June 30, 2011	158

The Liziping Company has tax losses arising in Mainland China during the years ended December 31, 2009 and 2010 and the six months ended June 30, 2011 (the year ended December 31, 2008: Nil) will be expired in five years for off-setting against future taxable profits where the deferred tax assets have been provided at the enacted corporate income tax rate of 25%.

2.9 Cash and cash equivalents

	December 31,			June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	41	37	—	—
Cash at banks	—	—	7	53
Cash and cash equivalents	41	37	7	53

The Liziping Company's cash and bank balances are all denominated in RMB as of December 31, 2008, 2009 and 2010 and June 30, 2011.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the statement of financial position approximate to their fair values.

2.10 Other receivables

Other receivables represent an amount due from Mr. Song Denghong, an independent third party and the owner of the Liziping Company as of December 31, 2008, 2009 and 2010 and June 30, 2011.

The carrying amounts of prepayments, deposits and other receivables closely approximate to their respective fair values.

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

2.11 Other payables

As of December 31, 2009, other payables represented payables in relation to staff payroll and welfare.

Other payables are non-interest-bearing and have average payment terms within one year.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to June 30, 2011.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong