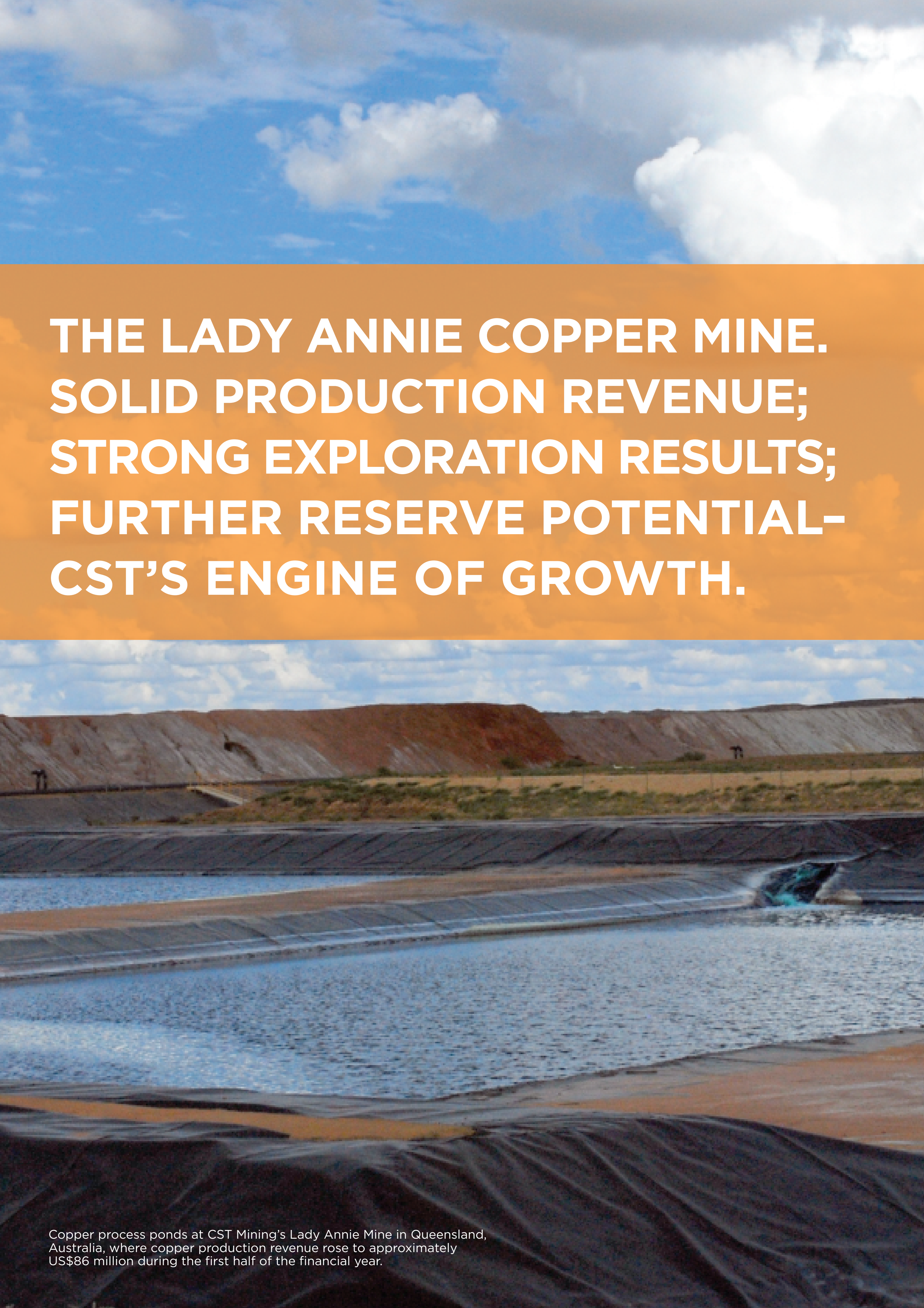
CST MINING
GROUP LIMITED

MINING FOR A RICHER FUTURE

Turning resources into value

CST Mining Group Limited
Interim Report 2011



THE LADY ANNIE COPPER MINE. SOLID PRODUCTION REVENUE; STRONG EXPLORATION RESULTS; FURTHER RESERVE POTENTIAL– CST'S ENGINE OF GROWTH.

Copper process ponds at CST Mining's Lady Annie Mine in Queensland, Australia, where copper production revenue rose to approximately US$86 million during the first half of the financial year.

MISSION AND VISION

To become a globally competitive copper-group producer.

We intend to grow both organically through exploration and non-organically through acquisitions, with a focus on development-ready or advanced exploration projects.

OPERATIONAL HIGHLIGHTS

- New Chief Executive Officer appointed
- During first half-year of the financial year, Lady Annie mining revenues rise approximately US$86 million, with copper sales of 9,737 tonnes
- 40,000-metre infill-drilling programme to optimise Lady Annie resource recovery
- Regional Lady Annie exploration programme to extend existing resources and upgrade resources to reserve category
- Discovery of Lady Colleen orebody, with drilling-out for 2012 first resource status

Read more about our performance from **page 05**

Visit us online
www.cstmining.com

IN THIS REPORT

CST AT A GLANCE

IDENTIFYING POTENTIAL AND DEVELOPING A STRATEGY FOR A SUSTAINABLE FUTURE

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

MINA JUSTA COPPER PROJECT — PERU

KEY FACTS

Mine type
Open pit

Capex
US$745 million

Expected mine life
11.5 years

Strip ratio
2.5 : 1

Resources
413Mt@0.79% copper

Reserves
163Mt@0.80% copper

Status
Definitive Feasibility Study completed in August 2009

Environment Impact Assessment approved in September 2010

OWNERSHIP

70%

A TWO STEP STRATEGY

Our long-term strategy is to grow the Company into a world-class Asia-Pacific copper miner.

1. Grow

While stable level of production is being achieved, we are investigating the potential to expand the mine life through organic growth.

Exploration and drilling programmes have been initiated on the surrounding exploration licenses held by the Company's Lady Annie Operations to expand beyond current capacity.

2. Expand

The Company continues seeking acquisition opportunities in our neighboring countries.

We consistently review projects and seek the opportunities to acquire operating assets or advanced exploration projects to broaden the Company's assets portfolio, increase the assets value and generate healthy cash flow.

LADY ANNIE COPPER MINE — AUSTRALIA

KEY FACTS

Mine type
Open pit

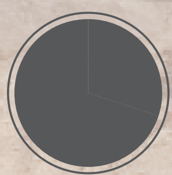
Processing method
Oxide, Transition ore heap leach

Status
Producing

Resources
66.1Mt@0.72% copper

Reserves
11.2Mt@1.10% copper

OWNERSHIP



100%

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr Chiu Tao *(Chairman)*

Mr Owen L. Hegarty *(Vice Chairman)*

Ms Yang Yi-fang *(Chief Executive Officer)*

Mr Hui Richard Rui *(General Manager)*

Mr Yeung Kwok Yu

Mr Kwan Kam Hung, Jimmy

Mr Tsui Ching Hung

Mr Chung Nai Ting

Mr Lee Ming Tung

Mr Wah Wang Kei, Jackie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Pan

Ms Tong So Yuet

Mr Chan Shek Wah

COMPANY SECRETARY

Mr Chow Kim Hang

REGISTERED OFFICE

First Floor
Caledonian House
69 Dr. Roy's Drive
P.O. Box 1043
George Town
Grand Cayman KY1-1102
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKER

Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

CHAIRMAN'S STATEMENT

CHIU TAO
CHAIRMAN

"I BELIEVE OUR EXPLORATION TEAM WILL CONTINUE DELIVERING GOOD NEWS"

IN SUMMARY

- First half of the financial year we produced and sold approximately 9,737 tonnes of copper
- Copper sales generated revenue of approximately US$86 million
- Appointment of Lydia Yifang Yang as new Chief Executive Officer

DEAR SHAREHOLDERS,

On behalf of CST Mining Group Limited ("CST Mining", the "Company"), I am pleased to advise you for the first half of the financial year ending 30 September 2011, we produced and sold approximately 9,737 tonnes of copper from our Lady Annie mining and processing operation and recorded a revenue of approximately US$86 million. This was an important achievement for the Company, laying a solid foundation for us to work toward our strategic goal of becoming a medium sized copper-group miner.

I am glad to introduce our new CEO, Ms Lydia Yifang Yang. Lydia has a strong mining background and I believe she will continue to lead the Company forward towards this goal.

Our Lady Annie Project is located near Mount Isa in North West Queensland, Australia. It is a resource rich area with multiple world-class orebodies of copper and other base and precious metals. At the moment, we have exploration rights of over 1,750 km^2 in this area. I am very confident about the great prospectivity of our large land holdings.

We are continuing with our exploration programme at Lady Annie and have already announced some encouraging results. I believe our exploration team will continue delivering good news. I also believe our operations team will continue streamlining the operation and ramping up our copper cathode production. We are also focussed on the preparation for mining some of the transition ore and to extend the mine life of Lady Annie.

In relation to our Peruvian project, we are reviewing options open to us that would create most value for our shareholders. I am not happy that we are not able to complete our transaction with Glencore. However, I do see our Mina Justa Project in Peru is a quality copper project. It is long life and low production cost. I believe CST Mining will ultimately benefit from the great potential of this project.

I would like to take this opportunity to thank you all for your continuing support, as well as our hard-working teams at Hong Kong Headquarters and field operations in Australia and Peru. Our employees are our invaluable assets and we thank them for their contribution and dedication. I strongly believe their professional skills and expertise will create further value for our shareholders.

I am looking forward to the months ahead with high expectations.

Sincerely yours

Chiu Tao
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

LYDIA YIFANG YANG
CHIEF EXECUTIVE OFFICER

"OUR GOAL IS TO BECOME A GLOBALLY RECOGNISED MID-TIER MINING GROUP"

IN SUMMARY

Working on maximising value from existing assets and identifying further opportunities for growth

Work underway to optimize Lady Annie mining and processing

In-fill drilling programme for better geological modelling

Improvements at processing plant to deliver consistent high quality

Regional exploration showing promise for addition of new resources

DEAR SHAREHOLDERS,

This is my first opportunity to write to you since my appointment as Chief Executive Officer and Executive Director in September and October 2011 respectively. I am pleased to be able to report to you on the opportunities and challenges ahead of us.

As our Chairman, Mr Chiu Tao, has reported, we are now a revenue and cash-flow producing mining company for the first time. With Mr Chiu and the excellent team we have at CST Mining I am now working on maximising value from the assets we have and identifying further opportunities for growth in the future.

Our longer term goal is clear – we are looking to grow CST Mining into a mid-tier copper mining company and we believe we have the technical, financial and management resources to do so. Whilst I'm looking to drive long term shareholder growth in the business, my immediate goals and programmes are also clear. They are:

- At Lady Annie we need to continue the ramp up to the optimum production scale. The team has done an outstanding job in getting the mine and processing facility back into production in record time since the restart in November 2010. We need to continue that process, and optimise mining, grade control, recoveries from the heaps, production efficiencies in the processing plant, and ultimate output of copper metal.

- In particular, we need to develop a better understanding of the geological model to provide us with better production and cost forecasting. This work is well in hand and involves a 40,000 metre in-fill drilling programme within the existing deposits.

- Within the processing plant a number of improvements are in train and a several more have been identified and can be implemented over time. This will ultimately enable us to deliver a consistently high-quality 22,000-25,000 tonnes per annum copper cathode. It is important to remember that Lady Annie is unique in that it contains leachable ore – that is, are capable of conversion, on site, directly from ore in the ground to copper cathodes

- Our exploration programme of some US$25 million this year is focussed in and around the existing orebodies at Lady Annie – in-fill drilling, extension drilling, resource drilling – and has so far yielded excellent results. We have discovered a new orebody – Lady Colleen – and are drilling this orebody out to first resource status by first half of 2012.

Lady Annie Operations: work is underway to increase value and extend production life.

- We also have a regional exploration programme on our highly prospective 1,750km^2 of granted tenements. We will also be exploring our 1,864km^2 of tenure which is under application and as it becomes granted. We anticipate significant growth in our granted tenure portfolio throughout 2012. The majority of our granted tenure and that pending grant has not been systematically explored by other companies for a significant number of years, with many areas of historical workings not yet drill tested. A detailed aeromagnetic survey was carried out in 2010 over a large portion of our granted tenure which CST Mining has been using to systematically generate targets for further follow up in 2011 and 2012. The Company priorities have been to increase our resource inventory proximal to our existing operation at Lady Annie on our granted mining leases. This has identified significant mineral exploration resource targets and potential increases in mineral resources which the Company is highly confident of being able to convert to mineable resources in early 2012.

- Further work was conducted at the Anthill Deposit in 2011 which has resulted in the extension and resource category conversion of the existing copper mineral resource base and the discovery of new zones of copper mineralisation within easily accessible reach of our existing deposit at Anthill. The Anthill area still remains with three high priority targets as yet untested by CST Mining, with historic copper mineralisation identified by previous companies first pass drilling. An RAB programme to the south of the Anthill Deposit, conducted in late 2011 by CST Mining is generating new zones of anomalous copper and gold mineralisation which will be followed up with urgency in 2012 as access permits.

- CST Mining's regional exploration programmes conducted in 2011 and those planned for 2012 are aimed at greenfields discoveries which have the potential for stand alone operations or lie within economical trucking distance of our Mt Kelly Copper Processing operation. Preliminary work has been carried out at the Round Mt and Mt Burnie Prospect areas in 2011 which has generated encouraging results which we plan to follow up in 2012.

- The Board has authorised capital to upgrade and improve the 55km road system that connects Lady Annie to the main Mt Isa – Darwin trans-Australia highway. The work is expected to reduce rainy-season disruptions to our trucking shipments, thereby adding to our operating efficiencies.

- I have also arranged to conduct an operational review, now already underway, to address our administrative, accounting and governance procedures, as well as implementing and upgrading safety policies. It will enable efficiencies and cost-savings, further underpinning the commercial integrity of our operations at the mine.

Overall, I am aiming to streamline and upgrade our operations to ensure Lady Annie yields maximum returns as copper prices fluctuate. Of course, we shall be seeking this objective without sacrificing considerations such as safety, environmental protection, and corporate social responsibility.

As these and other new measures fall into place over coming weeks and months, I am also aware of the need for transparent corporate governance and clear communications with our shareholders. I have already met with several shareholders since my appointment. As a result of those and future planned meetings I will be aiming to address all of the issues they see as key to our further development.

CHIEF EXECUTIVE OFFICER'S REVIEW

"I BELIEVE WE HAVE THE RESOURCES, OPERATIONAL STRENGTHS, AND FOCUSED STRATEGY TO UNDERPIN RAPID PROGRESS TOWARDS OUR GOAL"

We shall in the months ahead be posting operational and exploration updates to give you a clear view of our achievements and progress. I am looking forward to a solid flow of constructive news during the second half.

Finally, our agreement during the first half to sell our 70% stake in the Mina Justa Mine in Peru to Glencore International AG provides a clear indication of our commitment to realising shareholder value. In the event, third party considerations mean we have been unable to close the deal ahead of the agreed deadline. We are now considering and valuing all of the options available to us, and the Board will keep its shareholders informed in this respect. We have a strong team looking after daily operations at the project, and anticipate that the commercial potential of the mine will yield strong returns for CST Mining.

In the meantime, I would like to thank our Chairman Mr Chiu Tao for his confidence and full backing in facing the exciting challenges ahead. I also thank our Headquarters administrative staff and our exploration and operations teams at Lady Annie for their skilled contribution and solid commitment to our future growth.

And, of course, I must express a sincere thank you to the teams at Mina Justa in Peru for their patience, understanding and continuing work on behalf of CST Mining.

From the perspective of my experience in the mining industry, I believe we have the resources, operational strengths, and focused strategy to underpin rapid progress towards our goal of becoming a globally-recognised mid-tier mining group.

I believe we can all look forward positively to the opportunities ahead.

Sincerely yours

Lydia Yifang Yang
Chief Executive Officer

Mining operations at Lady Annie mined more than 9.2 million tonnes of material during the first half of the financial year.

PROJECT OVERVIEW

LADY ANNIE

HIGHLIGHTS

9,039 tonnes copper cathode produced in six months to end-September

Total ore and waste movements in six months to end-September about 9.20 million tonnes. Total ore stacked, 1.55 million tonnes, with a mean grade of about 0.92%. Ore mining and stacking rates increased throughout the Period

Metallurgical studies show transition ores and Anthill oxide ores suitable for commercial processing using existing heap leach and SX/EW processes

* for the six months ended 30 September 2011

ORE MINED (TONNES)*

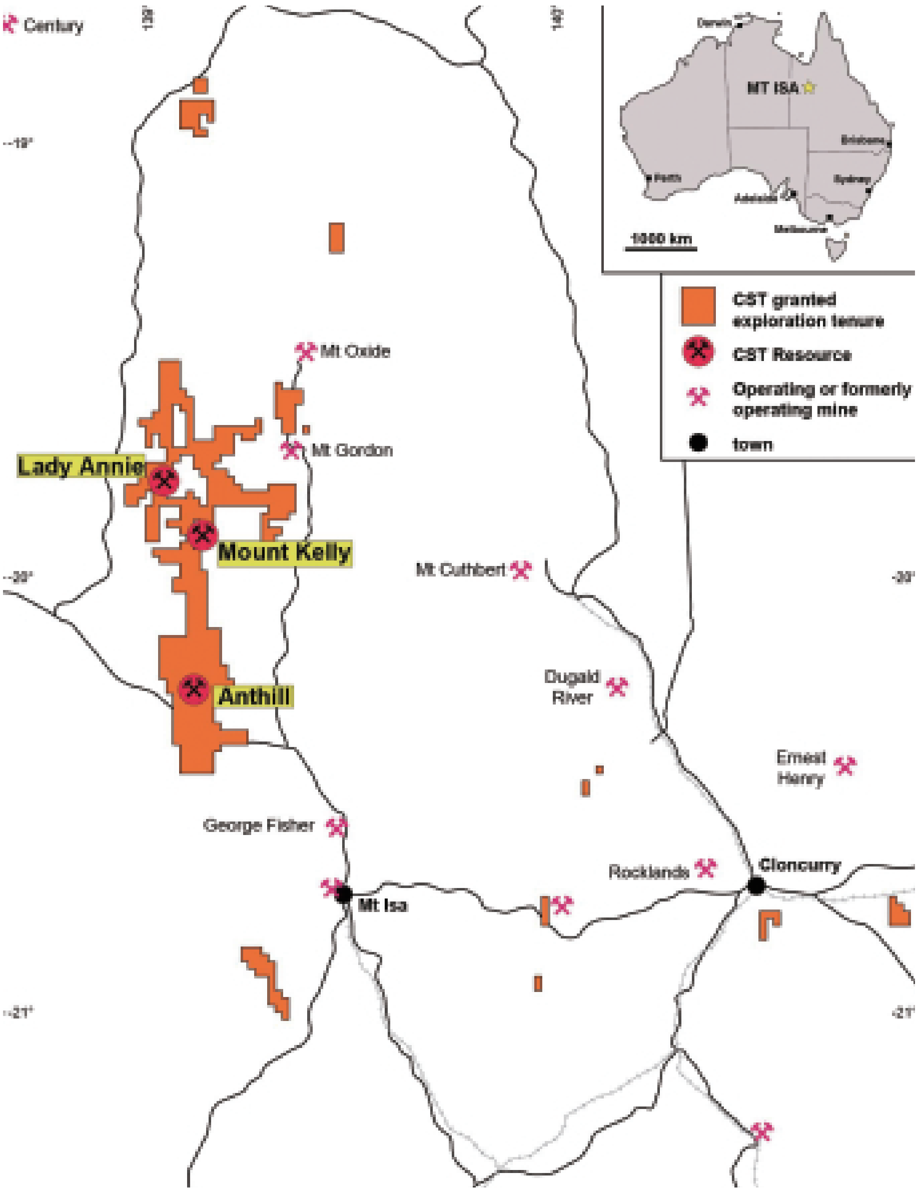
1.75 million

MINED ORE GRADE (Cu %)*

1.01

EXPLORATION METRE DRILLED (METRES)*

63,640



PROJECT DESCRIPTION AND LOCATION

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

1. OPERATING RESULTS

The table on page 11 provides certain key operational information for Lady Annie for the quarters ending 30 June and 30 September 2011.

2. MT KELLY PLANT OPERATIONS PLAN

From December 2011, the first transition-ore leach pad will be placed into operation, using forced-aeration heap leaching technology on Mt Clarke West pit transition ore. Therefore, transition ore will contribute to the projected 2012 cathode production budget early in the coming year.

CST Mining is currently engaged in an infill drilling programme covering the Lady Annie pit areas with a

Group Vice Chairman Owen Hegarty visits the Lady Annie Mine

Lady Annie Preliminary Operating Results

		June Qtr 2011	Sept Qtr 2011
Mined:	Total material movement (tonnes)	5,313,162	3,891,134
	Ore (tonnes)	726,579	1,023,609
	Ore grade (copper %)	0.91%	1.08%
	Contained copper (tonnes)	6,574	11,101
Stacked:	Ore (tonnes)	694,288	857,359
	Ore grade (copper %)	0.79%	1.03%
	Contained copper (tonnes)	5,454	8,814
Production:	Copper cathodes (tonnes)	4,211	4,828
Sales:	Copper cathodes (tonnes)	4,437	5,300
	Avg realized price (US$/tonne)	$9,055	$8,766
	Revenue (US$'000)	$40,183	$46,461

re-estimation of the Lady Annie Resource scheduled for completion and reporting by the end of March 2012. The revised block model will allow a re-optimisation and re-scheduling of the mining operations which is anticipated to include transition ore in the mine plan and reserves.

The addition of copper cathode production capacity at Lady Annie will be assessed of on the results of the re-optimised Lady Annie block model.

3. TRANSITION ORE RESOURCES – COMMERCIAL OPERATION AND CONVERSION TO RESERVE STATUS

A comprehensive metallurgical study commenced in August 2011 with the aim of converting transition ore resources to "heap leach recoverable" reserve status. This study is being managed and operated by CST Lady Annie staff and incorporates independent evaluation. The total transition resource identified to date is about 82,400 tonnes of contained copper, equivalent to about 3 years of additional mine life. All of these additional transition resources are located directly beneath oxide reserves that are already scheduled to be mined-out.

Mt Clarke West pit transition ore was the first to be studied because it is immediately available for processing. Pilot-scale heap leach testing of this ore is well advanced and the results have shown that:

- 100% of the acid-soluble copper was extracted after only one month of leaching; very fast copper extraction
- copper extraction continued from the true transition minerals and at a very fast rate
- 77% of the total contained copper was extracted after only three months of leaching
- acid consumption was 4 kg acid per kg extracted copper; similar to that of Lady Annie and Mt Clarke oxide ores
- heap physical stability and drainage performance was very good under commercial stacking conditions

As a result of the remarkably positive pilot-scale results, approximately 350,000 tonnes of Mt Clarke West pit transition ore will be processed at full-commercial-scale, using forced-aeration heap leaching. This will commence at pads 13 and 14 from December 2011.

Lady Annie, Mt Clarke East and Flying Horse transition ores are also being subjected to the pilot-scale metallurgical study. For the Lady Annie and Mt Clarke West pit transition resources, the study is on track to be completed in time for conversion to "heap leach reserve" status by March 2012. The Mt Clarke East and Flying Horse transition metallurgical drilling campaigns have recently commenced, and metallurgical studies for these transition resources are planned to commence soon after March 2012.

Conversion to reserve status will be dependent on the peer-reviewed results of the Pilot-Scale Metallurgical Studies alone, for each of the separate transition resources.

4. RESOURCES AND EXPLORATION

CST Mining has invested US$13.6 million on near-mine and regional exploration prospects at Lady Annie for the six months period ended 30 September 2011 (the "Period"). Anticipated spend for the 2011 calendar year will be US$22 million.

4.1. LADY ANNIE

A 40,000m resource reverse circulation (RC) drilling programme commenced at the Lady Annie Mining Area during the June quarter, with the threefold aims of:

PROJECT OVERVIEW

Aerial view of leach ponds at the Lady Annie Operations

- Improving confidence and resource category in the existing oxide resource
- Extending and infilling the transitional resource to increase tonnes and improve the existing resource category
- Extending the known sulphide resource, which has had limited drilling.

3,565m of drilling were completed by the end of June. Six drill rigs will be working through July - December 2011 to fast track the programme anticipated to be completed by early December 2011.

CST Mining commissioned a detailed pit mapping and structural study of the Lady Annie deposit to identify controls on mineralisation and enhance geological understanding. The study was completed in June. The study was conducted by CSA Global mining Consultants and is intended to clarify the location and geometry of primary and secondary ore-controlling structures within the Lady Annie pit environment.

New data from resource infill and mining grade control drilling will be incorporated with the geology from the structural study into a new Lady Annie resource estimation. Re-interpretation of the Lady Annie resource model has commenced and completion is anticipated before the end of March 2012. The model will achieve the dual objectives of extending transition and sulphide resource and increasing confidence and resolution of ore grades. The improved confidence will result in re-optimisation of mining activities in 2012 and thenceforth.

4.2. MT KELLY REGION EXPLORATION ACTIVITIES

Drilling during the Period in the Mt Kelly Mining Area has focused on definition of the newly discovered "Lady Colleen" deposit. This drilling will bring "Lady Colleen" to the Company's resource inventory by mid-2012. The deposit remains open and extensional drilling is planned.

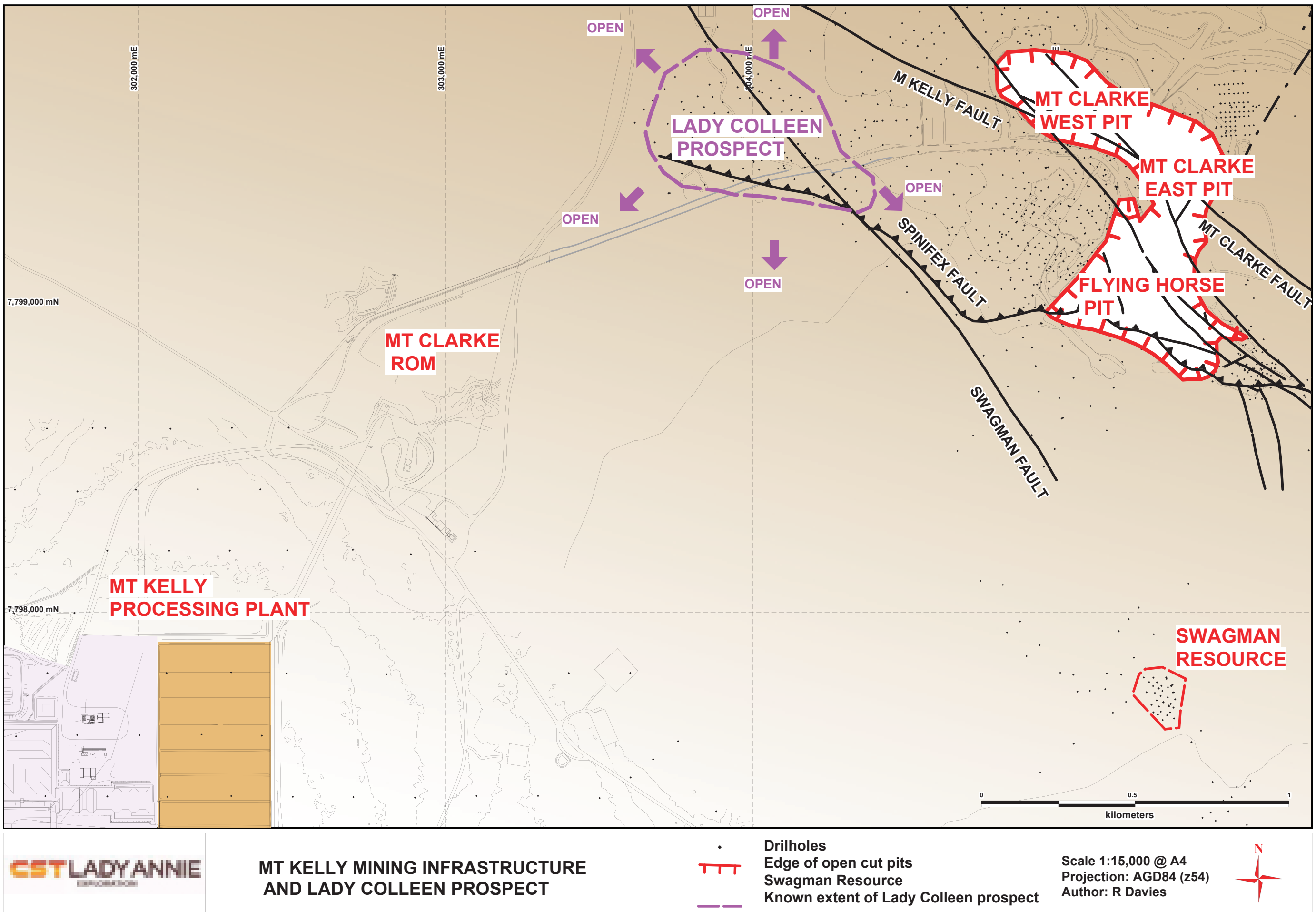
Drilling of the Flying Horse and Mt Clarke West deposits targeted category upgrade and extension of transition resources into measured and indicated categories. Metallurgical transition ore samples are currently undergoing testwork. The culmination of resource estimation, metallurgical test work and pit optimisation will allow the economical portions of resultant measured and indicated resource to be included in the minable reserves.

Extension and upgrade of sulphide resources, with particular focus on extension to new sulphide discoveries beneath the Mt Clarke West pit continued.

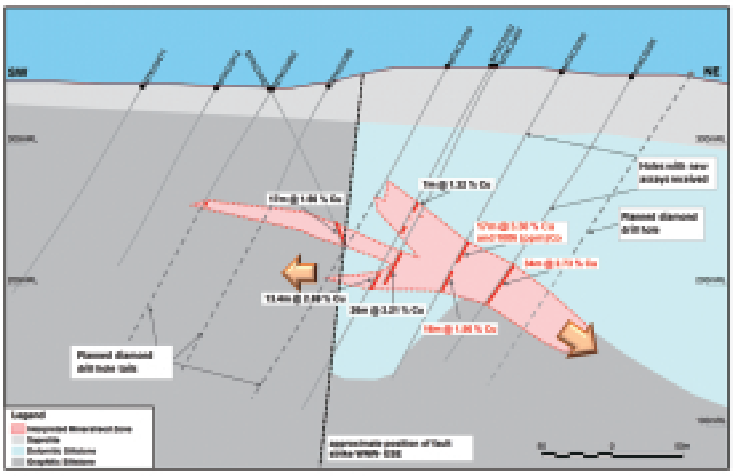
A total of 30,375m was drilled in the Mt Kelly Mining Area for the Period. This can be broken down into 10,095m of diamond drilling (DD) including metallurgical sample drillholes and 20,280m of reverse circulation (RC) drilling.

"DRILLING ALONG STRIKE OF THE DEFINED RESOURCE AREA INDICATES THAT FURTHER MINERALISED ZONES EXIST"

MT KELLY MINING AREA



PROJECT OVERVIEW



Lady Colleen cross section showing significant Cu intercepts

4.3. LADY COLLEEN

Exploration drilling at Lady Colleen has identified significant copper mineralisation 700m to the west of Mt Clarke West Pit. Mineralisation has been drill tested over a strike length in excess of 0.7km. Mineralisation remains open to the north, south and down plunge. CST has completed 14,000m of RC drilling and over 2,000m of diamond drilling at Lady Colleen to date and is currently undertaking further exploration drilling to test for extensions to the mineralised zone.

Mineralisation is structurally controlled and consists of malachite and azurite in the oxide zone with predominantly disseminated and semi-massive chalcocite in the transition zone. Sulphide mineralisation contains chalcopyrite and pyrite in vein stockworks and breccias.

CST Mining has confidence that the Lady Colleen discovery will add significant future resource tonnes to the Lady Annie Project. The collection of samples for metallurgical testwork has commenced and geological modelling of the deposit is ongoing. Extension drilling to the known mineralisation is also ongoing with a combination of RC and diamond drilling. A total of 4,500m during the September quarter is planned to further extend the deposit. An internal Mineral Resource Estimate is expected to be completed by mid-2012.

4.4. MT CLARKE AND FLYING HORSE PITS

Infill and extension drilling of the transition zone was completed at Mt Clarke West. The increased drilling density will enable upgrade to the resource categories in the pending estimation. The measured and indicated portions of the resources are potentially converted to reserves upon re-optimisation of the pits. This re-optimisation is pending upon the transition metallurgical test results, currently underway, with favourable results anticipated.

Exploration drilling below Mt Clarke West has also discovered significant new sulphide mineralisation, which is the subject of planned drilling commencing by December 2011. The deposit includes both copper and cobalt ore grades and the mineralisation will receive resource estimation in early 2012, upon completion of the additional drilling.

Extension and infill drilling of the Flying Horse sulphides continued in the Period, with excellent results, confirming the continuity and grade of the sulphide resource. We anticipate that the resource estimation including these results will upgrade the category of significant portions of the Flying Horse sulphide deposit to an Indicated category.

Additionally, extension drilling has intersected significant copper mineralisation at depth to the northwest and northeast of the current resource. These new zones remain open and are targeted by drilling by end-December 2011. A mineral resource estimation for Flying Horse is anticipated by March 2012.

4.5. ANTHILL

4.5.1 Anthill Exploration Activities

13,250m of RC and DD drilling including 10,980m (RC) and 2,270m (DD) were completed during the Period. Drilling targeted both infill and extension to the Anthill Resource. Encouraging results from the north-east of the deposit extend mineralisation along a new strike direction, with an improvement in grade and thickness of near surface oxide mineralisation. Significant results are anticipated from visual intersections. Follow-up drilling is planned for the December quarter with a resource estimate planned by March 2012.

4.5.2 Anthill Metallurgical and Processing Activities

A comprehensive metallurgical study commenced in June 2011 with the aim of converting Anthill oxide resources to "heap leach recoverable" reserve status. This study is being managed

(continue - page 16)

"THERE IS STRONG POTENTIAL FOR RESOURCE ADDITIONS BASED ON ENCOURAGING VISUAL MALACHITE MINERALISATION AND RESULTS RETURNED TO DATE"

Significant copper intercepts from Lady Colleen

MTKC0403	26m @ 3.21 % Cu from 148m	oxide-transition
MTKC0512	6m @ 3.06 % Cu from 80m	oxide-transition
MTKC0513	8m @ 4.24 % Cu from 91m	oxide-transition
MTKCD032	13.4m @ 2.69 % Cu from 167.1m	oxide-transition
MTKC0474	13m @ 2.74 % Cu from 83m	transition
MTKC0492	17m @ 2.64 % Cu from 106m	transition
MTKC0493	6m @ 5.60 % Cu from 121m	transition
MTKC0511	20m @ 2.53 % Cu from 141m	transition
MTKC0494	18m @ 2.81 % Cu from 111m	transition
MTKC0507	17m @ 1.65 % Cu from 122m	transition
MTKCD050	17m @ 3.30 % Cu from 138m	transition
MTKCD050	16m @ 1.56% Cu from 162m	transition
MTKC0493	9m @ 2.33 % Cu from 195m	sulphide
MTKC0510	8m @ 2.19 % Cu from 157m	sulphide
MTKC0458	9m @ 2.82 % Cu from 78m	sulphide
MTKCD038	11.3m @ 3.84 % Cu from 153.3m	sulphide
MTKCD038	31.6m @ 3.79 % Cu from 207.9m	sulphide
MTKCD045	34m @ 2.73 % Cu from 157m	sulphide

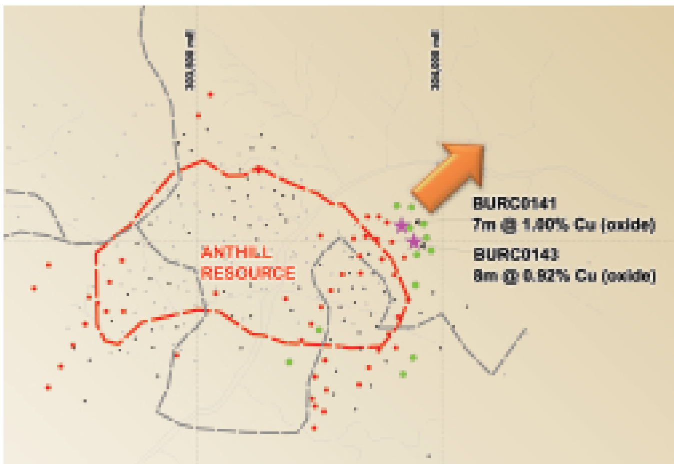
Significant new intercepts from Mt Clarke West exploration and extension drilling

MTKCD010	15.0m @ 1.09%Cu from 124m	sulphide
MTKCD010	9.0m @ 2.26%Cu from 143.2m	sulphide
MTKCD011	10.8m @ 1.72%Cu from 132m	sulphide
MTKCD017	34.6m @ 5100ppm Co from 113m	sulphide
MTKCD019	3.4m @ 2.15%Cu and 4600ppm Co from 225.6m	sulphide

Exploration extension intercepts from Flying Horse

MTKCD015	9m @ 1.38%Cu from 212m	sulphide
MTKCD029	11m @ 3.03%Cu from 334m	sulphide

ANTHILL RESOURCE AREA SHOWING RECENT NE EXTENSIONS



Significant infill results from Anthill

BURCD004:	3.4m @ 1.94% Cu from 84m	oxide
BURCD011:	6.6m @ 2.87% Cu from 124m	oxide
BURCD013:	11.2m @ 0.99% Cu from 78m	oxide

Significant extension results from Anthill

BURC141:	7m @ 1.00% Cu from 58m	oxide
BURC143:	8m @ 0.92% Cu from 41m	oxide

PROJECT OVERVIEW

"LADY ANNIE REGIONAL EXPLORATION HAS BEEN ONGOING THROUGHOUT THE YEAR"

(continued from page 14)

at Lady Annie in the same way as the transition ore study. The total Anthill resource identified at October 2010 was equivalent to a further 3 years additional mine life, and additional resources are being identified as a result of more recent exploration activities.

Pilot-scale heap leach testing of this ore is almost complete and the results have shown that:

- The Anthill resource has been found to be amenable to heap leaching in terms of copper extraction rate and extent, acid consumption, and physical heap performance
- between 80% and 90% of the total contained copper was extracted after five months of leaching
- acid consumption was between 3 and 5 kg acid per kg extracted copper; similar to that of Lady Annie and Mt Clarke oxide ores (4 kg acid per kg extracted copper)
- heap physical stability and drainage performance was satisfactory under commercial stacking conditions

Once final column leach residues have been assayed for copper, a public announcement can be made describing the reserve status of Anthill with respect to heap leach processing. This is expected to occur during December. Conversion to reserve status will be dependent on the peer-reviewed results of the Pilot-Scale Metallurgical Study.

4.6. REGIONAL AND GREENFIELDS EXPLORATION

Regional exploration comprising reconnaissance, soil sampling and prospect mapping has been ongoing throughout the year across CST Mining's extensive exploration tenure. Drilling of key prospects during the quarter has produced encouraging results (Cameron River and Redie Creek).

4.6.1. Cameron River (Sunset and Black Rock Prospects)

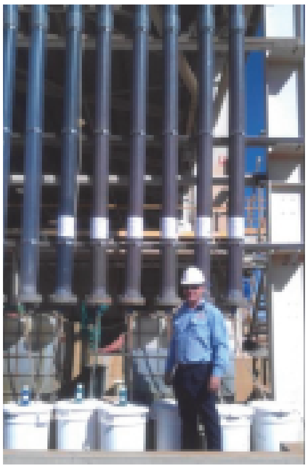
Exploration drilling commenced at the Cameron River prospects in July 2011. This area is located 40km to the east of Mt Isa along the sealed Barkly Highway and has abundant surface showings of both oxide and sulphide copper mineralisation. Limited historical drilling has been carried out among the numerous old pits and workings, and CST Mining completed 3 diamond holes and 37 RC holes: 1,092.5m (DD) and 6,875m (RC). Significant copper mineralised intersections were returned with results and further details are pending during the March quarter 2012.

4.6.2. Redie Creek

The Redie Creek project comprises a number of Cu (±Au) anomalies along the Redie Creek Fault Zone. The Patterson Prospect, located only 15km north-east of the Mt Kelly Mining area, was drill-tested by CST Mining in the Period with 24 RC drillholes for 1,982m. Multiple regionally significant gold intercepts were returned with results and further details are pending by March 2012. Follow-up drilling is proposed for 2012.

4.6.3. Buckley River

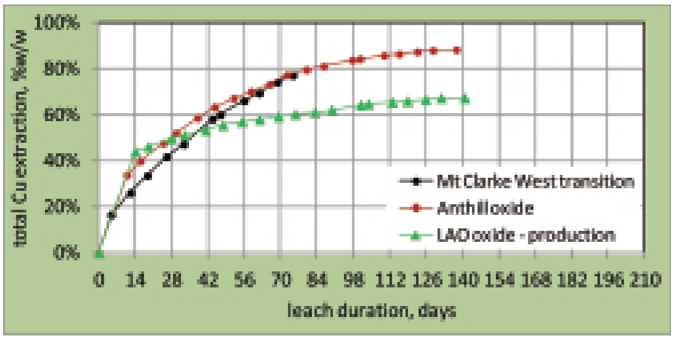
The Buckley River tenement, which hosts significant mineralisation, including the Anthill deposit, is overlain by transported alluvial material. The near surface environment is also currently significantly leached and geochemical anomalism is subdued. Exploration of this highly prospective corridor is by trialling techniques that penetrate the concealing cover. A Rotary Air Blast (RAB) drilling programme was initiated at Buckley River, exploring the undercover zone between Johnson Creek and Anthill. The programme comprises 208 holes for 12,260m drilling and aims to identify the geochemical signature of a potentially concealed deposit. 32 holes for 1,920m were complete by the end of the Period.

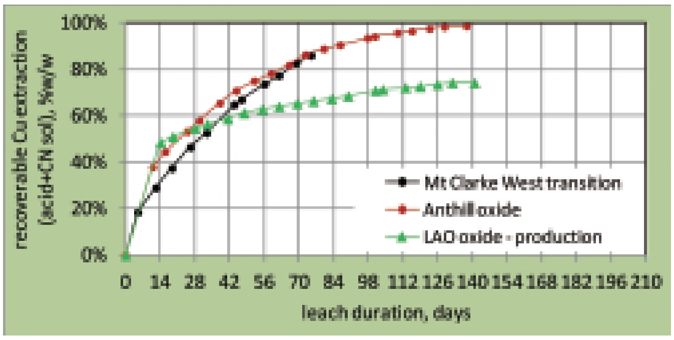


Lady Annie Operations' Column Leach Facility

Mt Clarke West transition, Anthill oxide, and current production Pregnant Leach Solution (PLS) (generated at the Lady Annie Operations' Column Leach Facility)

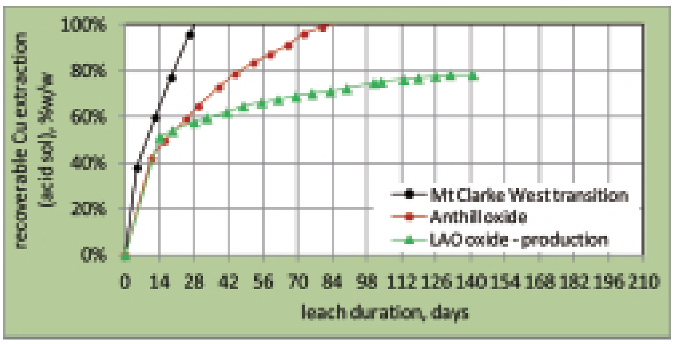
ANTHILL OXIDE, MT CLARKE WEST TRANSITION AND CURRENT PRODUCTION COPPER EXTRACTION CURVES (BASED-CASE TEST COLUMNS ONLY)



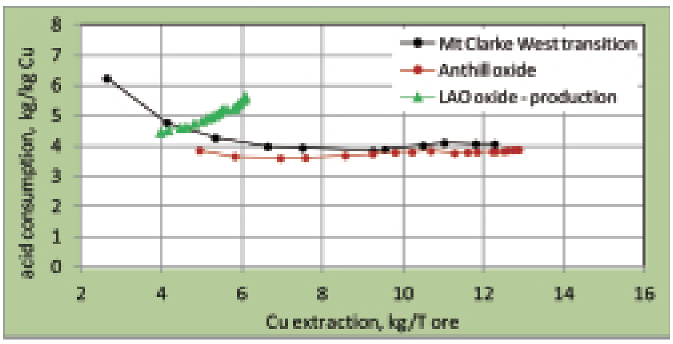


Mt Clarke West transition Anthill oxide LAO oxide - production

ANTHILL OXIDE, MT CLARKE WEST TRANSITION AND CURRENT PRODUCTION COPPER EXTRACTION CURVES (BASED-CASE TEST COLUMNS ONLY)



ANTHILL OXIDE, MT CLARKE WEST TRANSITION AND CURRENT PRODUCTION ORE ACID CONSUMPTION CURVES (BASED-CASE TEST COLUMNS ONLY)



Mt Clarke West transition Anthill oxide LAO oxide - production

PROJECT OVERVIEW

**Table 1.
Leach pads stacked during the Period**

Pad 13-2	stacking completed 6 May
Pad 9-2	stacking completed 8 June
Pad 8-2	stacking completed 6 July
Pad 7-2	stacking completed 3 August
Pad 5-2	4 cells completed 25 August
Pad 4-2	4 cells completed 17 September
Pad 3-2	stacking 50% completed by 30 September

**Table 2.
Dates on which Irrigation has commenced**

Pad 13-2	fully online 6 May
Pad 9-2	fully online 8 June
Pad 8-2	fully online 5 July
Pad 7-2	brought online 12 to 28 July
Pad 5-2	brought online 10 to 25 August
Pad 4-2	brought online 4 to 19 September
Pad 3-2	cell 1 brought online 25 September

PROCESSING

SUMMARY

The crushing and stacking performance was strong throughout the September quarter.

SX-EW performance was good but below-budget cathode production occurred due to below-budget ore copper grade. However, ore copper grade increased to near-budget toward the end of the Period.

The metallurgical studies being managed at site are showing that both transition ores at Mt Clarke and Anthill oxide ores should be amenable to heap leaching.

CRUSHING & STACKING

In the Period, a total of 1,551,647 dry tonnes was stacked at 0.92% Cu against a budget 1,454,250 dmt at 1.26% Cu. The ore stacked tonnes exceeded budget by total are 6.7%; stacked copper tonnage was below budget by 22%. This was entirely due to the below-budget crusher feed grade from the mine. Ore grade improved to near-budget during the latter part of the September quarter, due largely to ore processed from the Lady Annie void area.

Crusher feed was maintained at an 80:20 Lady Annie: Mt Clarke ore blend up to early August, when it was reduced to a 70:30 blend. The Lady Annie ore contains a greater fines-fraction than the Mt Clarke ore, and it was important to control the blended ratio to ensure a lower stacked fine-fraction, good heap permeability, and continued copper production from the heap leach part of the process.

Details of leach pads stacked during the Period are shown on the table 1.

The relatively high stacking rates of the September quarter resulted in increased extractable copper inventory at the heap leach process, rising from 1,552 tonnes of copper at the beginning of the September quarter, to 4,205 tonnes of copper at the end of the September quarter.

An improved planned-maintenance strategy was implemented during the Period, where routine maintenance is carried out during weekly operator shift-changes (6-hour maintenance opportunities for the crush/stack plant). This has been largely responsible for increasing stacking rates and plant availability.

The CV3 automatic sampler was installed and commissioned at the end of July and has been operating well.

HEAP LEACH

Heap leach Pregnant Leach Solution (PLS) grade increased during the Period to 4.96 g/l at 30 September 2011, and was still increasing at the time of reporting. This increased grade represents additional available inventory for the SX/EW plant. It is necessary for this inventory to continue building to enable cathode production to increase beyond the present 55 tonnes per day.

The table 2 shows the dates on which irrigation has commenced.

Table 3. Copper metal recoveries from heaps

	Predicted recovery	Actual recovery
Pad 3 (bottom lift)	84.5%	84.3%
Pad 4 (bottom lift)	84.5%	87.0%
Pad 5 (bottom lift)	84.5%	86.2%
Pad 6 (bottom lift)	n/a	79.5%
Pad 14 (second lift)	80.5%	82.3%
Pad 15 (second lift)	84.0%	86.7%

Final copper extraction is determined from leach residue drill core assays. The pad recoveries for the September quarter are shown in table 3. All exhausted heaps to the end of the September quarter performed as good or better than predicted. Pad 6 (bottom

> **CATHODE QUALITY HAS BEEN EXCELLENT, WITH AN AVERAGE PURITY OF 99.9983%, AGAINST A MINIMUM ALLOWED BENCHMARK OF 99.9964%.**

lift) exhibited a similar extraction extent, except for a 50 x 80 meter section which was high-acid consuming. This brought down the mean copper extraction value for that heap. This was the first section of heap stacked by CST during September 2010. This area was tine-ripped and placed under low-flow, high-acid irrigation, yielding an additional 54 tonnes of copper at virtually no cost. Preliminary residue analysis of Pads 3 and 4 (bottom lift) indicate higher-than budget copper extraction.

SX-EW

The EW1 cell-house was operated at the maximum of 21,500 Ampere for most of the Period, with an overall plating availability of about 98%. The EW2 cellhouse, which represents approximately 31% of the total name-plate capacity of the site, was unable to be operated due to the need to build ore feed grade, flow-on heap leach production rates, and flow-on PLS copper grade.

During the mid-quarter (from July to September), it was necessary to increase EW1 housekeeping activities in order to maintain EW1 current efficiency and product quality (particularly with respect to lead content). This increased activity has resulted in short-term reduced plating rates (about 1% to 2% down on maximum at EW1), but is for longer-term gain. The housekeeping activities are:

- anode-cleaning (cyclic task) to prevent lead-contamination of the cathode. This was 40% complete at the end of September, to be completed mid-October.
- cathode cleaning (as-needed basis) to improve EW1 current efficiency.
- anode-spacer replacement (unique to our plant, single campaign) to prevent anode-cathode short-circuiting which leads to lower our current efficiency and potentially poorer cathode quality.

CATHODE PRODUCTION

9,039 tonnes of cathode were stripped, and 9,737 sold in the Period, both below the budget. The budget shortfall is entirely due to the lower-than-budget ore feed grade.

Cathode quality has been excellent, with an average purity of 99.9983%, against a minimum allowed benchmark of 99.9964%.

Overall quality have been well within LME and MM Kembla specifications, and this has been the result of good control of SX/EW plant Key Performance Indicator.

Power has been largely uninterrupted during the Period.

Back-loading of cathode product, using acid-delivery trucks has been working smoothly. The acid-delivery contractor retro-fitted additional acid-trailers for copper back-loading.

PROJECT OVERVIEW

MARCOBRE

HIGHLIGHTS

Test work on oxide samples started to determine metal recoveries

Further engineering design work conducted on site infrastructures

LOCATION

400km
Southeast of Lima

PRODUCTION CAPACITY

110,000tpa
Copper

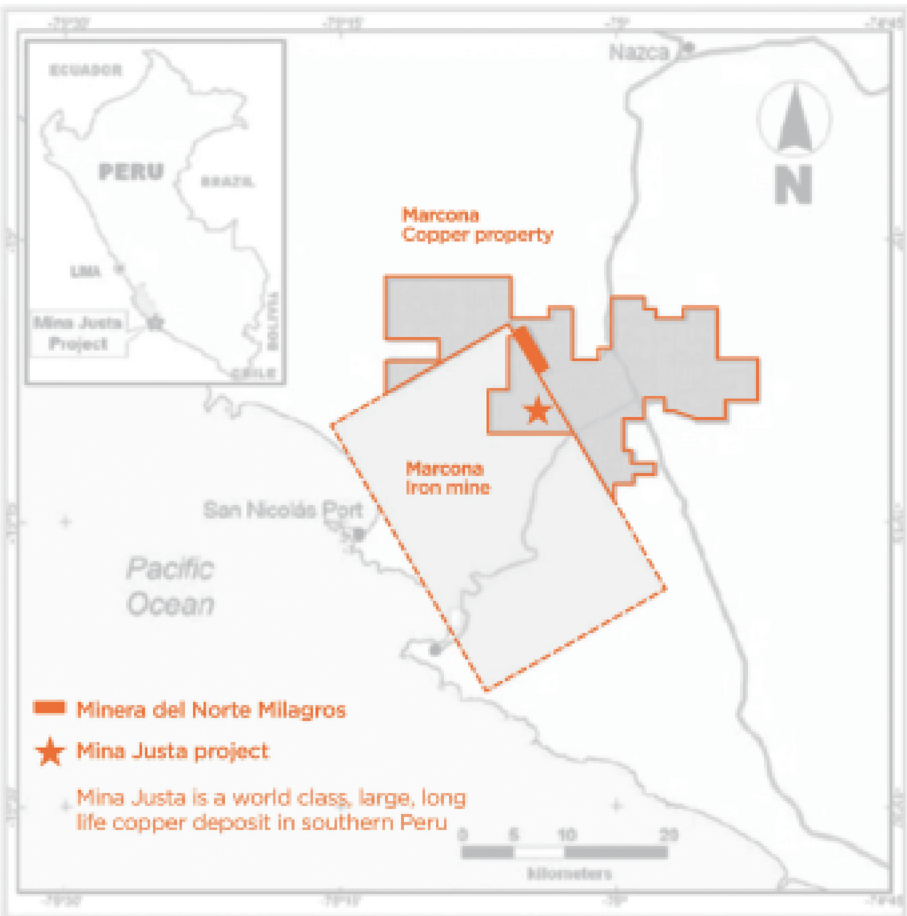


Figure 1: Location of Mina Justa

PROJECT DESCRIPTION AND LOCATION

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

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

The definitive feasibility study (DFS), undertaken by GRD Minproc Limited, covers the proposed project, which is designed initially to process 12 Mt/a of oxide ore by crushing, vat leaching, solvent extraction and electrowinning to produce up to 52,000 t/a of cathode copper. The facilities will be expanded during operating year 2 to include a 5 Mt/a concentrator to treat copper

“THE FACILITIES WILL BE EXPANDED DURING OPERATING YEAR 2 TO INCLUDE A 5 MT/A CONCENTRATOR TO TREAT COPPER SULPHIDE ORE”

sulphide ore underlying the oxide ore in certain portions of the Mina Justa deposit. The concentrator plant design, engineering and costing is developed to prefeasibility study (PFS) level. As Mina Justa and Magnetite Manto deposits are located at relatively low altitude, in an arid area with moderate topographic relief, rock strengths are moderate and there is no groundwater and insignificant rainfall, therefore open pit mining will be routine and low cost.

MINERAL RESOURCE UPDATE

In February 2011, Snowden Mining Industry Consultants carried out a resource update for the Mina Justa project and there is no mineral resource update since the 2011 annual report.

FEASIBILITY STUDY OPTIMISATION

Oxide Metallurgy: Bottle roll tests and vat leaching test work on oxide samples were started to determine metal recoveries and gangue acid consumptions on a larger sample population from the Mina Justa and Magnetite Manto deposits.

Early Works Programme: Further engineering design work was conducted on site infrastructure to improve the access to the project and the camp location.

OTHER ACTIVITIES

Beneficiation Concession Construction Authorisation: Submitted in late May, the formal approval is expected before the end of second half of the financial year. Marcobre intends to purchase the property from the government of Peru in order to eliminate any potential issues around mining right of use. The execution of the purchase is in the hands of the SBN (Superintendencia de Bienes Nacionales), Peru's asset administration arm.

Mine Closure Plan: Submitted in early September to the Ministry of Energy and Mines. Currently the Mine Closure Plan is being under review.

Tax Stability Agreement: Official application was submitted in early April to the Ministry of Energy and Mines. Currently the tax stability agreement is being under review.

EXPENDITURE ON EXPLORATION, MINING AND DEVELOPMENT ACTIVITIES

During the six-month period ended 30 September 2011

	Lady Annie US$'000	Marcobre US$'000	Total US$'000
Administration	58	208	266
Camp expense	429	46	475
Community relation expense	34	7	41
Consultancy & contractor expense	325	992	1,317
Consumables	648	–	648
Drilling & assays expenses	9,074	131	9,205
Health, safety & environment	–	345	345
Machinery and equipment	394	1,278	1,672
Mining leases fee	16	–	16
Others	286	304	590
Project cost	–	577	577
Staff cost	2,375	1,240	3,615
Total	13,639	5,128	18,767

CORPORATE SUSTAINABILITY REPORT

PROTECTING THE NATURAL ENVIRONMENT THROUGH COMMUNITY PARTNERSHIPS

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

CORE VALUES

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

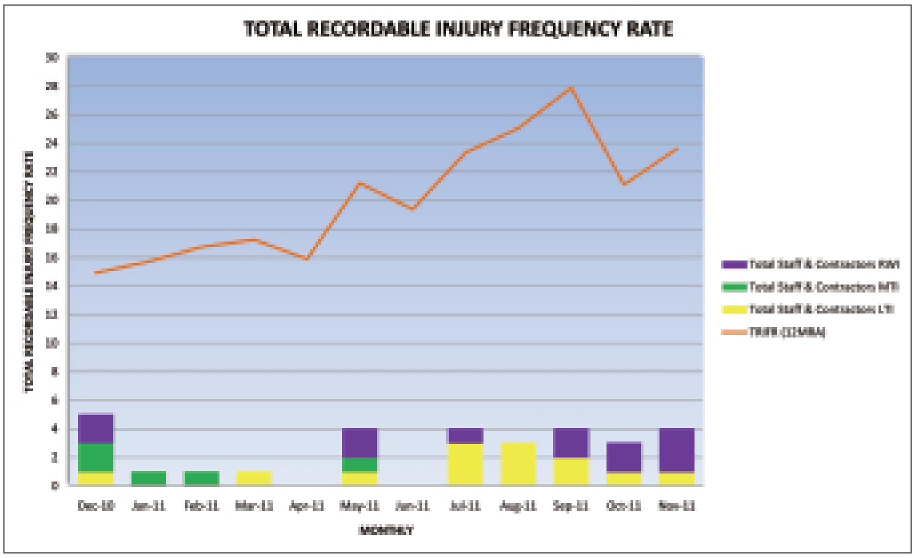
SAFETY

The safety of all our site employees remains paramount, and an understanding of many of our site risks will form the basis of a redeveloped Safety and Health Management System (SHMS).

Recently a Government regulator, the Department of Employment Economic Development and Innovation (DEEDI) audited of the SHMS over four days. The auditing criteria used was "Safeguard", an audit tool developed / aligned with the Australian / New Zealand Standard AS/NZ 1481:2001 Occupational Safety & Health Management Systems. This audit resulted in a series of Directives / Recommendations and Sub Standard conditions or practices in the form of five Mine Record Entries (MREs). Extra human resources are required to meet the 16 major identified components across the site system. Our SHMS will be structured to ensure compliance with current legislative requirements, mapping our system to AS / NZ 1481:2001 in alignment with DEEDI auditing criteria.

The Total Recordable Injury Frequency Rate (TRIFR) as shown in below graph has been averaging around 23 rolling average, this can be a lot better.
We are focusing on proactive safety activities with of two new advisors out with the workforce assisting the people performing the work to understand health and safety. A focus is to investigate incidents thoroughly and find solutions to work proactively to reduce injuries.

The Emergency Response Team expertise will improve with the Emergency Response Coordinators continuing weekly training and coordinating accredited courses.
Road rescue gear now available on site and a memorandum of understanding (MOU) for mutual aid with Birla's Mount Gordon Mine has been established.



> **WE HAVE BEEN WORKING CLOSELY WITH THE KALKADOON PEOPLE AND LOCAL PEOPLE OF MOUNT ISA**

ENVIRONMENT

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

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

Significantly, the site is moving towards an ISO 14000 compliant Environmental Management System (EMS) and data storage. This may lead to reduce costs in some areas and provide a framework for continual improvement of environmental performance.

INDIGENOUS & COMMUNITY SUPPORT

We have been working closely with the Kalkadoon People and local people of Mount Isa with employment opportunities and skills development as both direct employees and as contractors. We currently have 33 Aboriginal and Torres Strait Islander employees, comprising 16 Traditional Owner employees and 17 Aboriginal and Torres Strait Islander employees.

We also have an Apprenticeship Scheme commencing February 2012, which is targeted at Traditional Owners and the local Indigenous people. Apprenticeships for 2012 are: 2 x Boilermakers; 2 x Electricians; 2 x Mechanical Fitters.

On 12 December 2011, the Kalkadoon people were granted their Native Title Claim over 40,000 km^2 of land in North-West Queensland. The Kalkadoon people are now officially recognised as the Traditional Owners and Custodians of their land and country, which includes Mount Isa.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The revenue of the Group for the six months ended 30 September 2011 (the "Period") was approximately US$91.13 million. Compared with the corresponding period 2010, this represented an increase of approximately US$87.88 million. The increase was mainly attributable to revenue from the Lady Annie Operations (details of which are disclosed below), which contributed over approximately 97.55% of total revenue for the Period. Of the remaining revenue, approximately 2.15% was generated from dividend income and approximately 0.30% from rental income.

Compared with the previous corresponding period, revenue from investments in financial instruments decreased approximately 34.35%, reflecting a fall in dividend income from financial instruments. Revenues from property investments slightly increased approximately 3.37%. Benefiting from a stable occupancy rate, rental income provided steady cash flow to the Group for the Period, and is expected to continue doing so in the future.

The Group recorded approximately US$2.56 million of other loss for the Period, mostly attributable to foreign exchange losses. For the same period in 2010, the Group recorded other income of approximately US$5.10 million.

Other administrative expenses for the Period were approximately US$15.70 million, representing an increase of approximately 125.42% compared with the same period last year. The Lady Annie Operations resumed copper production in late November 2010 and as a result produced copper and sales revenue throughout the Period, in contrast to the same period last year when preparations for a production re-start were still underway. With the mines now in production, the Company has hired a large number of new employees, so that administrative expenses increased accordingly. In addition, effective interest expense on provision for mine rehabilitation cost was calculated and booked in the Period. Thus, the finance costs for the Period had increased by approximately 93.08%.

Financial market fluctuations continued during the Period, with factors such as European sovereign debt, currency woes and the financial policies of the People's Republic of China sustaining uncertain market sentiment. It is expected that these factors will continue to remain unpredictable and that the market will remain volatile. The market uncertainty also had an impact on the performance of the Group's financial assets. This led to a loss of approximately US$71.88 million arising from fair value changes of financial assets recorded through the profit or loss statement. Overall, the net loss for the Period was approximately US$81.97 million as compared with a loss of approximately US$24.86 million in the same period last year.

NET ASSET VALUE

As at 30 September 2011, the Group had bank balances and cash of approximately US$153.15 million (excluding cash balance included in assets classified as held for sale). In addition, the Group had bank deposit of approximately US$60.05 million pledged to banks mainly to cover the mine rehabilitation cost required by the State Government to allow the Group to operate in Queensland, Australia but also to provide a guarantee to the electric power supplier for the Lady Annie Operations. In line with a revised power purchase agreement, the supplier took fixed and floating charges during the Period on Lady Annie's assets to guarantee power supply to Lady Annie Operations until the end of 2020. The power purchase agreement can nonetheless be terminated on service of 24 months' notice on or after the beginning of 2015.

The fair value of available-for-sale investments and financial assets at fair value through profit and loss as at 30 September 2011 were approximately US$12.61 million and US$159.44 million, respectively. Following the resumption of copper production at the Lady Annie Operations in November 2010, trade and other payables increased by approximately 38.05% to approximately US$31.88 million and inventory increased by approximately 44.87% to US$35.35 million compared with 31 March 2011.

"THE GROUP HAD BANK BALANCE AND CASH OF APPROXIMATELY US$153.15 MILLION"

As at 30 September 2011, the Group had no outstanding loans or borrowings from banks or financial institutions, so that as of that date the gearing ratio was zero. A one-year US$75 million revolving loan facility with an interest rate of 1% per annum over LIBOR/HIBOR granted by a bank to a subsidiary of the Company expired during the Period and was renewed with a same amount facility with an interest rate of 1.5% per annum over LIBOR/HIBOR. The Company has provided a guarantee to the bank for this facility. As at 30 September 2011, the facility was not utilised. Marcobre (as defined as below) has contractual obligation to pay two independent third parties in the event of the Group and another joint venturer approving the commencement of the construction of mine and processing facilities of the Mina Justa project and when the resources of the Mina Justa project reached certain milestones. The Group's maximum share of such future payment is US$7 million assuming all the milestones are met. The above conditions were not reached as at 30 September 2011.

As at 30 September 2011, the net asset value of the Group amounted to approximately US$858.80 million.

HUMAN RESOURCES

As at 30 September 2011, the Group employed 40 staff in Hong Kong, 235 staff in Australia and 30 staff in Peru. Staff costs (excluding directors' emoluments, and direct and indirect labour costs) was approximately US$6.79 million for the Period. Staff remuneration packages are normally reviewed annually. The Group also participated in the Mandatory Provident Fund Scheme in Hong Kong. In addition, the Group provided other staff benefits, which include medical benefits.

The Group has a share option scheme. Details and the movement of the share options are disclosed under the heading "Statutory Disclosure" in this interim report.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGING

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

MARCOBRE

Marcobre S.A.C. ("Marcobre") is a Peruvian company, which is 70% owned by the Company. Marcobre in turn owns 100% of the Mina Justa copper project in coastal southern Peru. The project has a resource base of more than three million tonnes of contained copper and reserves of more than one million tonnes of contained copper. A Definitive Feasibility Study has been completed for average production of 110,000 tonnes per annum of copper as copper cathode and copper contained in concentrates, starting in 2013 for 10 years of initial reserves. The project has potential for further reserves in and around the existing ore bodies (all known as Mina Justa). The project has the support of the national and regional governments of Peru and nearby communities. The National Government of Peru has awarded the Mina Justa Project "National Interest" status.

The Ministry of Agriculture of Peru granted a provisional water licence for two years to Marcobre in April 2011. It also guaranteed the future granting of a water licence to Marcobre on the condition that the competent authority in Peru verifies that Marcobre has built the relevant hydraulic works in strict compliance with the terms of the provisional water licence.

On 9 June 2011, the Company entered into a memorandum of understanding ("MOU") with Glencore International AG ("Glencore") in connection with the proposed disposal of the Company's 100% interest in CST Resources Limited (CST Resources), a wholly-owned subsidiary of the Company, which in turn indirectly owns 70% of the Mina Justa Project for US$475 million. More details are provided in the "Significant Events" section below.

LADY ANNIE

The Lady Annie Operations, which comprises principally the Lady Annie mining area, the Mount Kelly mining area, and the Mount Kelly process plant and tenements, is located in the Mount Isa district of north-western Queensland, Australia. The Mount Isa Inlier hosts several known copper oxide and sulphide resources and several notable copper and lead-zinc silver mines. Tenements held by the Lady Annie Project cover approximately 1,640 square kilometres, and include 14 mining leases and 28 EPMs (exploration permits for minerals).

The Lady Annie Operations resumed copper cathode production in November 2010 and started generating revenue in December 2010. A summary of the financial results for the six months period ended 30 September 2011 for Lady Annie is set out below:

	2011 Apr - Sept US$'000
Revenue	88,896
Cost of sales	(64,325)
Gross Profit	24,571
Other income and other gains	240
Distribution and selling expenses	(8,695)
Administrative expenses	(8,379)
Finance costs	(541)
Profit before taxation	7,196
Depreciation in administrative cost	402
Depreciation in cost of goods sold	25,334
Total depreciation*	25,736

* This includes depreciation of US$6,884,000 capitalised to inventories.

MANAGEMENT DISCUSSION AND ANALYSIS

NON-HKFRS FINANCIAL MEASURE

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

The table at the bottom of the page provides, for the period indicated, a reconciliation of Lady Annie Operations C1 operating cost measures to the statement of comprehensive income in the financial statements of Lady Annie Operations.

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

	2011 Apr - Sept US$'000
Costs as reported in the income statement:	
Direct and indirect mining cost	58,907
Adjustment for change in inventory	(5,557)
Total operating costs	53,350
Copper sold (tonnes)	9,737
Copper sold (in thousand pounds)	21,469
C1 operating cost per pound of copper	**US$2.49/lb**

SIGNIFICANT EVENTS

On 9 June 2011, the Company entered into the MOU with Glencore pursuant to which the Company will sell or procure to sell to Glencore or its wholly-owned subsidiary the Company's 100% interest in CST Resources . CST Resources is a wholly-owned subsidiary of the Company, which indirectly owns 70% of the interest of Macrobre, which in turn owns 100% of the Mina Justa copper project in coastal southern Peru. The price agreed was a total consideration of US$475 million in readily available funds.

The parties agreed to use their best efforts to formalise the Share Purchase Agreement and all other necessary legal documents by 15 July 2011 with a view to completion of the transaction on or before 5 October 2011. It was also agreed that the MOU may be terminated: (a) by mutual written agreement of the Company and Glencore; (b) by Glencore, upon written notice to the Company, if the results of the due diligence review conducted by Glencore are not reasonably satisfactory to Glencore; or (c) if by 15 July 2011, no definitive Share Purchase Agreement is signed by the Company and Glencore. Details of the MOU were disclosed in the Company's announcement dated 14 June 2011.

On 17 July 2011, the Company and Glencore entered into a Share Purchase Agreement ("SPA") pursuant to which Glencore conditionally agreed to acquire CST Resources from the Company for a cash consideration of approximately US$475 million. Closing to SPA is conditional upon the fulfilment or waiver of the certain conditions (the "Conditions Precedent"). Details of the SPA were disclosed in the Company's announcement dated 18 July 2011.

On 2 October 2011, the Company received from Glencore a Notice of Satisfaction with respect to its technical due diligence enquiries in respect of the Mina Justa Project. The Company and Glencore further agreed to extend the satisfaction date for the remaining Conditions Precedent to 30 November 2011 with anticipated closing in December 2011. Both Glencore and the Company remain committed to achieving completion of the transaction, details of which were disclosed in the Company's announcement dated 2 October 2011.

OUTLOOK

During the second half of this financial year, the Company estimates production at Lady Annie will be approximately 9,400 tonnes. This will get us close to an annualised rate of around 20,000 tonnes which is an improvement on the first half of the year. Production cash cost for the second half of the year will be approximately US$2.50 per pound of copper.

The Company continued to carry out integrated programs of resource development drilling, exploration drilling, mine optimisation, and metallurgical testing. The objectives are to improve mining and processing efficiency, to increase and maintain copper production at between 20,000 and 25,000 tonnes per year, and to potentially extend the life of Lady Annie Operations.

The resource development drilling program incorporates a 40,000m infill drilling program at the Lady Annie and Mt Kelly mining areas (consists of Flying Horse, Mt Clarke West and Mt Clarke East Open Pit), using five drill rigs to fast-track the development. The results of the infill drilling program will enable substantial improvements in block-model confidence, mine optimization, and mine planning for existing and new reserves. The program includes significant transition ore extensions which will add to the Lady Annie and Mt Kelly reserves. Approximately 2,500m of diamond-drilling have been incorporated into the campaign to guarantee quality assurance.

The exploration drilling program incorporates near-mine drilling at granted exploration and mining leases. The objectives are to reveal the potential for mineral resource extensions to contribute to the Company's global copper resources. During the third quarter of 2011, this program resulted in the discovery of the Lady Colleen deposit and the extension of the Anthill deposit. Resource updates of these deposits are anticipated toward first quarter of 2012. Future exploration drilling will follow up any exceptional drilling results received early next year.

And finally for exploration activities, there is potential for brand new mineral discoveries among the Company's extensive exploration tenures. Here, new targets will continue to be pursued using integrated programs of drilling, geophysics, surface mapping and geochemical sampling.

Metallurgical testing programs are being performed simultaneously with any exploration drilling program that reveals a promising resource. Two testing programs have been undertaken during the second half of 2011 on the most significant resources; 1) transition ore resources at the Lady Annie and Mt Kelly mining areas, and 2) the Anthill oxide resource. Additional metallurgical programs will be performed as new potential resources are revealed, such as the Lady Colleen deposit.

To date, the transition ore metallurgical program has shown very fast copper recovery from Mt Clarke West Pit transition ore in pilot-scale leach tests. Leach Pad 2 is being constructed to process 210,000 tonnes of transition ore using full commercial-scale forced-aeration heap leaching, a relatively new and inexpensive technology. This will commence during December 2011 and will add to copper production. Lady Annie, Mt Clarke East, Flying Horse and other transition resources will be tested and processed in the same manner as they become accessible for mining. The pilot-scale testing programs for Mt Clarke West and Lady Annie transition resources will be completed and reported by March 2012.

The Anthill oxide metallurgical program will be completed and reported during December 2011. This pilot-scale program has shown that the Anthill oxide resource is amenable to heap leach processing for copper extraction, and that it could be added to reserves.

"THE OBJECTIVES ARE TO REVEAL THE POTENTIAL FOR MINERAL RESOURCE EXTENSIONS"

STATUTORY DISCLOSURE

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 30 September 2011, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares, convertible notes or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors and chief executives of the Company (the "Model Code"), were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"):

LONG POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

	Number of *shares / underlying shares					
Name	Personal interests	Corporate interests	Share options	Total	Approximate % of the issued share capital of the Company	Note
(a) Directors						
CHIU Tao	3,900,000,000	–	1,000,000,000	4,900,000,000	17.92%	
HEGARTY Owen L.	–	–	475,000,000	475,000,000	1.74%	
YANG Yi-fang	–	–	20,000,000	20,000,000	0.07%	
WAH Wang Kei, Jackie	480,000	–	100,000,000	100,480,000	0.37%	
HUI Richard Rui	–	–	100,000,000	100,000,000	0.37%	
LEE Ming Tung	–	–	75,000,000	75,000,000	0.27%	
KWAN Kam Hung, Jimmy	–	–	75,000,000	75,000,000	0.27%	
YEUNG Kwok Yu	–	–	75,000,000	75,000,000	0.27%	
TSUI Ching Hung	–	–	25,000,000	25,000,000	0.09%	
(b) Ex-Director						
BARBER Damon G.	–	50,000,000	400,000,000	450,000,000	1.65%	(1)

* Ordinary shares unless otherwise specified in the Note.

Note:

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

Save as disclosed above, none of the Directors or their associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified by the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules as at 30 September 2011.

SHARE OPTION

Particulars of the share option scheme of the Company are set out in note 21 to the condensed consolidated financial statements.

1. SHARE OPTION SCHEME

The following table discloses movements in the Company's share options held by each of the Directors and the employees of the Group in aggregate granted under the share option scheme of the Company during the six months period ended 30 September 2011:

Tranche A

Name or category of participants	Date of grant	Exercisable period	Notes	Exercise price HK$	Outstanding as at 1.4.2011	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30.9.2011	Market value per share at date of grant of options HK$	Fair value per share option HK$
(a) Directors												
HEGARTY Owen L.	02.09.2010	17.09.2011 – 16.09.2015	(a)	0.2000	5,000,000	—	—	—	—	5,000,000	0.1570	0.0676
YANG Yi-fang	30.09.2010	30.09.2011 – 29.09.2015	(a)(c)	0.2350	16,000,000	—	—	—	—	16,000,000	0.2140	0.0982
HUI Richard Rui	02.09.2010	17.09.2011 – 16.09.2015	(a)	0.2000	5,000,000	—	—	—	—	5,000,000	0.1570	0.0676
YEUNG Kwok Yu	02.09.2010	17.09.2011 – 16.09.2015	(a)	0.2000	60,000,000	—	—	—	—	60,000,000	0.1570	0.0676
KWAN Kam Hung, Jimmy	02.09.2010	17.09.2011 – 16.09.2015	(a)	0.2000	60,000,000	—	—	—	—	60,000,000	0.1570	0.0676
LEE Ming Tung	02.09.2010	17.09.2011 – 16.09.2015	(a)	0.2000	60,000,000	—	—	—	—	60,000,000	0.1570	0.0676
WAH Wang Kei, Jackie	02.09.2010	17.09.2011 – 16.09.2015	(a)	0.2000	80,000,000	—	—	—	—	80,000,000	0.1570	0.0676
TSUI Ching Hung	02.09.2010	17.09.2011 – 16.09.2015	(a)	0.2000	20,000,000	—	—	—	—	20,000,000	0.1570	0.0676
(b) Ex-Director												
BARBER Damon G.	02.09.2010	17.09.2011 – 16.09.2015	(a)	0.2000	80,000,000	—	—	—	80,000,000	—	0.1570	0.0676
Total for Directors					386,000,000	—	—	—	80,000,000	306,000,000		
(c) Employees	02.09.2010	17.09.2011 – 16.09.2015	(a)	0.2000	16,800,000	—	—	—	—	16,800,000	0.1570	0.0676
	24.09.2010	24.09.2011 – 23.09.2015	(a)	0.2000	16,000,000	—	—	—	16,000,000	—	0.1810	0.0829
	30.09.2010	30.09.2011 – 29.09.2015	(a)	0.2350	20,000,000	—	—	—	—	20,000,000	0.2140	0.0982
	01.12.2010	01.12.2011 – 30.11.2015	(a)	0.2300	100,000,000	—	—	—	—	100,000,000	0.2260	0.1065
	05.12.2010	05.12.2011 – 04.12.2015	(a)	0.2350	100,000,000	—	—	—	60,000,000	40,000,000	0.2300	0.1083
	13.12.2010	13.12.2011 – 12.12.2015	(a)	0.2700	16,000,000	—	—	—	—	16,000,000	0.2250	0.1001
	28.02.2011	28.02.2012 – 27.02.2016	(a)	0.2350	63,000,000	—	—	—	20,000,000	43,000,000	0.2290	0.1057
	16.03.2011	17.03.2012 – 15.03.2016	(a)	0.2350	10,000,000	—	—	—	—	10,000,000	0.2240	0.1016
	07.04.2011	07.04.2012 – 06.04.2016	(a)	0.2350	—	10,000,000	—	—	10,000,000	—	0.2290	0.1046
Total for employees					341,800,000	10,000,000	—	—	106,000,000	245,800,000		
Total for Tranche A					727,800,000	10,000,000	—	—	186,000,000	551,800,000		

STATUTORY DISCLOSURE

Tranche B

Name or category of participants	Date of grant	Exercisable period	Notes	Exercise price HK$	Outstanding as at 1.4.2011	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30.9.2011	Market value per share at date of grant of options HK$	Fair value per share option HK$
(a) Directors												
HEGARTY Owen L.	02.09.2010	17.09.2011 – 16.09.2015	(b)	0.2000	20,000,000	—	—	—	—	20,000,000	0.1570	0.0649
YANG Yi-fang	30.09.2010	30.09.2011 – 29.09.2015	(b)(c)	0.2350	4,000,000	—	—	—	—	4,000,000	0.2140	0.0944
HUI Richard Rui	02.09.2010	17.09.2011 – 16.09.2015	(b)	0.2000	20,000,000	—	—	—	—	20,000,000	0.1570	0.0649
YEUNG Kwok Yu	02.09.2010	17.09.2011 – 16.09.2015	(b)	0.2000	15,000,000	—	—	—	—	15,000,000	0.1570	0.0649
KWAN Kam Hung, Jimmy	02.09.2010	17.09.2011 – 16.09.2015	(b)	0.2000	15,000,000	—	—	—	—	15,000,000	0.1570	0.0649
LEE Ming Tung	02.09.2010	17.09.2011 – 16.09.2015	(b)	0.2000	15,000,000	—	—	—	—	15,000,000	0.1570	0.0649
WAH Wang Kei, Jackie	02.09.2010	17.09.2011 – 16.09.2015	(b)	0.2000	20,000,000	—	—	—	—	20,000,000	0.1570	0.0649
TSUI Ching Hung	02.09.2010	17.09.2011 – 16.09.2015	(b)	0.2000	5,000,000	—	—	—	—	5,000,000	0.1570	0.0649
(b) Ex-Director												
BARBER Damon G.	02.09.2010	17.09.2011 – 16.09.2015	(b)	0.2000	20,000,000	—	—	—	20,000,000	—	0.1570	0.0649
Total for Directors					134,000,000	—	—	—	20,000,000	114,000,000		
(c) Employees	02.09.2010	17.09.2011 – 16.09.2015	(b)	0.2000	164,200,000	—	—	—	20,000,000	144,200,000	0.1570	0.0649
	24.09.2010	24.09.2011 – 23.09.2015	(b)	0.2000	4,000,000	—	—	—	4,000,000	—	0.1810	0.0798
	13.12.2010	13.12.2011 – 12.12.2015	(b)	0.2700	4,000,000	—	—	—	—	4,000,000	0.2250	0.0988
	28.02.2011	28.02.2012 – 27.02.2016	(b)	0.2350	53,500,000	—	—	—	10,000,000	43,500,000	0.2290	0.1004
Total for employees					225,700,000	—	—	—	34,000,000	191,700,000		
Total for Tranche B					359,700,000	—	—	—	54,000,000	305,700,000		

Others

Name or category of participants	Date of grant	Exercisable period	Notes	Exercise price HK$	Outstanding as at 1.4.2011	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30.9.2011	Market value per share at date of grant of options HK$	Fair value per share option HK$
Advisor	30.09.2011	01.10.2011 – 30.09.2012		0.2000	—	50,000,000	—	—	—	50,000,000	0.1000	0.0019
Total					—	50,000,000	—	—	—	50,000,000		
Total for Scheme					1,087,500,000	60,000,000	—	—	240,000,000	907,500,000		

Notes:

(a) Tranche A: vesting conditions for share options granted
(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;
(ii) as to another one-third of the share options, upon the first copper production by the Mina Justa Project 70% equity interest of which is held by the Company's Peruvian subsidiaries; and
(iii) as to the remaining one-third, upon the process plant of the Mina Justa Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the Board for a continuous period of six months.
(iv) no share option shall vest at any time prior to the expiry of twelve months from the date of grant of the share options.

(b) Tranche B: vesting conditions for share options granted
(i) as to one-third of the share options, upon the average closing share price for a continuous period of 30 days immediately after twelve months from the date of grant of the share options being not less than 200% of the exercise price;
(ii) as to another one-third of the share options, upon CST Minerals Lady Annie Pty Ltd. producing averaging 2,300 tonnes per month of saleable copper production over a six consecutive month period; and
(iii) as to the remaining one-third, upon CST Minerals Lady Annie Pty Ltd. achieving 75,000 tonnes of cumulative saleable copper cathode production.
(iv) no share option shall vest at any time prior to the expiry of twelve months from the date of grant of the share options.

(c) The share options were granted to Ms Yang Yi-fang as an employee on 30 September 2010.

STATUTORY DISCLOSURE

2. SHARE OPTION AGREEMENTS

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

Details of movements of the options pursuant to the above share option agreements during the period under during the six months period ended 30 September 2011:

Name or category of participants	Date of grant	Exercisable period	Notes	Exercise price HK$	Outstanding as at 1.4.2011	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30.9.2011	Market value per share at date of grant of options HK$	Fair value per share option HK$
Directors												
CHIU Tao	31.05.2010	22.06.2011 – 21.06.2015	(1)	0.2000	200,000,000	—	—	—	—	200,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	(1)	0.2000	800,000,000	—	—	—	—	800,000,000	0.3750	0.2421
HEGARTY Owen L.	31.05.2010	22.06.2011 – 21.06.2015	(1)	0.2000	90,000,000	—	—	—	—	90,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	(1)	0.2000	360,000,000	—	—	—	—	360,000,000	0.3750	0.2421
HUI Richard Rui	31.05.2010	22.06.2011 – 21.06.2015	(1)	0.2000	15,000,000	—	—	—	—	15,000,000	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	(1)	0.2000	60,000,000	—	—	—	—	60,000,000	0.3750	0.2421
Ex-Director												
BARBER Damon G.	31.05.2010	22.06.2011 – 21.06.2015	(1)	0.2000	60,000,000	—	—	—	60,000,000	—	0.3750	0.2255
	11.06.2010	06.07.2011 – 05.07.2015	(1)	0.2000	240,000,000	—	—	—	240,000,000	—	0.3750	0.2421
					1,825,000,000	—	—	—	300,000,000	1,525,000,000		

Note (1):

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

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

(ii) as to another one-third of the share options, (a) upon the first copper production by the Mina Justa Project after the completion of acquisition of Chariot Group; or upon twelve months after the copper production by CST Minerals Lady Annie Pty Ltd. after the completion of acquisition of entire issued share capital (as defined in note 24 of the notes to the consolidated financial statements) of CST Minerals Lady Annie Pty Ltd. (the "Second Event"); and

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

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

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF PERSONS OTHER THAN DIRECTORS AND CHIEF EXECUTIVES

As at 30 September 2011, so far as known to the Directors or chief executive of the Company, the following persons / entities are the shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital	Notes
CHEUNG Chung Kiu	Beneficial owner / Interest of a controlled corporation	2,575,861,856	9.42%	(1)
Daniel Saul OCH	Interest of a controlled corporation	1,420,024,000	5.19%	(2)

Notes:

(1) These securities represent (a) relevant interests in respect of 1,950,840,000 shares held by Bondic International Holdings Limited, wholly owned by Mr Cheung Chung Kiu ("Mr Cheung"); (b) 175,021,856 shares held by Bookman Properties Limited, wholly owned by Ferrex Holdings Limited which is wholly owned by Yugang International (B.V.I.) Limited. Yugang International (B.V.I.) Limited is wholly owned by Yugang International Limited whose controlling shareholder is Chongqing Industrial Limited which is wholly owned by Mr Cheung; and (c) 450,000,000 shares held by Gold Faith Investments Limited, wholly owned by Konco Limited which is wholly owned by The Cross-Harbour (Holdings) Limited. The Cross-Harbour (Holdings) Limited's controlling shareholder is Honway Holdings Limited. Honway Holdings Limited is respectively wholly owned by Y.T. Investment Holdings Limited and indirectly wholly owned by Y.T. Realty Group Limited whose controlling shareholder is Funrise Limited. Funrise Limited is wholly owned by Yugang International (B.V.I.) Limited which is indirectly wholly owned by Mr Cheung. Accordingly, Mr Cheung is deemed to be interested in 2,575,861,856 shares of the Company.

(2) These securities represent relevant interests in respect of 1,420,024,000 shares held by OZ Management LP through its various subsidiaries. OZ Management LP is respectively wholly owned by Och-Ziff Holding Corp and indirectly wholly owned by Och-Ziff Capital Management Group LLC. Mr Daniel Sach Och (Mr Och) has 77.4% interests in Och-Ziff Capital Management Group LLC. Accordingly, Mr Och is deemed to be interested in 1,420,024,000 shares of the Company.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 30 September 2011.

STATUTORY DISCLOSURE

CHANGE IN DIRECTORS AND DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors and Directors' biographical details since the date of the annual report 2011 of the Company or (as the case may be) the date of announcement for the appointment of the Director issued by the Company subsequent to the date of the annual report 2011, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director / Ex-Director	Change
HEGARTY Owen L.	• Being a non executive director of Tigers Realm Coal Limited which was listed on the Australian Stock Exchange in August 2011
YANG Yi-fang	• Appointed as chief executive officer of the Company on 22 September 2011 • Appointed as an executive director of the Company on 3 October 2011
BARBER Damon G. (ex-director)	• Resigned on 20 September 2011

CORPORATE GOVERNANCE

The Company has, during the six months ended 30 September 2011 met the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules except for the following deviations:

(A) CODE PROVISION A.4.1

The Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Currently, all independent non-executive directors of the Company are not appointed for specific term. However, the Company's articles of association provide that every director is subject to retirement by rotation at least once every 3 years and re-election at the annual general meeting, the board considers that the Company meets the objectives of the Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2011, the Company purchased a total of 109,072,000 shares at prices ranging from HK$0.0894 to HK$0.1420 per share on the Stock Exchange. We made these repurchases with a view to enhance shareholder value in the long-term.

Particulars of these repurchases are as follows:

Date (MM/YYYY)	Number of shares repurchased	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Aggregate gross consideration paid (HK$)
09/2011	109,072,000	0.1420	0.0894	12,777,534.40

Of the total repurchased shares during the period, 107,648,000 shares were cancelled by 30 September 2011. The issued share capital of the Company was diminished by the nominal value thereof. Save as disclosed above, neither we nor any of our subsidiaries purchased, sold or redeemed any of our listed securities during the six months ended 30 September 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model code during the six months ended 30 September 2011.

REVIEW BY AUDIT COMMITTEE

The 2011 interim report has been reviewed by the Company's audit committee which comprises the three independent non-executive directors of the Company and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
Chiu Tao
Chairman

Hong Kong, 28 November 2011

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CST MINING GROUP LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 37 to 54 which comprises the condensed consolidated statement of financial position of CST Mining Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 November 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Notes	Six months ended 30 September 2011 US$'000 (unaudited)	2010 US$'000 (unaudited and restated)
Revenue	5	**91,131**	3,251
Cost of sales	6	**(64,325)**	—
Gross profit		**26,806**	3,251
Other income and other (loss) gains	7	**(2,563)**	5,099
Distribution and selling expenses		**(8,695)**	—
Administrative expenses			
Share-based payment expenses		**(8,123)**	(8,213)
Other administrative expenses		**(15,698)**	(6,964)
Acquisition-related costs on business combination		**—**	(5,640)
Loss on fair value changes of financial assets at fair value through profit or loss		**(71,883)**	(12,102)
Finance costs	8	**(558)**	(289)
Loss before taxation		**(80,714)**	(24,858)
Taxation	9	**(1,255)**	(4)
Loss for the period	10	**(81,969)**	(24,862)
Other comprehensive (expenses) income			
Exchange differences arising on translation		**(4,295)**	16,746
(Loss) gain arising from fair value changes of available-for-sale investments		**(5,394)**	710
Total comprehensive expenses for the period		**(91,658)**	(7,406)
Loss for the period attributable to:			
Owners of the Company		**(81,969)**	(24,862)
Non-controlling interests		**—**	—
		(81,969)	(24,862)
Total comprehensive expenses attributable to:			
Owners of the Company		**(91,658)**	(7,406)
Non-controlling interests		**—**	—
		(91,658)	(7,406)
Loss per share			
Basic and diluted (US cents)	11	**(0.30)**	(0.16)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Notes	**30 September 2011 US$'000 (unaudited)**	31 March 2011 US$'000 (audited and restated)
Non-current assets			
Property, plant and equipment	13	**162,085**	392,995
Exploration and evaluation assets	14	**30,288**	25,600
Investment properties	15	**17,941**	16,950
Available-for-sale investments		**12,608**	17,361
Other receivable		**—**	10,208
Deferred tax assets		**—**	70
Pledged bank deposits	16	**60,052**	27,189
		282,974	490,373
Current assets			
Inventories		**35,345**	24,397
Trade and other receivables	17	**41,021**	37,116
Financial assets at fair value through profit or loss	18	**159,435**	232,538
Bank balances and cash		**153,145**	191,785
		388,946	485,836
Assets classified as held for sale	22	**247,668**	—
		636,614	485,836
Current liabilities			
Trade and other payables	19	**31,881**	23,094
Amount due to a non-controlling interest		**256**	256
Tax payable		**1,211**	1,211
		33,348	24,561
Liabilities associated with assets classified as held for sale	22	**890**	—
		34,238	24,561
Net current assets		**602,376**	461,275
Total assets less current liabilities		**885,350**	951,648
Non-current liabilities			
Deferred tax liabilities		**1,081**	—
Provision for mine rehabilitation cost	16	**25,465**	17,587
		26,546	17,587
		858,804	934,061
Capital and reserves			
Share capital	20	**350,498**	343,103
Reserves		**508,312**	590,964
Equity attributable to owners of the Company		**858,810**	934,067
Non-controlling interests		**(6)**	(6)
		858,804	934,061

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the Company											
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (note a)	Other capital reserve US$'000 (note b)	Investment revaluation reserve US$'000	Warrants reserve US$'000	Share options reserve US$'000	Exchange reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At 1 April 2010 (audited and restated)	40,848	196,379	987	128,275	2,839	8,360	–	–	(59,999)	317,689	(6)	317,683
Loss for the period	–	–	–	–	–	–	–	–	(24,862)	(24,862)	–	(24,862)
Other comprehensive income for the period	–	–	–	–	710	–	–	16,746	–	17,456	–	17,456
Total comprehensive expense for the period	–	–	–	–	710	–	–	16,746	(24,862)	(7,406)	–	(7,406)
Issue of shares	300,000	300,000	–	–	–	–	–	–	–	600,000	–	600,000
Transaction costs attributable to issue of shares	–	(8,474)	–	–	–	–	–	–	–	(8,474)	–	(8,474)
Recognition of equity-settled share-based payment	–	–	–	–	–	–	8,213	–	–	8,213	–	8,213
Issue of shares upon exercise of warrants	908	1,962	–	–	–	(1,096)	–	–	–	1,774	–	1,774
At 30 September 2010 (unaudited and restated)	341,756	489,867	987	128,275	3,549	7,264	8,213	16,746	(84,861)	911,796	(6)	911,790
At 1 April 2011 (audited)	343,103	490,981	987	128,275	4,968	6,333	25,604	20,987	(87,171)	934,067	(6)	934,061
Loss for the period	–	–	–	–	–	–	–	–	(81,969)	(81,969)	–	(81,969)
Other comprehensive expense for the period	–	–	–	–	(5,394)	–	–	(4,295)	–	(9,689)	–	(9,689)
Total comprehensive expense for the period	–	–	–	–	(5,394)	–	–	(4,295)	(81,969)	(91,658)	–	(91,658)
Issue of shares upon exercise of warrants	8,775	7,257	–	–	–	(6,116)	–	–	–	9,916	–	9,916
Repurchase of shares	(1,380)	(239)	–	(19)	–	–	–	–	–	(1,638)	–	(1,638)
Recognition of equity-settled share-based payment	–	–	–	–	–	–	8,123	–	–	8,123	–	8,123
Expiry of warrants	–	–	–	–	–	(209)	–	–	209	–	–	–
At 30 September 2011 (unaudited)	350,498	497,999	987	128,256	(426)	8	33,727	16,692	(168,931)	858,810	(6)	858,804

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

(b) The other capital reserve of the Group represents the balance of the credit arising from the cancellation of paid up capital in previous years and amount arising from the repurchase of shares during the current period which are not yet cancelled as at 30 September 2011 (note 20(d)).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Notes	Six months ended 30 September 2011 US$'000 (unaudited)	2010 US$'000 (unaudited and restated)
Net cash from (used in) operating activities		**25,320**	(28,207)
Investing activities			
Acquisition of assets and liabilities (net of cash and cash equivalents acquired)	24	—	(234,820)
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	23	—	(110,025)
Purchase of available-for-sale investments		**(641)**	—
Purchase of property, plant and equipment		**(27,594)**	(13,962)
Additions of exploration and evaluation assets		**(5,869)**	(6,579)
Increase in pledged bank deposit		**(36,534)**	(11,376)
Net cash used in investing activities		**(70,638)**	(376,762)
Financing activities			
Proceeds from exercise of warrants		**9,916**	1,774
Repurchase of shares		**(1,638)**	—
Proceeds from issue of shares		—	600,000
Expenses on issue of shares		—	(8,474)
Other financing activities		**(13)**	(289)
Net cash from financing activities		**8,265**	593,011
Net (decrease) increase in cash and cash equivalents		**(37,053)**	188,042
Effect of foreign exchange rate changes		**(667)**	514
Cash and cash equivalents at the beginning of the period		**191,785**	61,883
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**154,065**	250,439

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

1. GENERAL

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

The Company is an investment holding company and the Group is engaged in investment in financial instruments, property investment, and acquisition, exploration, development and mining of copper and other mineral resources materials.

2. CHANGE OF PRESENTATION CURRENCY

In the preparation of annual consolidated financial statement for the year ended 31 March 2011, the Group has changed the presentation currency of the consolidated financial statements from Hong Kong dollars ("HKD") to United States dollars ("USD"), in the opinion of the directors of the Company, using USD present more relevant information as the management controls and monitors the performance and financial position of the Group based on USD and it would provide international investors a better comparison with the Group's international peers. The comparative figures for the six months ended 30 September 2010 have been restated accordingly. The change of presentation currency and restatement of comparative amounts from HKD to USD had no material impact on the Group's condensed consolidated financial statements for the periods presented.

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

Exploration and evaluation assets was previously included as part of property, plant and equipment and is now separately shown in the condensed consolidated statement of financial position. The comparative figures as at 31 March 2011 have been restated accordingly.

3. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

4. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2011.

Application of new and revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

HKFRSs issued but not yet effective

The Group has not early applied revised standards, amendments and interpretations that have been issued but are not yet effective. The following revised standards and amendments have been issued after the date of the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised in 2011)	Employee Benefits[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for accounting periods beginning on or after 1 January 2013.

2 Effective for accounting periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of the above revised standards and amendments will have no material impact on the results and the financial position of the Group.

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments, based on information provided to the chief operating decision maker for the purpose of allocating to segments and to assessing their performance, for the period under review:

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

	Segment revenue		Segment results	
	Six months ended 30 September		Six months ended 30 September	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
	(unaudited)	(unaudited and restated)	**(unaudited)**	(unaudited and restated)
Investments in financial instruments	**1,959**	2,984	**(70,774)**	(9,203)
Property investment	**276**	267	**1,176**	1,538
Mining business - Australia	**88,896**	—	**7,369**	28
Mining business - Peru	**—**	—	**(29)**	(341)
	91,131	3,251	**(62,258)**	(7,978)
Other (loss) gain			**3,723)**	3,762
Acquisition-related costs on business combination			**—**	(5,640)
Share-based payment expenses			**(8,123)**	(8,213)
Central administration costs			**(6,052)**	(6,500)
Finance costs			**(558)**	(289)
Loss before taxation			**(80,714)**	(24,858)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

6. COST OF SALE

	Six months ended 30 September	
	2011	2010
	US$'000	US$'000
	(unaudited)	(unaudited)
Electricity	**6,220**	—
Diesel/fuel	**4,895**	—
Direct materials	**5,908**	—
Equipment rental	**305**	—
Staff costs	**12,063**	—
Drilling & blasting, earthmoving and haulage	**18,449**	—
Overhead	**3,592**	—
Depreciation	**25,334**	—
Movement in inventories	**(12,441)**	—
	64,325	—

7. OTHER INCOME AND OTHER (LOSS) GAINS

	Six months ended 30 September	
	2011	2010
	US$'000	US$'000
	(unaudited)	(unaudited and restated)
Bank interest income	**1,585**	312
Gain on fair value changes of investment properties	**991**	1,324
Exchange (loss) gain, net	**(5,266)**	3,432
Others	**127**	31
	(2,563)	5,099

8. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	US$'000	US$'000
	(unaudited)	(unaudited and restated)
Interest on other borrowings wholly repayable within five years	**17**	289
Effective interest expense on provision for mine rehabilitation cost	**541**	—
	558	289

9. TAXATION

	Six months ended 30 September 2011 US$'000 (unaudited)	2010 US$'000 (unaudited and restated)
Current tax:		
People's Republic of China income tax	**5**	4
Deferred tax	**1,250**	—
Taxation for the period	**1,255**	4

No provision for Hong Kong Profits Tax, Peruvian Corporate Income Tax and Australian Income Tax are made during both periods since the Hong Kong group entities, the Peruvian jointly controlled entity and Australian subsidiaries have no assessable profits in both periods.

Hong Kong Profits Tax is 16.5% for both periods. Under the applicable corporate tax law in Australia and Peru, the tax rate is 30% of the estimated assessable profits.

10. LOSS FOR THE PERIOD

	Six months ended 30 September 2011 US$'000 (unaudited)	2010 US$'000 (unaudited and restated)
Loss for the period has been arrived at after charging:		
Depreciation on property, plant and equipment	**26,488**	662
Directors' remuneration, including US$6,892,000 (six months ended 30 September 2010: US$8,213,000) share-based payment expenses	**9,297**	10,131
Allowance for bad and doubtful debts	—	74

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss for the period of US$81,969,000 (2010: US$24,862,000) and the weighted average number of 27,182,076,807 ordinary shares (2010: 15,764,105,820 ordinary shares) in issue during the period.

The computation of diluted loss per share does not include adjustments for the Company's outstanding share options and warrants as they have anti-dilutive effect in both periods.

12. DIVIDEND

No dividends were paid, declared or proposed during the current period. The directors do not recommend the payment of an interim dividend during the six months ended 30 September 2011 (six months ended 30 September 2010: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

13. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group incurred expenditures on mine property and development assets of US$21,731,000 (2010: US$13,796,000) and other property, plant and equipment of US$5,863,000 (2010: US$166,000).

During the six months ended 30 September 2010, the Group acquired mine property and development assets of US$321,342,000, and other property, plant and equipment of US$18,777,000 through acquisition of a subsidiary and acquisition of assets and liabilities, which are set out in notes 23 and 24.

14. MOVEMENT IN EXPLORATION AND EVALUATION ASSETS

During the six months ended 30 September 2011, the Group incurred expenditures on exploration and evaluation assets of US$5,689,000 (2010: US$6,579,000).

During the six months ended 30 September 2010, the Group acquired exploration and evaluation assets of US$17,464,000 through acquisition of a subsidiary, which are set out in note 23.

15. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30 September 2011 and 31 March 2011 have been arrived at on the basis of valuations carried out as of these dates by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The valuations were arrived at by reference to market evidence of transactions prices for similar properties.

16. PLEDGED BANK DEPOSITS/PROVISION FOR MINE REHABILITATION COST

PLEDGED BANK DEPOSITS

The Group has provided certain bank guarantees in connection with the terms of supplier contracts in respect of which the Group is obliged to indemnify the banks. At the end of the reporting period, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the contract terms of the supplier contract. These guarantees are backed by collateral deposits which amounted to US$27,752,000 as at 30 September 2011 (31 March 2011: US$3,834,000).

Another US$32,300,000 (31 March 2011: US$23,355,000) represents deposit paid by the Group to a bank as required by the government of Queensland, Australia for operating in the mining industry in Queensland, Australia as at 30 September 2011. The deposit are restricted until the cessation of mining activities or closure of mines and the environmental rehabilitation work of relevant mines meets the government's requirement.

PROVISION FOR MINE REHABILITATION COST

In accordance with relevant rules and regulations in Australia and Peru, the Group accrued for the cost of land rehabilitation and mine closure for the Group's copper mines. The provision for mine rehabilitation cost has been estimated in accordance with the local rules and regulations in the said two countries. It is determined based on the net present value of future cash expenditures upon rehabilitation, and which is expected to result in cashflow of such mine rehabilitation cost in December 2014. Rehabilitation costs are amortised using a unit-of-production basis.

Mine rehabilitation cost provided for the current period of US$8,816,000 (2010: nil) was capitalised as part of mine property and development assets (included in property, plant and equipment). US$250,000 (2010: nil) was paid in the current period for rehabilitation work.

17. TRADE AND OTHER RECEIVABLES

	As at 30 September 2011 US$'000 (unaudited)	As at 31 March 2011 US$'000 (audited)
Trade receivables	**29,780**	27,467
Less: allowance for doubtful debts	**—**	—
	29,780	27,467
Other receivables	**11,241**	9,649
Total trade and other receivables	**41,021**	37,116

	As at 30 September 2011 US$'000 (unaudited)	As at 31 March 2011 US$'000 (audited)
0-60 days	**29,780**	27,467

Trade receivables as at 30 September 2011 mainly represents trade receivable due from a reputable customer in Australia. The balances are due 2-3 days from the date of invoice. Management believes that no impairment allowance is necessary in respect of this balance as it is settled subsequently in full. The Group does not held any collateral over this balance.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are set out below:

	As at 30 September 2011 US$'000 (unaudited)	As at 31 March 2011 US$'000 (audited)
Equity securities		
- listed in Hong Kong	**107,400**	152,198
- listed outside Hong Kong	**8,813**	13,652
Convertible notes		
- unlisted	**—**	17,449
Debt securities	**5,110**	6,650
Investment funds	**38,112**	42,589
	159,435	232,538

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

The convertible notes, carry coupon rate of 0%-2% per annum, were redeemable and are repayable upon maturity which was ranging from 3 to 5 years from the date of issue. The Group had the right to convert, on any business day, the convertible notes into ordinary shares of the issuer from the date of acquisition of the convertible notes to their maturity dates. As the Group held the convertible notes for trading purpose, the convertibles notes were classified as financial assets at fair value through profit or loss. The fair value of the unlisted convertible note, which was issued by a company listed on the Stock Exchange, had been arrived at on the basis of a valuation carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair value of the unlisted convertible note at 31 March 2011 was calculated using the prevailing borrowing rate from 4.71% to 29.54% of the issuers for the equivalent non-convertible note for its straight debt component and using the binomial model for its derivative components. During the six months ended 30 September 2011, the Group disposed of all the unlisted convertible notes.

The fair value of the debt securities listed on the Singapore Stock Exchange is determined based on the quoted market prices in active market.

19. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date. The analysis below excludes those classified as part of a disposal group classified as held for sale.

	As at 30 September 2011 US$'000 (unaudited)	As at 31 March 2011 US$'000 (audited)
0 - 60 days	**11,888**	7,414
Total trade payables	**11,888**	7,414
Accruals	**13,317**	13,456
Other payables	**6,676**	2,224
	31,881	23,094

20. SHARE CAPITAL

	Notes	Number of shares	Share capital US$'000
Ordinary shares of HK$0.10 each:			
Authorised			
At 1 April 2010, 31 March 2011 and 30 September 2011		50,000,000,000	641,026
Issued and fully paid			
At 1 April 2010 (audited)		3,186,087,644	40,848
Issue of shares	(a)	23,400,000,000	300,000
Issue of shares upon exercise of warrants	(b)	175,934,714	2,255
At 1 April 2011 (audited)		26,762,022,358	343,103
Issue of shares upon exercise of warrants	(c)	684,446,603	8,775
Repurchase of shares	(d)	(107,648,000)	(1,380)
At 30 September 2011 (unaudited)		27,338,820,961	350,498

Notes:

(a) On 25 June 2010, the Company placed 23,400,000,000 ordinary shares of HK$0.10 each in the share capital of the Company at a placing price of HK$0.20 per share, at a proceeds of HK$4,680,000,000. The proceeds received are mainly used for the settlement of the consideration for acquisition of a subsidiary and acquisition of assets and liabilities.

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

(c) During the six months ended 30 September 2011, 684,446,603 warrants were exercised, resulting the issuance of 684,446,603 additional ordinary shares of HK$0.10 each of the Company at a subscription price of HK$0.113 per share. All new shares rank pari passu with the then existing shares in all respects. 23,366,464 warrants remained unexercised were lapsed on 2 June 2011.

At 30 September 2011, the Company had outstanding 685,000,000 (31 March 2011: 1,392,813,067) warrants.

(d) In September 2011, the Company repurchased 109,072,000 of its own ordinary shares on The Stock Exchange at aggregate price of US$1,638,000. The highest and lowest price paid per share are HK$0.1420 and HK$0.0894, respectively. As at 30 September 2011, 107,648,000 shares being repurchased were cancelled and another 1,424,000 shares remained outstanding.

The issued share capital of the Company was reduced by the nominal value of those repurchased and cancelled shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

21. SHARE-BASED PAYMENTS

The Company has a share option scheme for employees (including existing and proposed directors), advisors, consultants, agents, contractors, clients and suppliers of any members of the Group, and also a share option agreements with directors of the Company. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 April 2011	2,912,500,000
Granted during the period	50,000,000
Forfeited/lapsed during the period	(530,000,000)
Outstanding at 30 September 2011	2,432,500,000

On 30 September 2011, 50,000,000 share options were granted to an advisor of the Group, which are vested immediately on 1 October 2011 and are exercisable within one year after the date of vest. The Company's share price on the date immediate before the date of grant is HK$0.103.

The following assumptions were used to calculate the fair values of share options granted on 30 September 2011:

Share price on date of grant	HK$0.10
Exercise price	HK$0.20
Expected life	1 year
Expected volatility	46.688%
Dividend yield	nil
Risk-free interest rate	0.14%

The Binomial model has been used to estimate the fair value of the options. Fair value of each share option granted is estimated as HK$0.002. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

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

22. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 17 July 2011, the Company entered into a share purchase agreement with Glencore International AG, an independent third party, in connection with the proposed disposal of the Company's 100% interest in CST Resources Limited for a total consideration of US$475 million. CST Resources Limited is a wholly owned subsidiary of the Company, which in turn indirectly owns 70% of a Peruvian jointly controlled entity, which hold the mine property and development assets and construction in progress of a copper mine located in Peru (the "Mina Justa Project"). The proposed disposal, subjects to certain conditions precedent as set out in share purchase agreement to be fulfilled, has not yet completed as at 30 September 2011 and up to the date of this report. The transaction is expected to be completed by December 2011 if all the conditions precedent are fulfilled by 30 November 2011.

CST Resources Limited and its subsidiaries and jointly controlled entity are presented as disposal group classified as held for sale.

The major classes of assets and liabilities of the disposal group at 30 September 2011, which have been presented separately in the condensed consolidated statement of financial position, are as follows:

	US$'000
Net assets of disposal group:	
Property, plant and equipment	236,019
Other receivable (non-current portion)	10,591
Trade and other receivables	138
Bank balances and cash	920
Total assets classified as held for sale	247,668
Trade and other payables	(890)
Total liabilities associated with assets classified as held for sale	(890)

As at 30 September 2011, CST Resources Limited's 70% indirect equity interest in the Peruvian jointly controlled entity was pledged to secure the Peruvian jointly controlled entity's contractual obligations to make payments to two independent third parties, in the event of the Group and another joint venturer approving the commencement of the construction of mine and processing facilities on the copper mine in Peru and when the mine resources in the relevant copper mine in Peru reached certain milestones. The Group's share of such future payment is US$7,000,000 assuming all the milestones are met. In the opinion of the directors, not all of above conditions are reached as at 30 September 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

23. ACQUISITION OF A SUBSIDIARY

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

CONSIDERATION TRANSFERRED IS AS FOLLOWS:

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

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

Acquisition-related costs amount to US$5,640,000 (mainly represented finance cost) have been excluded from the cost of acquisition and have been recognised as an expense during the six months ended 30 September 2010.

ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION ARE AS FOLLOWS:

	US$'000
Property, plant and equipment#	115,436
Exploration and evaluation assets#	17,464
Other receivables#	263
Inventory#	183
Pledged bank deposits#	591
Bank balances and cash#	48
Other payables#	(6,066)
Provision for mine rehabilitation cost#	(13,773)
	114,146

NET CASH OUTFLOW ARISING ON ACQUISITION OF A SUBSIDIARY IS AS FOLLOWS:

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

These figures have been restated to use the finalised audited figures as stated in 2011 Annual Report rather than the provisional figures in 2010 Interim Report.

24. ACQUISITION OF ASSETS AND LIABILITIES

On 11 June 2010, CST Resources Limited, a wholly subsidiary of the Group acquired the entire issued capital of Chariot Resources Limited ("Chariot"), which holds an equity interest of 70% of the Peruvian jointly controlled entity, which hold the Mina Justa Project at an aggregate cash consideration of Canadian dollars ("C$") 249,682,000 (equivalent to US$235,551,000). As at the date of acquisition, the Mina Justa Project has not yet commenced mining operation. The acquisition has been accounted for as an acquisition of assets and liabilities as the companies acquired are not business.

The consolidated net assets acquired (including the net assets attributable to Chariot's 70% equity interest in the Peruvian jointly controlled entity) were summarised as follows:

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

These figures have been restated to use the finalised audited figures as stated in 2011 Annual Report rather than the provisional figures in 2010 Interim Report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

25. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONAL COMPENSATION

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

	Six months ended 30 September	
	2011	2010
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**2,397**	1,910
Share-based payment expenses (Note)	**6,892**	8,213
Post-employment benefits	**8**	8
	9,297	10,131

Note: Share-based payment expenses represent the portion of the total fair value at the grant date of share options issued under the Company's share option scheme and the share option agreements which has been charged to the condensed consolidated statement of comprehensive income during the six months ended 30 September 2011 and 2010.

26. CAPITAL COMMITMENTS

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

	As at 30 September 2011 US$'000 (unaudited)	As at 31 March 2011 US$'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**7,996**	5,072
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted	**6,188**	1,385