



RESOURCEHOUSE
L I M I T E D

Resourcehouse Limited 源庫資源有限公司

(Registered in Queensland, Australia with limited liability)

Stock Code: 394



Cape Preston Port currently under construction at Cape Preston, Western Australia, Australia. China First Iron Ore will, under its agreements with the owner of the land, infrastructure and facilities at Cape Preston, Mineralogy, be provided with access to the Cape Preston Area to develop and utilise its own or shared infrastructure and facilities in the Cape Preston Area, including the port currently under construction by Sino Iron.

GLOBAL OFFERING

Sole Sponsor



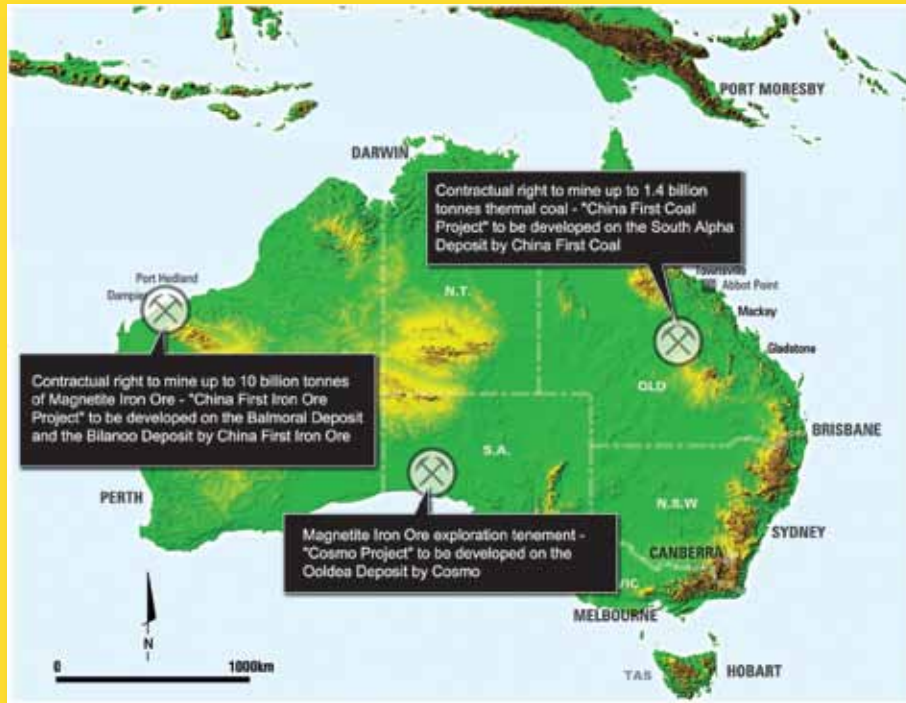
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



We are a resource development company principally focussed on developing thermal coal and iron ore projects in Australia. Our vision is to capitalise on the growing demand for resources primarily in the People's Republic of China through the cooperative development of large-scale resource projects with PRC-based companies.

We possess the contractual rights to mine large scale thermal coal deposits in Queensland (Australia), and large-scale magnetite iron ore deposits in Western Australia, as well as a magnetite iron ore exploration licence in South Australia.

The following map illustrates the location of our interests and exploration rights in Australia.



Professor Clive F. Palmer (Chief Executive Officer and Executive Director of Resourcehouse Limited) and Mr Shen Heting (President of MCC and Non-Executive Director of the Company) at the Beijing office of MCC. China First and MCC subsidiary MCC Overseas have entered into the EPCM Contract for the development of the China First Coal Project.

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



RESOURCEHOUSE LIMITED 源庫資源有限公司

(Registered in Queensland, Australia with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 5,716,220,000 Shares (subject to adjustment and the Over-allotment Option)
Number of International Offer Shares	: 5,144,598,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 571,622,000 Shares (subject to adjustment)
Maximum Offer Price	: HK\$4.93 per Hong Kong Offer Share, plus 1% brokerage, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: Not applicable
Stock code	: 394

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around 3 June 2011 and, in any event, not later than 8 June 2011. The Offer Price will be not more than HK\$4.93 and is currently expected to be not less than HK\$4.48. If, for any reason, the Offer Price is not agreed by 8 June 2011 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on our website at www.resourcehouselimited.com and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for the Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. For further information, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

This prospectus has not been prepared as a disclosure document in accordance with the Corporations Act and has not been and will not be, lodged with the Australian Securities and Investments Commission. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our Shares may not be circulated or distributed, nor may our Shares be offered or sold, or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Australia other than pursuant to offers that do not need disclosure to investors under section 708 of the Corporations Act. Our Company does not issue our Shares with the purpose of the person to whom they are issued selling or transferring our Shares or granting, issuing or transferring an interest in, or options over, our Shares to any person in Australia.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

30 May 2011

IMPORTANT

The Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of this prospectus are identical to the electronic form prospectus which, from 9:00 a.m. on Monday, 30 May 2011 until 12:00 noon on Thursday, 2 June 2011, can be accessed and downloaded from the websites of the Company at www.resourcehouselimited.com, under the “Investor Relations > Announcements and Circulars” section, and the Hong Kong Stock Exchange at www.hkexnews.hk, under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Members of the public who wish to obtain a copy of this printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Monday, 30 May 2011 until 12:00 noon on Thursday, 2 June 2011 at the following locations:

1. the Depository Counter of HKSCC at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong;

2. any of the following addresses of the Sole Sponsor and/or the Hong Kong Underwriters:

BOCI Asia Limited, 26th Floor, Bank of China Tower, 1 Garden Road, Hong Kong;

The Hongkong and Shanghai Banking Corporation Limited, Level 15, 1 Queen’s Road Central, Hong Kong;

The Royal Bank of Scotland N.V., Hong Kong Branch, 38/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong;

UBS AG, Hong Kong Branch, 52nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

3. any of the following branches of:

Bank of China (Hong Kong) Limited:

Hong Kong Island . . .	Bank of China Tower Branch	3/F, 1 Garden Road
Kowloon	Mong Kok President Commercial Centre Branch	608 Nathan Road, Mong Kok
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
New Territories	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

IMPORTANT

The Hongkong and Shanghai Banking Corporation Limited:

Hong Kong Island . .	Hong Kong Office	Level 3, 1 Queen's Road Central
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok
	238 Nathan Road Branch	Shop No. 1, 1/F, 238 Nathan Rd
New Territories	Shatin Plaza	Shop 49, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Sha Tin

Bank of Communications Co., Ltd. Hong Kong Branch:

Hong Kong Island . .	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F, CityPlaza 2, 18 Taikoo Shing Road, Taikoo Shing
	Chaiwan Sub-Branch	G/F, 121-121A Wan Tsui Road, Chaiwan
Kowloon	Jordan Road Sub-Branch	1/F, Booman Bldg, 37U Jordan Road
New Territories	Kwai Chung Sub-Branch	G/F, 93-99 Tai Loong Street
	Shatin Sub-Branch	Shop No. 193, Level 3, Lucky Plaza

Industrial and Commercial Bank of China (Asia) Limited:

Hong Kong Island . .	Central Branch	1/F, 9 Queen's Road Central, Central
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road, Wanchai
	Causeway Bay Branch	Shop A, G/F, Jardine Center, 50 Jardines Bazaar, Causeway Bay

IMPORTANT

Kowloon	Yaumatei Branch	542 Nathan Road, Yaumatei
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F, Phase II, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City Plaza II, 8 Yan King Road, Tseung Kwan O
Standard Chartered Bank (Hong Kong) Limited:		
Hong Kong Island . .	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	North Point Centre, 284 King's Road, North Point
Kowloon	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
New Territories	Tuen Mun Town Plaza Branch	Shop No. G047 - G052, Tuen Mun Town Plaza Phase I, Tuen Mun

During normal business hours from 9:00 a.m. on Monday, 30 May 2011 until 12:00 noon on Thursday, 2 June 2011, at least three copies of this printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed, as set out in the section headed “How to Apply for Hong Kong Offer Shares — where to Collect Application Forms”.

EXPECTED TIMETABLE¹

Application lists open²11:45 a.m. on Thursday, 2 June 2011

Latest time for lodging **WHITE** and **YELLOW**

Application Forms12:00 noon on Thursday, 2 June 2011

Latest time for completing electronic applications

under **White Form eIPO** service through the

designated website, www.eipo.com.hk³11:30 a.m. on Thursday, 2 June 2011

Latest time for completing payment of **White Form eIPO**

applications by effecting internet banking transfer(s)

or PPS payment transfer(s)12:00 noon on Thursday, 2 June 2011

Latest time for giving **electronic application instructions**

to HKSCC⁴12:00 noon on Thursday, 2 June 2011

Application lists close12:00 noon on Thursday, 2 June 2011

Expected Price Determination Date⁵ Friday, 3 June 2011

Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in South China Morning Post (in English) and

Hong Kong Economic Times (in Chinese) and on our website

at www.resourcehouselimited.com and the website of the

Stock Exchange at www.hkexnews.hk on or beforeThursday, 9 June 2011

Announcement of results of allocations of the Hong Kong Public Offering

(including successful applicants' identification document numbers,

where appropriate) to be available through a variety of channels

(see "How to Apply for Hong Kong Offer Shares — Results of

Allocations" and "How to Apply for Hong Kong Offer Shares —

Despatch/Collection of Share Certificates and Refund Monies") onThursday, 9 June 2011

Results of allocations of the Hong Kong Public Offering will be

available at www.iporesults.com.hk, with a "search by ID" functionThursday, 9 June 2011

Despatch of share certificates/White Form e-Refund payment

instructions/refund cheques in respect of wholly or partially

successful applications on or before^{6, 7}Thursday, 9 June 2011

Dealings in Shares on the Stock Exchange expected to commence on Friday, 10 June 2011

EXPECTED TIMETABLE¹

Notes:

- (1) All times refer to Hong Kong local times, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 2 June 2011, the application lists will not open on that day. Further information is set out under the section headed “How to Apply for the Hong Kong Offer Shares — Effect of Bad Weather Conditions on the Opening of the Application Lists” in this prospectus.
- (3) You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website, www.eipo.com.hk, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, 3 June 2011 and in any event no later than Wednesday, 8 June 2011. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, on behalf of the Underwriters, and our Company, the Global Offering will not become unconditional and will lapse.
- (6) e-Refund payment instructions/refund cheques will be issued without interest in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the maximum Offer Price per Share paid on application. Applicants for 1,000,000 Hong Kong Offer Shares or more and who have indicated in their Application Forms that they wish to collect refund cheques and share certificates (as relevant) personally from the Hong Kong Share Registrar may collect refund cheques (where applicable) and share certificates (where applicable) from the Hong Kong Share Registrar from 9:00 a.m. to 1:00 p.m. on Thursday, 9 June 2011 or any other date notified by our Company in the newspapers as the date of despatch of share certificates/e-Refund payment instructions/refund cheques. Individual applicants who opt for personal collection must not authorise any other person to make their collection on their behalf. Corporate applicants that opt for personal collection must attend by sending their authorised representatives, each bearing a letter of authorisation from such corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant Application Form promptly thereafter. Further information is set out in the section entitled “How to Apply for Hong Kong Offer Shares” in this prospectus.
- (7) Share certificates will only become valid certificates of title provided that no later than 8:00 a.m. on Friday, 10 June 2011 the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of their respective directors, or any other person involved in the Global Offering has authorised anyone to provide you with information that is different from what is contained in this prospectus and any information or representation not made in this prospectus must not be relied on as having been authorised by them.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a resource development company principally focussed on developing thermal coal and iron ore projects in Australia. As a diversified resources company, our vision is to capitalise on the growing demand for resources primarily in the People’s Republic of China (“PRC”) through the cooperative development of large-scale resource projects with PRC-based companies.

Current Operations and Development

We are currently focussed on thermal coal and iron ore development projects in Australia. We intend to commence construction and mining activities of such projects as set out in this prospectus. Our current operations have been focussed on establishing strategic alliances with PRC state-owned enterprises, securing project funding, entering into large-scale construction contracts and negotiating long-term production offtake agreements.

We are cooperating with PRC state-owned enterprises by seeking PRC banks and companies to (i) provide debt funding for the development of our projects, (ii) assist in the construction and procurement of equipment for our mines, infrastructure and facilities, and (iii) buy our products. Details of the agreements and various arrangements we have with PRC-based entities for the construction and financing of, and offtake of production from, our thermal coal development project in Australia, which is referred to as the China First Coal Project, are described below in “— China First Coal Project”. We intend to seek similar cooperation with PRC-based entities for the development of our iron ore project in Australia, which is referred to as the China First Iron Ore Project, as described below in “— China First Iron Ore Project”. We have also executed placing agreements with Metallurgical Corporation of China Limited (“MCC”) and China Railway Group Limited (“CREC”) for each of them to subscribe for approximately US\$200 million of our Offer Shares as part of the International Offering.

Business Model and Proposed Future Operations

Certain information relating to the China First Coal Project and the China First Iron Ore Project is set out below:

- (i) the China First Coal Project is based on a contractual right (granted by Waratah Coal) to mine up to 1.4 billion tonnes of raw coal from coal deposits in Queensland containing JORC compliant mineral resources of approximately 3.7 billion tonnes (including ore reserves of 1.1 billion tonnes of coal); and
- (ii) the China First Iron Ore Project is based on a contractual right (granted by Mineralogy) to mine up to 10 billion tonnes of magnetite iron ore from iron ore deposits in Western Australia. Stage 1 of the China First Iron Ore Project is based on mining 1 billion of the 10 billion tonnes from deposits containing JORC compliant mineral resources of approximately 3.8 billion tonnes (including ore reserves of 1.1 billion tonnes of magnetite iron ore). We are currently developing a mine development plan for the China First Iron Ore Project, which must meet the

SUMMARY

requirements of the Iron Ore Mining Right Agreement and the Facilities Deed with Mineralogy as well as all applicable laws. While the Iron Ore Mining Right Agreement provides for the right to mine up to 10 billion tonnes, stage 1 of the China First Iron Ore Project is based on only the first 1 billion tonnes. Any development of additional stages of the project up to the contractual limit of 10 billion tonnes will require all necessary governmental approvals. Development of additional stages is also dependent on the further proving up of additional reserves, either from existing defined resources or further exploration activities.

	<u>China First Coal Project</u>	<u>China First Iron Ore Project</u>
Contractual right to mine ¹	Up to 1.4 billion tonnes of raw coal	Up to 10 billion tonnes of magnetite iron ore
Planned rate of production	40 Mtpa of thermal coal ²	12 Mtpa of iron products ^{3, 5, 6}
Planned project production life .	25 years	25 years ^{3, 4}
Planned commissioning and first commercial production commencement date ⁷	By 31 December 2014 ⁸	First half 2014 ³
Capital cost estimate ⁹	A\$8.0 billion (US\$7.3 billion)	A\$2.7 billion (US\$2.5 billion)

Notes:

- (1) Total extraction limits under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement. Upon reaching the total extraction limits, our extraction rights under these agreements terminate.
- (2) Annual production limit under the Coal Mining Right Agreement.
- (3) For stage 1 of the China First Iron Ore Project, based on mining 1 billion tonnes out of the contractual right to mine up to 10 billion tonnes. See “Our Business — Details of Our Development Projects and Exploration Rights — China First Iron Ore Project” for further details on stage 1.
- (4) The production life for any additional stages of the China First Iron Ore Project subsequent to stage 1 is not restricted to 25 years from the date of commencement of commercial production for stage 1.
- (5) Annual production limit in respect of every 1 billion tonnes to be extracted under the Iron Ore Mining Right Agreement.
- (6) HBI pellets and concentrates.
- (7) Subject to receipt of all necessary governmental approvals, project funding and, with respect to the China First Iron Ore Project, appointment of an EPCM contractor by the target date set out in the timetable on page 7 of this prospectus. “First commercial production” means, with respect to the China First Coal Project, the point in time when raw coal is first processed into saleable thermal coal and able to be shipped from the port, which we currently expect to be three years from project release for procurement and construction (with up to another approximately three years being necessary to ramp up to full production of 40Mtpa of thermal coal); and, with respect to the China First Iron Ore Project, the point in time when magnetite iron ore is first processed into saleable iron ore concentrate product and able to be shipped from the port, which we currently expect to be 36 months from when we receive the net proceeds from the Global Offering (with up to another approximately two years being necessary to ramp up to full production of 12Mtpa of iron ore concentrate products).
- (8) Our current target date for first commercial production is based on our expectation that we will be able to procure that MCC Overseas and any other contractors construct the rail and associated infrastructure for the China First Coal Project within three years.
- (9) Estimated by ProMet Engineers, an independent technical expert, and translated into US\$ using an exchange rate of A\$1:US\$0.9078. See “Appendix VI — Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project — 1. China First Coal Project — 1.10 Project Costs — 1.10.1 Capital Costs” for further details.

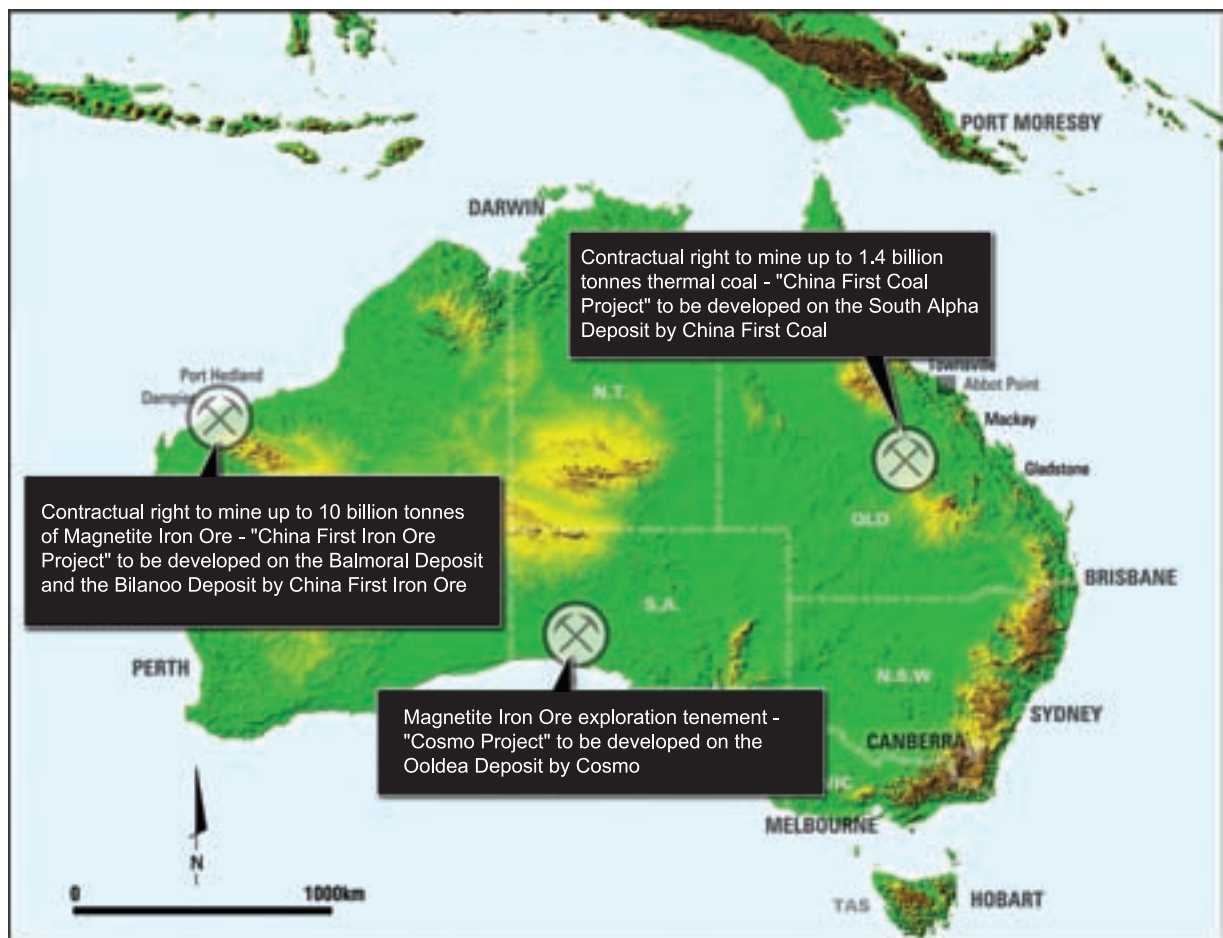
Our contractual rights to mine for the China First Coal Project and the China First Iron Ore Project have been granted to us by Waratah Coal and Mineralogy, the legal title holders of the tenements underlying our projects. Waratah Coal and Mineralogy are both 100% beneficially owned by our Controlling Shareholder and Chief Executive Officer, Professor Clive F. Palmer. The contractual

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right to mine granted to us by Waratah Coal is subject to Waratah Coal first being granted the relevant mining leases and China First Coal and Waratah Coal obtaining all government and other approvals. See “Risk Factors — Risks Relating to Our Business — We have not obtained a number of licences and approvals required for our projects and whether we obtain these licences and approvals on a timely basis or at all is dependent on factors beyond our control (including the consent of relevant Government ministers and agencies). Further, the licences and approvals we have obtained are subject to ongoing conditions and/or renewal”. For further information on the approvals process for the China First Coal Project and the China First Iron Ore Project, please refer to the section headed “Our Business”. Please see “Risk Factors — Risks Relating to Our Business — We are not the legal title holder of the mining tenements for the China First Coal Project and the China First Iron Ore Project and may lose our contractual right to mine because of the actions of Waratah Coal and Mineralogy, which are beyond our control” and “Risk Factors — Risks Relating to Our Business — Our contractual rights to mine granted by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement do not give us exclusive possession over the areas which form the subject of those contractual rights to mine” for further information.

In addition to our contractual rights to develop these two projects, our resource interests include an iron ore exploration tenement in South Australia (the Cosmo Project).

The map below illustrates the location of our proposed projects and exploration rights in Australia.



SUMMARY

China First Coal Project

On 21 June 2010, we entered into the non-legally binding Cooperation Agreement with MCC, Export-Import Bank of China (“China Eximbank”) and China Power International Holding, wherein the parties have agreed to cooperate, and conduct negotiations on an exclusive basis, for the development and financing of, and offtake of production from, our China First Coal Project. The Cooperation Agreement does not specify a period for its duration. Our cooperation with each of these parties is evidenced by the arrangements described below in this subsection.

We have appointed MCC Overseas, a subsidiary of MCC, as engineering, procurement and construction management, or EPCM, contractor to develop the China First Coal Project with a stated project budget of approximately US\$8.013 billion. MCC, a PRC state-owned enterprise, has a long operating history in the PRC and is one of the largest engineering and construction companies in the world. MCC Overseas must ensure that practical completion is achieved by the date for practical completion to the extent that it is within the power of MCC Overseas to do so. Under the EPCM Contract, the date of practical completion is stated to be 1 July 2014. As EPCM contractor, MCC Overseas is the principal contractor responsible for the design, engineering, planning, procurement, construction management, coordination, administration, pre-commissioning, commissioning and production start-up, including awarding and managing engineering, procurement and construction, or EPC, contracts, to various subcontractors to develop the various parts of the China First Coal Project, including:

- *Coal mines, coal handling system and coal processing plant.* We have received a non-legally binding letter of support from China Coal Technology & Engineering, with its subsidiary Sino-coal International, to participate in the development of the China First Coal Project as the contractor for mine development and associated infrastructure works. The letter of support does not specify the period for which it is valid. **Sino-coal International**, a PRC state-owned enterprise, is an internationally recognised designer of state-owned coal mines for the PRC government.
- *Rail transportation system from mine site to port facilities.* We have entered into the non-legally binding CREC Framework Agreement with CREC for the appointment of CREC as the EPC contractor for the construction of the rail and associated infrastructure for the China First Coal Project. The framework agreement does not specify a period for its duration. **CREC**, a PRC state-owned enterprise, is an integrated construction group in the PRC principally engaged in infrastructure construction.
- *Coal handling and deep water port facilities.* We may enter into a non-legally binding memorandum of understanding with China Communications Construction to negotiate and finalise an EPC contract for the construction of the port facilities and associated infrastructure for the China First Coal Project. **China Communications Construction**, a PRC state-owned enterprise, is a large transportation infrastructure group in the PRC and is a leading port construction and design company in the PRC.

Our arrangements with the subcontractors described above remain subject to the execution of legally binding definitive agreements with us directly or with MCC Overseas, as contemplated by the EPCM Contract. See “Risk Factors — Risks Relating to Our Business — Our EPCM Contract with MCC Overseas in respect of the China First Coal Project is subject to a number of conditions precedent and risks, and we are dependent on subcontractors submitting reasonable quotes to undertake works”.

SUMMARY

We expect to fund 100% of the China First Coal Project through net proceeds from this Global Offering and debt financing. We have received a letter of intent from China Eximbank for a buyer's credit facility for the lower of (i) 70% of the total project investment cost of the China First Coal Project or (ii) 85% of the total amount of the construction contract for the China First Coal Project. **China Eximbank**, wholly owned by the PRC government and under the direct leadership of the State Council, promotes foreign trade and acts as a key channel of policy financing for offshore engineering and construction contracts and overseas investment projects by PRC companies. This letter of intent is currently valid until 31 October 2011. This letter sets out certain indicative terms for the proposed financing as well as certain conditions precedent to the grant of such credit facility. This letter of intent is not a legally binding financing commitment and the proposed financing is subject to the parties entering into formal loan documentation. See "Our Business — Details of Our Development Projects and Exploration Rights — China First Coal Project — Sources of Funding" for further details.

If any of the arrangements described above are not finalised with these parties or other comparable parties on a timely basis or at all, the China First Coal Project may be delayed or fail to be completed.

We anticipate selling all of the planned annual production from the China First Coal Project under the following long-term offtake arrangements:

- the Sino-Australian Coal Purchase and Supply Agreement with China Power International Holding, which provides for China Power International Holding (in each contract year for a supply period of 21 years from the date of first shipment) (i) to purchase and take, or pay for if not taken, 50% of the thermal coal produced during the period from the date of first shipment until the earlier of the date when the China First Coal Project reaches full production capacity of 40 Mtpa or 30 months from the date of first shipment and (ii) to purchase 20 Mtpa, or pay for a minimum of 18 Mtpa, thereafter. **China Power International Holding** is a leading power generation company in the PRC ultimately owned by China Power Investment Corporation, which is one of the five state-owned power-generating groups in the PRC; and
- the Vitol Coal Supply Agreement with Vitol, which provides for Vitol to purchase and take, or pay for if not taken, an aggregate quantity of thermal coal produced from the China First Coal Project that is equivalent to 20 Mtpa for a period of 20 years.

These offtake agreements are legally binding but are subject to various conditions, and if the conditions are not satisfied on a timely basis or at all, the China First Coal Project may not be able to sell its coal. See "Risk Factors — Risks Relating to Our Business — We may not be able to sell all or any of our coal or iron ore products at the price or quantity that we expect" and "Our Business — Details of Our Development Projects and Exploration Rights — China First Coal Project — Sales" for further details.

China First Iron Ore Project

We have not yet entered into an EPCM contract for the China First Iron Ore Project as we believe we can obtain better commercial terms after Listing, and we do not intend to enter into any offtake arrangements as our current intention is to sell our iron ore products on the spot market. We have, however, entered into the Iron Ore Facilities Deed with Mineralogy, pursuant to which Mineralogy

SUMMARY

will provide China First Iron Ore with access to the Cape Preston Area to enable us to develop and utilise our own or shared infrastructure and facilities for the transport of iron ore product. We will require Mineralogy's consent prior to entering into any arrangements for the development of transport infrastructure and facilities.

We expect to fund stage 1 of the China First Iron Ore Project through net proceeds from this Global Offering and debt financing. Following Listing, we intend to seek one or more PRC-based entities to provide or arrange for debt financing for approximately 70% of the capital cost of stage 1 of the project. We have not yet entered into any financing arrangements for the China First Iron Ore Project and if we do, we will require the consent of Mineralogy in order to do so. Assuming we are able to enter into such arrangements, we may still require additional funds for the development of the China First Iron Ore Project, either because the available net proceeds of the Global Offering are less than 30% of the capital cost of the project or because the actual total capital cost is higher than estimated by ProMet Engineers. We intend to obtain such funds through additional capital raising, consisting of either debt or equity or a combination of both. See "Future Plans and Use of Proceeds — Use of Proceeds" and "Risk Factors — Risks Relating to Our Business — We will require additional financing to implement our projects which we may not be able to obtain on commercially viable terms, or at all".

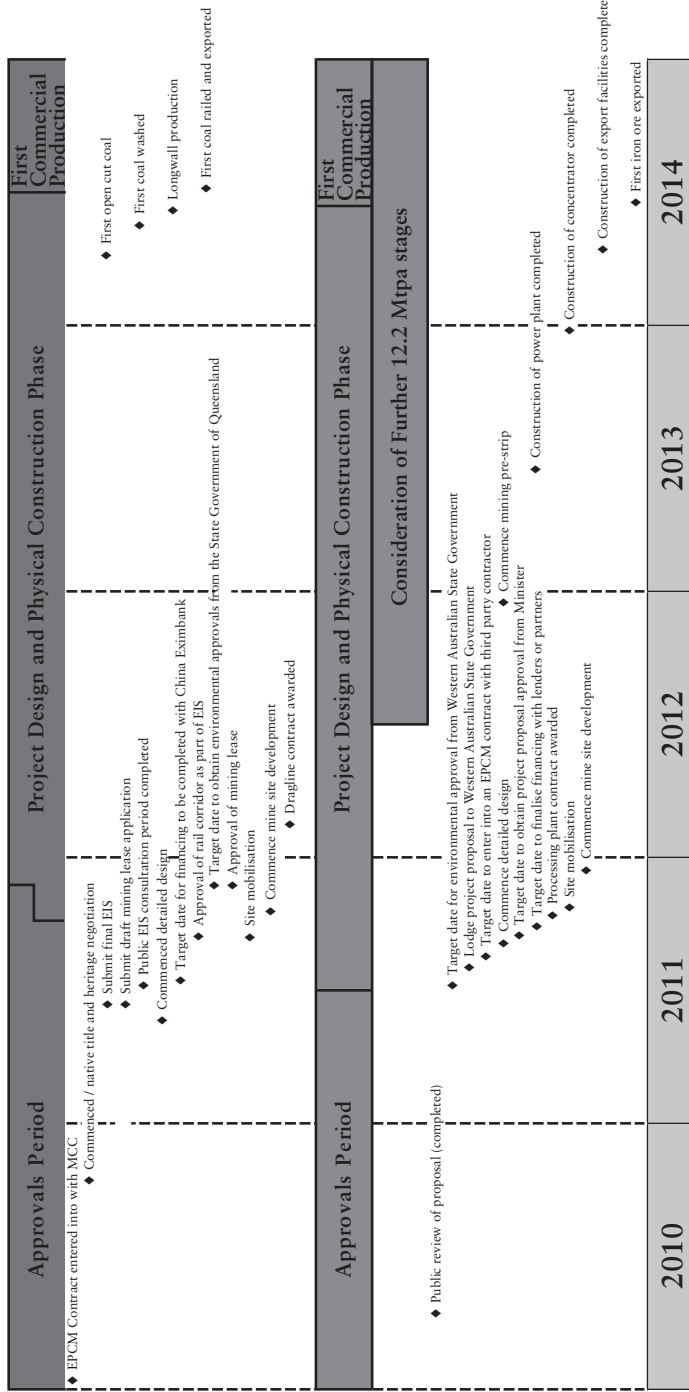
Other Projects

We are developing the Cosmo Project, which is in a very early stage of exploration for iron ore. Cosmo, our wholly-owned subsidiary, has conducted some exploration on the areas covered by the exploration licences underlying the Ooldea Deposit, but insufficient exploration has been conducted to define JORC compliant mineral resource. At this stage, we intend to allocate a portion of the additional proceeds raised by the Global Offering in the event the Offer Price is set above the minimum Offer Price to the development of the Cosmo Project. For additional details of this project, see "Our Business — Details of Our Development Projects and Exploration Rights — Other Exploration Interests — Cosmo Project".

TIMETABLE

The estimated timetable for the construction and completion of the China First Coal Project and stage 1 of the China First Iron Ore Project is set out on the next page. This timetable is an estimate only and is subject to change. In particular, if approvals are not obtained, or contracts or financing is not finalised, in the target time frame, then the timetable will need to be extended. Please refer to the section headed "Risk Factors — Risks Relating to Our Business".

SUMMARY



China First Coal Project

China First Iron Ore Project

Notes:

- (1) The estimated timetable shown for the China First Coal Project is based on an expedited approvals process with the State Government of Queensland. If the China First Coal Project is not granted expedited approvals, the estimated timetable for the project will be extended by approximately three to six months.
- (2) This estimated timetable is prepared on the basis of certain assumptions on the part of the Company, and the dates and milestones shown are all target dates subject to external factors, representing an optimal path to production. For further information, please refer to the "Risk Factors" contained in this prospectus.
- (3) The estimated timetable shown for the China First Iron Ore Project is dependent upon the appointment of an EPCM contractor and receipt of project financing by the respective target dates set out in the above timetable.
- (4) The project design and physical construction phase includes design, equipment procurement and subsequent erection of facilities.

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CONTINUING CONNECTED TRANSACTIONS

We have entered into agreements with Mineralogy and Waratah Coal which are both controlled by our Controlling Shareholder and Chief Executive Officer, Professor Clive F. Palmer. These agreements relate to arrangements between Waratah Coal or Mineralogy and ourselves that are required to facilitate the development of the China First Coal Project and the China First Iron Ore Project, which are our key projects. See “Connected Persons and Connected Transactions — Continuing Connected Transactions” for more details. We expect that the transactions under these agreements will continue after Listing and will therefore constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. Our Company has applied to the Stock Exchange for a waiver from strict compliance with announcement and independent Shareholders’ approval requirements for these continuing connected transactions.

After the period of three financial years covered by the waiver, we will be required to highlight to our Shareholders at the time that independent Shareholders’ approvals in respect of the continuing connected transactions are required and that should such approvals not be given, the projects cannot continue and would be of no value to our Company. The value of our Shares may be adversely affected if independent Shareholders’ approvals are not obtained at that time, and we may need to renegotiate with Waratah Coal and Mineralogy regarding the possibility of amending the terms of the continuing connected transactions to address any concerns or objections from our independent Shareholders. See “Risk Factors — Risks Relating to Our Business — Our continuing connected transactions are subject to independent Shareholders’ approval”.

FOREIGN INVESTMENT RESTRICTIONS IN AUSTRALIA THAT MAY APPLY TO INVESTORS OR TO OUR COMPANY

As a company incorporated in Australia, we are an Australian corporation and a prescribed corporation for the purposes of the FATA, which may affect the rights of investors who acquire, hold or control interests in our Shares (including interests in issued or unissued Shares arising from agreements to acquire Shares and instruments such as options and convertible securities) of our Company. Acquisitions of interests in shares in Australian companies, including our Company, by any “foreign person” (generally, any person or entity that is not an Australian resident but including any Australian company in which a “foreign person” has voting power (including potential voting power) of more than 15%) may be subject to restrictions, and review and prior approval by the Treasurer, under the FATA if either the 15% individual threshold or 40% aggregate threshold described below is exceeded.

In the event that 15% or more of the interests in our Shares are held or controlled by a single “foreign person” and its associates, or two or more “foreign persons” (even if unrelated to each other) and their associates in aggregate hold or control 40% or more of the interests in our issued Shares or voting power (including potential voting power) in our Company, we will become a “foreign person” for the purposes of the FATA. If we become a “foreign person”, we and our subsidiaries will be subject to the same notification requirements and restrictions under the FATA as any other “foreign person” when making investments in Australia. These notification requirements and restrictions would apply regardless of our listing venue. We may be a “foreign person”

SUMMARY

immediately following Listing (including exercise of the Over-allotment Option) as we will be selling 40% or more of the interests in our Shares in this Global Offering. It is not anticipated that any single “foreign person” investor in the Global Offering (together with its associates) will hold 15% or more of the interests in our Shares.

Prior notification requirements under the FATA will also apply to all acquisitions of interests in our Shares by “foreign persons” (regardless of whether the 15% and/or 40% threshold(s) described above is/are exceeded) if our Company becomes an AULC. Based on independent legal advice, our Directors have determined that our Company is not an AULC for the purposes of the FATA as the reasonable value of all of our potential “interests in Australian urban land” is not greater than 50% of the value of our total assets. If ever our Company considers that it is likely to become an AULC, we may apply for a listing on the ASX in order to allow foreign investors to rely on a regulation made under the FATA that provides that the FATA does not apply to an acquisition of less than 15% in an AULC. The criteria for operation of this AULC exemption also require that the developed residential real estate of the AULC amount to less than 10% of the AULC’s total assets. Our Company will not hold such levels of developed residential real estate. We will seek a listing on the ASX if we are required to meet the criteria for the operation of the AULC exemption. See “Summary of the Constitution of Our Company and the Australian Corporations Act” for a discussion on certain ASX listing requirements which we will have to meet. Our Directors have formed a committee comprising two executive Directors, namely Professor Clive F. Palmer and Clive Mensink, to monitor (especially prior to announcement of results and prior to incurring major capital expenditures) and seek to ensure that our Company manages its affairs so as not to become an AULC, or not until such time as our Company meets the criteria for the operation of the AULC exemption.

Whilst there are stringent requirements for the notification of foreign investment proposals generally and a full examination conducted by the Treasury officers, very few proposals including those relating to interests in an AULC are prohibited. The FIRB annual report for 2009/10 reports that of 4,703 applications considered during its 2009/10 financial year, there were only three rejections. All of those were in the real estate sector.

Australia welcomes foreign investment and it is the general approach of Treasury and FIRB to work together with applicants to ensure that their proposal is consistent with Australia’s national interest. This may involve the imposition of conditions on a statement of no objections or the seeking of undertakings, but in general, most applications are not objected to.

See “Risk Factors — Risks Relating to Our Business — Restrictions on foreign investment in our Company or in the Australian mining industry may apply” and “Summary of the Constitution of Our Company and the Australian Corporations Act — Australian Foreign Investment Regime”.

Our Listing on the Stock Exchange does not of itself require approval from, or registration or filing with, any government department or regulatory body under the laws in Australia.

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RIGHTS AT GENERAL MEETINGS

Persons holding our Shares through nominees and custodians who are CCASS Participants who wish to attend and vote in person at our general meetings will be required to instruct such nominees and custodians to inform CCASS to withdraw such number of Shares beneficially owned by them from HKSCC and have them registered in their own names. In order to register such Shares in time to attend a general meeting, transfer documents must be submitted to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), before the closure of the register of members of the Company as indicated on the book closure notice published by the Company in accordance with Rules 2.07C and 13.66 of the Listing Rules and Section 99 of the Companies Ordinance and a transfer fee of HK\$2.50 per share certificate, or a such other fee as from time to time permitted under the applicable rules and regulations must be paid. You will not be able to attend and vote in person at our general meetings if the transfer documents including share certificate(s) and a transfer form are found to be invalid; or if the transfer documents are not submitted before the closure of register of members. See "Summary of the Constitution of Our Company and the Australian Corporations Act" for further details.

COMPETITIVE STRENGTHS

- Cooperation with leading PRC-based companies and banks to develop and finance our projects and supply our products to the PRC market.
- Our Board and certain members of our senior management team have significant experience in negotiating and working with PRC-based companies.
- Letters of support from state governments in Australia for the development of our projects.
- Contractual right to mine up to 1.4 billion tonnes of raw coal from large-scale coal deposits.
- Contractual right to mine up to 10 billion tonnes of iron ore from large-scale magnetite iron ore deposits.
- Iron ore deposits located close to planned, shared infrastructure.
- Iron ore and coal deposits located relatively closer to the PRC than other major sources of supply.

STRATEGY

Our overall strategic objective is to exploit our competitive strengths to become an international diversified resources company and to capitalise on the demand for resources primarily in the PRC through the cooperative development of large-scale resource projects with PRC-based companies. We intend to do this through the implementation of the following strategies:

- Position ourselves as an alternative to major resource companies as a source and producer of resources.
- Cost-effectively develop our large-scale coal and iron ore projects.
- Continue to focus on developing resource projects for supply to the PRC market by leveraging our relationships and expertise.
- Grow through successful acquisitions in line with our strategy.

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SUMMARY HISTORICAL FINANCIAL INFORMATION

The following table sets forth information from our consolidated statements of comprehensive income for the periods indicated.

	Year ended 30 June			Six months ended 31 December	
	2008	2009	2010	2009	2010
	A\$	A\$	A\$	A\$	A\$
Revenue	—	—	—	—	—
Cost of sales	—	—	—	—	—
Gross profit.	—	—	—	—	—
Other income and gains	—	29,619	22,682	19,054	5,973
Administrative expenses	(256,411)	(418,086)	(650,194)	(96,899)	(776,209)
Global offering expenses	—	—	(8,788,257)	(4,694,785)	(1,699,533)
Exploration and evaluation costs.	(310,862)	(423,200)	(4,437,703)	(3,465,009)	(303,819)
Share of loss of an associate . .	—	(885,050)	(1,473,106)	(1,103,255)	(94,681)
Loss before tax	(567,273)	(1,696,717)	(15,326,578)	(9,340,894)	(2,868,269)
Income tax	—	—	—	—	—
Loss for the period/year, attributable to owners of our Company	(567,273)	(1,696,717)	(15,326,578)	(9,340,894)	(2,868,269)
Other comprehensive income (net of tax).	—	—	—	—	—
Total comprehensive income for the period/year, attributable to owners of our Company . .	<u>(567,273)</u>	<u>(1,696,717)</u>	<u>(15,326,578)</u>	<u>(9,340,894)</u>	<u>(2,868,269)</u>

SUMMARY

The following table sets forth information from our consolidated statements of financial position as of the dates indicated.

	As of 30 June			As of
	2008	2009	2010	31 December
	A\$	A\$	A\$	2010 A\$
Non-current assets				
Interests in an associate.	—	2,135,633	662,527	567,846
Exploration and mining rights.	—	343,056	128,526	25,704
Receivables from related parties	—	2	2	2
	<u>—</u>	<u>2,478,691</u>	<u>791,055</u>	<u>593,552</u>
Current assets				
Cash and cash equivalents.	—	3,929,090	247,893	253,866
Deferred global offering transaction costs.	—	—	5,095,245	6,080,599
Other assets.	—	270,096	209,809	143,850
	<u>—</u>	<u>4,199,186</u>	<u>5,552,947</u>	<u>6,478,315</u>
Current liabilities				
Accrued liabilities	101,319	100,000	2,646,310	2,982,342
Convertible notes	—	5,000,000	5,000,000	5,000,000
Borrowings from related parties	17,370,874	18,261,470	13,412,352	16,672,454
	<u>17,472,193</u>	<u>23,361,470</u>	<u>21,058,662</u>	<u>24,654,796</u>
Net current liabilities	<u>(17,472,193)</u>	<u>(19,162,284)</u>	<u>(15,505,715)</u>	<u>(18,176,481)</u>
Net liabilities.	<u>(17,472,193)</u>	<u>(16,683,593)</u>	<u>(14,714,660)</u>	<u>(17,582,929)</u>
Equity				
Issued capital.	3	2	2	2
Capital reserve	—	2,485,318	19,780,829	19,780,829
Accumulated losses	(17,472,196)	(19,168,913)	(34,495,491)	(37,363,760)
Total deficits	<u>(17,472,193)</u>	<u>(16,683,593)</u>	<u>(14,714,660)</u>	<u>(17,582,929)</u>

SUMMARY

OFFER STATISTICS¹

	Based on an Offer Price per Share of HK\$4.48	Based on an Offer Price per Share of HK\$4.93
Market capitalisation of our Company ² . . .	HK\$55,176,665,609	HK\$60,718,964,610
Unaudited pro forma adjusted consolidated net tangible asset value per Share ³	A\$0.237 (HK\$1.96)	A\$0.261 (HK\$2.16)

Notes:

- (1) Translated from Australian dollars to Hong Kong dollars at the rate of HK\$8.2941 = A\$1 prevailing on 13 May 2011 as reported by the Reserve Bank of Australia.
- (2) The calculation of market capitalisation is based on 12,316,220,002 Shares expected to be in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and taking into account the indicative Offer Prices of HK\$4.48 and HK\$4.93 per Offer Share.

LOSS FORECAST FOR THE YEAR ENDING 30 JUNE 2011

Our Directors estimate that, in the absence of unforeseen circumstances and on the bases and assumptions described in Appendix III to this prospectus, the consolidated loss attributable to Shareholders of our Company for the year ending 30 June 2011 will not be more than A\$15.0 million.

We expect that this loss will consist primarily of administrative costs (including advisers’ and technical experts’ fees relating to the Global Offering, office rental in Hong Kong, employee salaries and wages, and compliance and secretarial expenses) and exploration and evaluation costs (comprising primarily technical studies performed in connection with the on-going evaluation of the China First Coal Project and the China First Iron Ore Project).

DIVIDEND POLICY

The declaration and payment of dividends may be recommended by our Board of Directors at their discretion and will depend on a number of factors, including our earnings, capital requirements and overall financial position. This, in turn, depends on our strategy, the successful implementation of our strategy and on financial, competitive, regulatory, general economic conditions and other factors that may be specific to us or specific to our industry, many of which are beyond our control.

No dividends were paid in the financial years ended 30 June 2008, 2009 and 2010. Except as permitted by our Company’s Constitution, no dividend is payable other than out of our Company’s profits. As we have no trading history and no distributable reserves, we may not be able to pay a dividend until we have profits out of which a dividend can be declared. Further, under the Corporations Act, our Company must not pay a dividend unless: (i) our Company’s assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; (ii) the payment of the dividend is fair and reasonable to our Company’s Shareholders as a whole; and (iii) the payment of the dividend does not materially prejudice our Company’s ability to pay our Company’s creditors. Our current target is to commence first commercial production and earn revenue by 31 December 2014 at our China First Coal Project (based on our expectation that we will be able to procure that MCC Overseas and any other contractors construct the rail and

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associated infrastructure within three years) and in the first half of 2014 at our China First Iron Ore Project. However, we have not yet commenced construction of these projects and they may be subject to unforeseen delays; as such and in any case, we may not have distributable profits for some time even after commencement of operations at our first mine. We intend to retain any future earnings to finance our business and operations and any future growth. However, our Board of Directors may from time to time consider paying dividends and may review and revise our dividend policy at any time. “First commercial production” means, with respect to the China First Coal Project, the point in time when raw coal is first processed into saleable thermal coal and able to be shipped from the port, which we currently expect to be three years from project release for procurement and construction (with up to another approximately three years being necessary to ramp up to full production of 40Mtpa of thermal coal); and, with respect to the China First Iron Ore Project, the point in time when magnetite iron ore is first processed into saleable iron ore concentrate product and able to be shipped from the port, which we currently expect to be 36 months from when we receive the net proceeds from the Global Offering (with up to another approximately two years being necessary to ramp up to full production of 12Mtpa of iron ore concentrate products).

No inference should or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends. See “Risk Factors”.

Taxation on Dividends in Australia

For details of taxation on dividends in Australia, see “Risk Factors” and “Appendix VII — Taxation Information”.

Taxation of Dividends in Hong Kong

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

USE OF PROCEEDS

Assuming an Offer Price of HK\$4.48 (US\$0.58), being the minimum Offer Price, we estimate our net proceeds from the Global Offering will be approximately HK\$24.5 billion (US\$3.15 billion), before exercise of the Over-allotment Option and after deducting the underwriting commissions.

We currently intend to use the net proceeds from the Global Offering as follows:

- approximately 76.3% or HK\$18.7 billion (US\$2.4 billion) of the net proceeds will be used for the development of the China First Coal Project;
- approximately 22.2% or HK\$5.4 billion (US\$0.7 billion) of the net proceeds will be used for the development of the China First Iron Ore Project; and
- approximately 1.0% or HK\$0.2 billion (US\$0.03 billion) of the net proceeds will be used for repayment of borrowings from related parties (including expenses in relation to the Global Offering paid by Mineralogy on our behalf); approximately 0.1% or HK\$15.5 million (US\$2.0 million) of the net proceeds will be used for development of the Cosmo Project; and the balance will be used for working capital requirements and for general corporate purposes.

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In the event that the Offer Price is set at HK\$4.93 or any price between HK\$4.48 and HK\$4.93, and the Over-allotment Option is not exercised at all, we intend to use the additional net proceeds for the development of the China First Iron Ore Project, the development of the Cosmo Project and general corporate purposes.

We intend to also use any additional net proceeds received from the exercise of the Over-allotment Option for the development of the China First Iron Ore Project, working capital requirements, the funding of any future acquisitions and for general corporate purposes.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK\$4.48, being the lowest end of the price range, the additional net proceeds in excess of the net proceeds with an Offer Price at the lowest end of the price range and no exercise of the Over-allotment Option will be approximately HK\$3.7 billion (US\$0.47 billion). If the Offer Price is set at the highest end of the price range (HK\$4.93) and with the full exercise of the Over-allotment Option, the additional net proceeds in excess of the net proceeds with an Offer Price at the highest end of the price range and no exercise of the Over-allotment Option will be approximately HK\$4.0 billion (US\$0.52 billion).

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we currently intend to deposit such net proceeds into short-term interest-bearing accounts, such as saving accounts or money market funds, with licensed commercial banks or other authorized financial institutions.

TECHNICAL REPORTS

This prospectus contains reports of various technical experts. Appendix IV contains resource reports prepared by independent geologists: Xenith Consulting as to coal and Hellman & Schofield as to iron ore. The geologists' reports relate to resource classification and estimates, as well as quality, of the coal and iron ore to which we have rights to mine. Appendix V contains reserve statements prepared by independent mining engineers: Xenith Consulting as to open-cut coal, Coffey Mining as to underground coal and ORElogy as to iron ore. These reports evaluate the resources identified for coal and iron ore and set out the respective amounts of reserves for each in accordance with the JORC Code, and rely on certain information in the respective geologist's reports. As used in this prospectus, a "mineral resource" is defined by the JORC Code as a concentration or occurrence of material or intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction; "ore reserves", on the other hand, are the economically mineable part of a measured and/or indicated mineral resource.

Reproduced in Appendix VI, the Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project was prepared by ProMet Engineers, an independent technical expert. This report evaluates the technical and commercial viability of the China First Coal Project and the China First Iron Ore Project to comply with the requirements of Chapter 18 of the Listing Rules and was prepared in accordance with the rules and regulations of the VALMIN Code.

The reports described above were based on assumptions that might differ from our exploration and development plans or may require revision in light of actual production experience, operating costs, world mineral and other factors.

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The technical advisers were engaged based on their technical expertise, their respective industry standings, the personal experience of the respective principal authors, and their experience in advising similar mineral companies and in preparing reports for public companies. We and the Sole Sponsor have considered the capability and the resumes of the principal authors of the technical experts' reports and concluded that the technical experts and the principal authors have recognised technical qualifications and are members of relevant professional bodies. The Sole Sponsor has reviewed each of the technical experts' reports and has also interviewed the technical experts. Based on such due diligence, the Sole Sponsor is satisfied that each of the technical experts is appropriately qualified and experienced and sufficiently resourced to prepare its report.

RISK FACTORS

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the Global Offering. These risks are summarised below. For a fuller description of the risks involved in our business and the Global Offering, please refer to the section headed "Risk Factors" in this prospectus.

Risks Relating to Our Business

- We are an early-stage development company, have no operations and may not develop our business as planned or at all.
- We have not obtained a number of licences and approvals required for our projects and whether we obtain these licences and approvals on a timely basis or at all is dependent on factors beyond our control (including the consent of relevant Government ministers and agencies). Further, the licences and approvals we have obtained are subject to ongoing conditions and/or renewal.
- We are not the legal title holder of the mining tenements for the China First Coal Project and the China First Iron Ore Project and may lose our contractual right to mine because of the actions of Waratah Coal and Mineralogy, which are beyond our control.
- Our contractual rights to mine under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement and our rights under the Iron Ore Facilities Deed may be threatened or at risk if Waratah Coal or Mineralogy were to be subject to insolvency or other winding up proceedings.
- We enjoy certain rights under the State Agreement which may be terminated because of default or repudiation by Mineralogy or any of the other parties, which are beyond our control.
- Our contractual rights to mine granted by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement do not give us exclusive possession over the areas which form the subject of those contractual rights to mine.
- If any of the contracts entered into by the Company are not honoured, or any of their conditions are not complied with, the Company may incur losses and be unable to declare a dividend.
- Our EPCM Contract with MCC Overseas in respect of the China First Coal Project is subject to a number of conditions precedent and risks, and we are dependent on subcontractors submitting reasonable quotes to undertake works.
- Our ability to develop, expand or use the necessary infrastructure and facilities required for the China First Iron Ore Project is dependent upon Mineralogy's consent and other factors outside our control.

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- We will require additional financing to implement our projects which we may not be able to obtain on commercially viable terms, or at all.
- Certain of our Directors and senior management may be subject to conflicts of interest because of affiliations with other resource companies.
- Restrictions on foreign investment in our Company or in the Australian mining industry may apply.
- Our mineral projects may yield fewer minerals than indicated by our resource estimates and may not ultimately be extracted at a profit.
- Our actual results of operations may differ significantly from certain information included in the Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project prepared by ProMet Engineers reproduced in Appendix VI to this prospectus.
- The development of our projects and the development of adequate and suitable infrastructure may be delayed, may exceed the expected budget or may not be developed at all.
- We may not be able to sell all or any of our coal or iron ore products at the price or quantity that we expect.
- We have entered into a framework agreement and may enter into a memorandum of understanding, each in relation to the China First Coal Project and which is/will be subject to further agreements being negotiated and agreed.
- Letters of support received from the government are not a guarantee of government support or approval for our China First Coal Project.
- Our continuing connected transactions are subject to independent Shareholders' approval.
- The Federal Government of Australia has announced its intention to impose a mineral resource rent tax on mining of iron ore and coal which may have an adverse impact on our Company and our projects.
- Fluctuations in exchange rates could adversely affect the development of our projects and our results of operations and financial condition.
- We will be dependent on external contractors over whom we have no control.
- We may face competing claims such as native title and Aboriginal heritage claims over the land on which our proposed operations are located.
- We are required to make annual payments for site remediation costs which will be determined by Mineralogy and Waratah Coal.
- Our future growth depends on our ability to strengthen existing alliances and form and maintain new successful relationships with PRC-based companies to develop, finance and/or carry out our mining and exploration projects.
- We may undertake strategic acquisitions or investments, which may be difficult to integrate and manage or may not be successful at all.
- We may be unable to attract, retain and train management and key personnel and are dependent on the experience of our Directors.
- We are dependent on our current Directors for their industry experience and relationships with PRC-based companies.
- We are an Australian company principally governed by Australian laws and regulations.
- Shareholders who are not resident in Australia may be subject to Australian dividend withholding tax on dividends paid in relation to their Shares.

SUMMARY

Risks Relating to Our Industry

- Resource exploration and development is a speculative business and involves a high degree of risk.
- We may face supplies, equipment, materials or personnel shortages and operating cost pressures.
- Market prices of minerals can fluctuate widely.
- If we cannot maintain a competitive cost of production, we will face intense competition in the mineral industry.
- An oversupply of minerals in the future could adversely affect our profitability.
- Compliance with environmental standards related to coal combustion may cause consumers to switch to alternative energy sources.
- We are subject to risks inherent in exploration, development and production activities.
- We expect the coal and iron ore projects to produce a significant amount of wastewater and tailings as by-products of our mining activities, which could expose us to material liabilities.
- Our operations are exposed to risks in relation to the mishandling of dangerous articles.
- Our operations will be subject to extensive laws and government regulations.
- As our projects mature, production volumes could decrease and production costs could increase if we are not able to acquire additional resources.
- We face risks relating to our interests in Australia and our target market and potential alliances in the PRC.
 - *Political, economic and legal developments could materially and adversely affect our business and results of operations.*
 - *Our business may be affected by economic and regulatory changes in the PRC.*
 - *There may be an outbreak, or threatened outbreak, of a severe communicable disease in Australia and/or the PRC.*

Risks Relating to the Global Offering

- Upon completion of the Global Offering, our Chief Executive Officer will own a significant number of our Shares.
- The sale or possible sale of a substantial number of our Shares in the public market following the Global Offering could adversely affect the price of our Shares and ability to raise capital in the future.
- Our Shares have never been publicly traded and the Global Offering may not result in an active or liquid market for our Shares.
- As the Offer Price is higher than the net tangible book value per Share, you will incur immediate and substantial dilution and may experience further dilution in the future.
- Our Share price may be volatile.
- Exchange rate fluctuations may adversely affect the foreign currency value of our Shares and any dividend distribution.
- It could be difficult for investors to enforce any judgment obtained outside Australia against us or our management.
- We may not declare dividends in the future.
- Press articles or other media regarding us and the Global Offering may contain inappropriate, inaccurate, incomplete and/or unreliable information.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms have the following meanings. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“AIM”	the Alternative Investment Market of the London Stock Exchange
“Altus Maritime Services”	Altus Maritime Services Pte. Ltd. (formerly known as Andhika Shipmanagement Pte Ltd), an Independent Third Party
“Application Form(s)”	white application form(s), yellow application form(s) and green application form(s) or where the context so requires, any of them that is used in connection with the Hong Kong Public Offering
“ASIC”	the Australian Securities and Investment Commission
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“ASX”	the Australian Securities Exchange
“AULC”	Australian Urban Land Corporation as defined under the FATA
“Australasian Resources”	Australasian Resources Limited, ACN 008 942 809, the shares of which are listed on the ASX
“Australia”	the Commonwealth of Australia
“Balmoral Deposit”	the area located in the Pilbara region of Western Australia identified under mining leases M08/118 to M08/130 granted under the Mining Act 1978 (WA) to Mineralogy. Our contractual right to mine granted by Mineralogy under the Iron Ore Mining Right Agreement relates only to specified areas covered by mining leases M08/118 — M08/122 and M08/128 — M08/130
“Bilano Deposit”	the area located in the Pilbara region of Western Australia covered by exploration licences E08/118 and E08/117-1 granted under the Mining Act 1978 (WA) to Mineralogy. Our contractual right to mine granted by Mineralogy under the Iron Ore Mining Right Agreement relates only to specified areas covered by exploration licence E08/118
“BOCI”	BOCI Asia Limited, which is licensed by the SFC for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

DEFINITIONS

“Business Day”	any day (other than Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“CAGR”	compound annual growth rate
“Cape Preston Area”	the area located in the Pilbara region of Western Australia covered by exploration licence E081636 granted under the Mining Act 1978 (WA) to Mineralogy, the entire area of which we have a right to access, develop and utilise infrastructure and facilities for the transport of iron ore product on the terms set out in the Iron Ore Facilities Deed, subject to the approval of Mineralogy, at all times
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China Coal Technology & Engineering”	China Coal Technology & Engineering Group Corp., an Independent Third Party
“China Communications Construction”	China Communications Construction Company Ltd., an Independent Third Party
“China Eximbank”	Export-Import Bank of China, an Independent Third Party
“China First Coal”	China First Pty Ltd, ACN 135 588 411, our wholly-owned subsidiary registered in Queensland, Australia on 26 February 2009 with limited liability
“China First Coal Project”	the proposed 25-year thermal coal mining and processing project with an annual production limit of 40 Mtpa in relation to the portion of the South Alpha Deposit area for which China First Coal has a contractual right to mine granted by Waratah Coal under the Coal Mining Right Agreement

DEFINITIONS

“China First Iron Ore”	China First Iron Ore Pty Ltd (formerly Brunei Steel Pty Ltd and Anshan Resources Pty Ltd), ACN 058 429 977, our wholly-owned subsidiary registered in Queensland, Australia on 30 December 1992 with limited liability
“China First Iron Ore Project”	the proposed open-pit iron ore mining and processing project in relation to the portions of the Balmoral Deposit and the Bilanoo Deposit over which China First Iron Ore has a contractual right to mine granted by Mineralogy under the Iron Ore Mining Right Agreement, and as the context may require, the Cape Preston Area in relation to infrastructure and facilities for the transport of iron ore products
“China Power International Holding”	China Power International Holding Ltd., an Independent Third Party
“Chinampa”	Chinampa Exploration Pty Ltd, ACN 081 023 930, a company registered in Western Australia on 7 January 1998 with limited liability and wholly owned by Mineralogy
“CITIC Pacific”	CITIC Pacific Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange, an Independent Third Party
“Coal Mining Right Agreement”	the Mining Right Agreement between Waratah Coal and China First Coal dated 8 July 2009, as amended by letters dated 2 September 2009 and 4 May 2009 and an amendment deed between Waratah Coal, China First Coal and the Controlling Shareholder dated 1 December 2010 and confirmed by a deed of confirmation between China First Coal and Waratah Coal dated 20 December 2010
“Coffey Mining”	Coffey Mining Pty Ltd, an Independent Third Party
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Constitution”	the constitution of our Company, as amended from time to time

DEFINITIONS

“Consultancy Contract”	the Consultancy Contract between the Company and Hatch dated 16 September 2010, as amended by the Amendment No. 1 dated 6 December 2010 and the Amendment No. 2 dated 7 December 2010
“Controlling Shareholder”	Professor Clive F. Palmer
“Convertible Notes”	the 6,000,000 convertible notes due on or before 16 March 2014 issued by us to Professor Clive F. Palmer for A\$5.0 million, for which Professor Clive F. Palmer has irrevocably exercised his right to convert, such conversion to be effective upon Listing
“Cooperation Agreement”	the Cooperation Agreement among MCC, China Eximbank, China Power International Holding and us dated 21 June 2010
“Corporations Act” and “Australian Corporations Act”	Corporations Act 2001 (Cth) of Australia, as amended, supplemented or otherwise modified from time to time
“Cosmo”	Cosmo Developments Pty. Ltd, ACN 010 793 790, our wholly-owned subsidiary registered in Queensland, Australia on 8 March 1998 with limited liability
“Cosmo Project”	the exploration activities undertaken by Cosmo on the Ooldea Deposit
“Court”	the Federal Court of Australia, the Supreme Court of a State or Territory of Australia, the Family Court of Australia or a court to which section 41 of the Family Law Act 1975 (Cth) of Australia applies because of a proclamation made under subsection 41(2) of that Act
“CREC”	China Railway Group Limited, an Independent Third Party
“CREC Framework Agreement”	the China First Coal Project Railway EPC Framework Agreement between our Company and CREC dated 19 January 2011 for the construction of the rail and associated infrastructure for the China First Coal Project
“CREC Placing Agreement”	the Placing Agreement between our Company and CREC dated 19 January 2011
“EPC”	engineering, procurement and construction
“EPCM”	engineering, procurement and construction management

DEFINITIONS

“EPCM Contract”	the legally binding EPCM Contract between China First Coal and MCC Overseas dated 29 January 2010, as supplemented by a supplemental agreement dated 28 October 2010 and amended by letters dated 16 November 2010 and 3 March 2011
“FATA”	the Australian Foreign Acquisitions and Takeovers Act 1975 (Cth), as amended from time to time
“FIRB”	the Foreign Investment Review Board of Australia
“FOB”	Free On Board, meaning that the price for goods includes delivery at the seller’s expense to a specified point
“Fugro”	Fugro Holdings (Australia) Pty Ltd, an Independent Third Party
“Fumel”	Fumel Investments Pty Ltd, an Independent Third Party
“Gladstone Pacific Nickel”	Gladstone Pacific Nickel Limited, ACN 104 261 887
“Global Coal Trading”	Global Coal Trading Pte. Ltd, an Independent Third Party
“Global Offering”	the Hong Kong Public Offering and the International Offering
“the Group”	our Company and its subsidiaries
“Hatch”	Hatch Associates Pty Limited, an Independent Third Party
“Hellman & Schofield”	Hellman & Schofield Pty Ltd, an Independent Third Party
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the Shares offered for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	our offer of initially 571,622,000 Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus) for cash at the Offer Price and on the terms and subject to the conditions stated in this prospectus and the Application Forms

DEFINITIONS

“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 27 May 2011 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Bookrunners and the Hong Kong Underwriters, details of which are set forth in the section headed “Underwriting” in this prospectus
“IFRS”	International Financial Reporting Standards promulgated by International Accounting Standards Board (“IASB”). IFRS includes International Accounting Standards (“IAS”) and interpretations
“Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project”	the independent expert’s report prepared by ProMet Engineers on the feasibility studies for the China First Coal Project and the China First Iron Ore Project, as set out in Appendix VI
“Independent Third Party”	Entity which is not a connected person of the Company within the meaning of the Listing Rules
“International Minerals”	International Minerals Pty Ltd, ACN 058 341 638, a subsidiary of Australasian Resources
“International Offer Shares”	the Shares offered for subscription pursuant to the International Offering
“International Offering”	the conditional placing of 5,144,598,000 Shares by the International Underwriters with qualified institutional buyers in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in reliance on Regulation S as further described in the section headed “Structure of the Global Offering — The International Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering which is expected to be entered into by, among others, our Company, the Joint Bookrunners and the International Underwriters on or around the Price Determination Date

DEFINITIONS

“Iron Ore Facilities Deed”	the Facilities Deed between Mineralogy and China First Iron Ore dated 26 October 2001, as amended by a variation deed dated 21 September 2009 and an amendment deed between China First Iron Ore, Mineralogy and the Controlling Shareholder dated 1 December 2010 and confirmed by a deed of confirmation between China First Iron Ore and Mineralogy dated 20 December 2010
“Iron Ore Mining Right Agreement”	the Mining Right Agreement between Mineralogy and China First Iron Ore dated 21 September 2009, as supplemented and amended by letters dated 21 September 2009 and 14 January 2011, a variation deed dated 13 October 2009 and an amendment deed between China First Iron Ore, Mineralogy and the Controlling Shareholder dated 1 December 2010 and confirmed by a deed of confirmation between China First Iron Ore and Mineralogy dated 20 December 2010
“Kingsway”	Kingsway Oil Limited, ACN 096 594 820, a company registered in Western Australia on 24 April 2001 with limited liability in which Mineralogy holds a 50% interest
“km”	kilometres
“Latest Practicable Date”	20 May 2011, being the latest practicable date for ascertaining certain information in this prospectus prior to its publication
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	the date, expected to be on or about 10 June 2011, on which our Shares are listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“MCC”	Metallurgical Corporation of China Limited, an Independent Third Party

DEFINITIONS

“MCC Framework Agreement”	the Framework Agreement between China First Coal and MCC dated 22 July 2009 for the construction and financing of and subsequent offtake of production from the China First Coal Project ¹
“MCC Overseas”	MCC Overseas Ltd, an Independent Third Party
“MCC Placing Agreement”	the Placing Agreement between our Company and MCC dated 28 October 2010
“Mineralogy”	Mineralogy Pty Ltd, ACN 010 582 680, a company which is 100% owned by the Controlling Shareholder and was registered in Queensland, Australia on 18 June 1985
“Mineralogy Expansion Proposal”	a proposal by Mineralogy to implement the China First Iron Ore Project and expand the neighbouring Sino Iron project
“Mineralogy Tenements”	the Balmoral Deposit, the Bilanoo Deposit and the Cape Preston Area
“Mixed Media Offer”	the mixed offer whereby our Company will issue printed WHITE and YELLOW Application Forms in connection with the Global Offering without being accompanied by a printed form of this prospectus provided that, among other conditions, an electronic form of this prospectus will be made available on the websites of the Stock Exchange and the Company, pursuant to section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)
“Non-exempt Agreements”	the Coal Mining Right Agreement, the Iron Ore Mining Right Agreement and the Iron Ore Facilities Deed

Note:

- (1) Since the execution of the MCC Framework Agreement, the offtake arrangement of the China First Coal Project has changed. China First Coal has subsequently entered into long-term offtake arrangements with China Power International Holding and Vitol. See “Our Business — Details of Our Development Projects and Exploration Rights — China First Coal Project — Sales — Offtake Arrangement with China Power International Holding” and “Our Business — Details of Our Development Projects and Exploration Rights — China First Coal Project — Sales — Offtake Arrangement with Vitol” for further information.

DEFINITIONS

“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which Hong Kong Offer Shares are to be subscribed for and issued pursuant to the Hong Kong Public Offering and the International Offer Shares are to be offered pursuant to the International Offering, to be determined as further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Ooldea Deposit”	the area in the Nullarbor Regional Reserve in the Ooldea region covered by exploration licence EL 4565 granted under the Mining Act 1971 (SA) to Cosmo
“ORElogy”	ORElogy Pty Ltd, an Independent Third Party
“Over-allotment Option”	the option to be granted by us to the International Underwriters and exercisable by the Joint Global Coordinators on behalf of the International Underwriters pursuant to the International Underwriting Agreement in whole or in part from time to time until 30 days from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 857,433,000 additional Shares, representing up to 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, solely to cover over-allocations in the International Offering, if any
“PRC” or “China”	the People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan for the purposes of this prospectus
“Price Determination Date”	the date, expected to be on or around 3 June 2011 and in any event no later than 8 June 2011, on which the Offer Price is fixed for the purpose of the Global Offering
“Professor Clive F. Palmer”	Adjunct Professor Clive F. Palmer
“ProMet Engineers”	ProMet Engineers Pty Ltd, an Independent Third Party
“Regulation S”	Regulation S under the U.S. Securities Act

DEFINITIONS

“Rule 144A”	Rule 144A under the U.S. Securities Act
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of our Share(s)
“Share(s)”	fully paid ordinary share(s) in the capital of our Company
“Sino-Australian Coal Purchase and Supply Agreement”	the legally binding Sino-Australian Long Term Coal Purchase and Supply (Alliance and Take or Pay Arrangement) Agreement between China First Coal and China Power International Holding dated 1 November 2010
“Sino-coal International”	Sino-coal International Engineering Design & Research Institute, an Independent Third Party
“Sino Iron”	Sino Iron Pty Ltd (formerly Bellswater Pty Ltd), an Independent Third Party
“Somerley”	Somerley Limited, an Independent Third Party
“South Alpha Deposit”	the area located near Alpha, in the Galilee Basin region in central Queensland covered by exploration permits EPC 1040 and EPC 1079 granted under the Mineral Resource Act 1989 (QLD) to Waratah Coal, noting however, that our contractual right to mine granted by Waratah Coal under the Coal Mining Right Agreement relates to the area covered by exploration licence EPC 1040 and a specified area covered by exploration licence EPC 1079
“State Agreement”	the agreement between the State of Western Australia, Mineralogy and its co-proponents Austeel Pty Ltd, Balmoral Iron Pty Ltd, Sino Iron (formerly Bellswater Pty Ltd), China First Iron Ore (formerly Brunei Steel Pty Ltd and Anshan Resources Pty Ltd), International Minerals and Korean Steel Pty Ltd entered into on 5 December 2001 and amended on 10 December 2008, which was ratified by the State Agreement Act and varied by the State Agreement Amendment Act
“State Agreement Act”	the Iron Ore Processing (Mineralogy Pty Limited) Agreement Act 2002 (WA)
“State Agreement Amendment Act”	the Iron Ore Processing (Mineralogy Pty Limited) Agreement Amendment Act 2008 (WA)

DEFINITIONS

“State Council”	the State Council of the People’s Republic of China
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between BOCI, as the stabilising manager (or its affiliate acting on its behalf) and Professor Clive F. Palmer, pursuant to which Professor Clive F. Palmer will agree to lend up to 857,433,000 Shares to the stabilising manager on the terms set forth therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Suntech Power”	Suntech Power Holdings Co., Ltd.
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“Treasurer”	the Federal Treasurer of Australia
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and the rules and regulations promulgated thereunder
“Vitol”	Vitol S.A., an Independent Third Party
“Vitol Coal Supply Agreement”	the legally binding Coal Supply Agreement between China First Coal and Vitol dated 15 September 2010, as amended by a deed of variation dated 9 March 2011
“Waratah Coal”	Waratah Coal Pty Limited, ACN 114 165 669, a subsidiary of Mineralogy
“Waratah Coal Tenements”	EPC 1040 and EPC 1079 and any subsequent mining lease granted to Waratah Coal over coal deposits located near Alpha in Central Queensland
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk

DEFINITIONS

“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“WorleyParsons”	WorleyParsons Services Pty Ltd, an Independent Third Party
“Xenith Consulting”	Xenith Consulting Pty Ltd, an Independent Third Party

In this prospectus, unless the context otherwise requires, “we”, “us”, “our”, “our Group” and “ourselves” refer to Resourcehouse Limited and its subsidiaries taken as a whole at the date of this prospectus. All references to “our Company” are to Resourcehouse Limited. All references to “our Board of Directors” or “our Directors” are to the Board of Directors of Resourcehouse Limited.

In this prospectus, use of the term “Professor” denotes an adjunct professorship, an honorary academic staff member who does not hold an academic appointment, but whose outstanding achievement in their field of expertise may be equated to the level of achievement required for appointment to a chair or as an associate professor. An adjunct professor is entitled to use the honorific title of “professor” other than in formal usage.

In this prospectus, references to “US\$”, “USD” or “U.S. dollars” are to the lawful currency of the United States of America; references to “A\$”, “AUD” or “Australian dollars” are to the lawful currency of the Commonwealth of Australia; references to “HK\$” or “Hong Kong dollars” are to the lawful currency of Hong Kong; references to “RMB” or “Renminbi” are to the lawful currency of the PRC. Unless otherwise specified, amounts in this prospectus not derived from “Accountants’ Report” in Appendix I to this prospectus and denominated in A\$ have been translated into HK\$ and US\$, for the purpose of illustration only, at the following rates: A\$1.00 = HK\$8.2941 and A\$1.00 = US\$1.0670. These were the rates as reported by the Reserve Bank of Australia on 13 May 2011. Unless otherwise specified, amounts in this prospectus not derived from “Accountants’ Report” in Appendix I to this prospectus and denominated in US\$ and HK\$ have been translated, for the purpose of illustration only, at the following rate: US\$1.00 = HK\$7.7697. This was the noon buying rate in effect on May 6, 2011 as set forth in the H.10 weekly statistical release of the Federal Reserve Board of the United States.

The exchange rates have not been verified by us or the Underwriters. No representation is made that any amounts in A\$, HK\$ or US\$ have been, could have been or could be converted at the above rates, any other rates or at all.

Certain amounts set out in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this prospectus in connection with our Group and its business. Some of these may not correspond to standard industry definitions.

MINERAL RESOURCE TERMS

“adb”	air dry basis
“assaying”	chemical analysis of rocks or other minerals
“coal washing”	treatment to reduce impurities in coal
“concentrates”	a fine product separated in the milling process that contains a high percentage of metal
“deposit”	a body of mineralisation containing a sufficient average grade of mineral or minerals to warrant further exploration and/or development expenditure; a deposit may not have a realistic expectation of being mined, and it may not be classified as a resource or a reserve
“dm tu”	dry metric tonne unit
“DRI”	direct reduced iron; direct-reduced iron is produced from direct reduction of iron ore (in the form of lumps, pellets or fines) by a reducing gas produced from natural gas or coal
“exploration”	activity to prove the location, volume and quality of an orebody
“fines”	material that passes through a standard screen on which coarser fragments are retained
“GJ”	gigajoules, a unit of energy
“grade”	the relative quantity or percentage of ore mineral contained in mineralisation
“HBI”	hot-briquetted iron is a compacted form of DRI designed for ease of shipping, handling, and storage
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), published by The Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (“JORC”)
“kcal/kg”	kilocalorie per kilogramme

GLOSSARY OF TECHNICAL TERMS

“lumps”	pieces of consolidated iron ore that result from the crushing of the rough raw material
“mineralisation”	commonly taken to be sulphide or precious metal minerals
“mining dilution”	the contamination of defined ore with designated waste material during the course of mining
“mining loss”	ore material that is not recovered during the mining process
“Mt”	million tonnes
“Mtpa”	million tonnes per annum
“open-pit” or “open-cut”	the main type of mine designed to extract minerals close to the surface
“ore” or “orebody”	natural mineral accumulations which can be extracted for use under existing economic conditions and using existing extraction techniques
“PCI”	pulverised coal injection
“pellets”	a small, round, marble-sized ball of iron ore manufactured as feed for blast furnaces
“recovery”	the percentage of minerals produced compared to the amount of minerals contained in the feedstock in the context of a processing plant or the percentage of metal produced compared to the amount of metal contained in the feed concentrates in the context of a smelting plant
“smelting”	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed
“tailings”	the waste materials (residue) produced by the processing plant after extraction of valuable minerals
“tonnes”	metric tonnes

Mineral Resource and Ore Reserves — JORC Code

In this prospectus, we have used a number of terms defined in the JORC Code. The JORC Code is an internationally accepted mineral resource/ore reserve classification system which was first published in February 1989 and most recently revised in December 2004. The JORC Code is used by Coffey Mining, Xenith Consulting, Hellman & Schofield and ORElogy to report the mineral resources and ore reserves of our projects.

GLOSSARY OF TECHNICAL TERMS

The JORC Code defines “mineral resource” as a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories. Mineral resources are sub-divided in order of the increasing geological confidence of the estimate into the following categories:

- inferred mineral resource — that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed, but not verified, geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability;
- indicated mineral resource — that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed; and
- measured mineral resource — that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

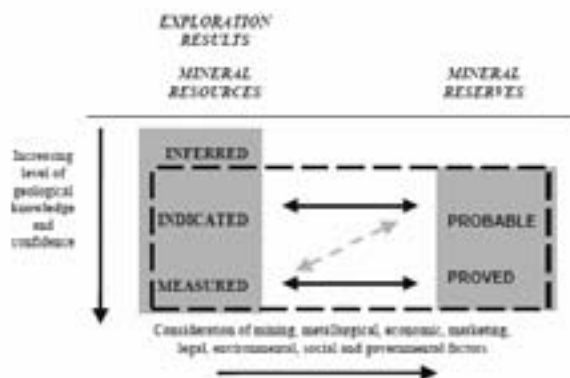
The JORC Code defines “ore reserve” as the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and government factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into probable ore reserves and proved ore reserves. Ore reserves are selected from measured and indicated mineral resources after a consideration of the relevant modifying factors, which include mining, metallurgical, economic, marketing, legal, environmental, social and governmental considerations. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. The JORC Code deems inferred mineral resources to be too poorly delineated to be transferred into an ore reserve category. Ore reserve figures incorporate mining dilution, mining losses and are based on an appropriate level of mine planning, design and scheduling. Ore reserves are subdivided into the following categories:

- probable ore reserve — the economically mineable part of an indicated mineral resource, and in some circumstances, a measured mineral resource which has a lower level of confidence than proved ore reserves, but is of sufficient quality to serve as the basis for a decision on the development of the deposit; and

GLOSSARY OF TECHNICAL TERMS

- proved ore reserve — the economically mineable part of a measured mineral resource which has the highest confidence category of reserve estimates. The style of mineralisation or other factors could mean proved ore reserves are not achievable in some deposits.

The following diagram summarises the general relationship between exploration results, mineral resources and ore reserves under the JORC Code:



Ore reserves are generally quoted as comprising a portion of the total mineral resource rather than the mineral resources being additional to the ore reserves quoted. Under the JORC Code, either procedure is acceptable, provided the method adopted is clearly identified.

Cautionary Note to U.S. Investors Concerning Estimates of Measured Mineral Resources and Indicated Mineral Resources

This prospectus may use the terms “measured mineral resource” and “indicated mineral resource”. We advise U.S. investors that while such terms are recognised and permitted under Australian regulations, the U.S. Securities and Exchange Commission does not recognise them. U.S. investors are cautioned not to assume that any part or all of the mineral resources in these categories will ever be converted into ore reserves as such term is defined above.

Cautionary Note to U.S. Investors Concerning Estimates of Inferred Mineral Resources

This prospectus may use the term “inferred mineral resources”. We advise U.S. investors that while such term is recognised and permitted under Australian regulations, the U.S. Securities and Exchange Commission does not recognise it. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Australian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which are statements that are not historical facts, including statements about our beliefs and expectations. These statements are, by their nature, subject to significant risks and uncertainties. Forward-looking terminology such as “believe”, “seek”, “intend”, “could”, “estimate”, “continue”, “anticipate”, “project”, “plan”, “potential”, “will”, “may”, “should”, “expect” and similar terms and phrases are intended to identify a number of these forward-looking statements, which include, without limitation, statements relating to:

- our business and operating strategies and how we plan to implement these strategies;
- our operations and business prospects, including our exploration, development and financing plans for, our mining operations relating to and our collaborative efforts with, PRC companies on our projects;
- our use of proceeds from this Global Offering and our capital expenditure plans;
- our dividend policy;
- demand from the PRC for our products;
- future developments in and general outlook for the mining industry;
- our competitive environment in Australia and in other regions;
- the regulatory environment; and
- commercial assessments and use of discounted cashflow analysis.

These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. These statements are based on our beliefs and assumptions which, in turn, are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, many of which are beyond our control, including:

- our ability to obtain financing to fund capital expenditures, acquisitions and other general corporate activities;
- our actual economically recoverable minerals being lower than we have estimated;
- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions;
- the availability of business opportunities that we may pursue;
- our ability to obtain shareholder approval, if necessary, to implement any of our strategies or to undertake expansion plans; and
- the factors discussed under “Risk Factors”.

In light of these factors, we caution you not to place undue reliance on any of our forward-looking statements. We assume no obligation to update any information contained in this prospectus or to publicly release the results of any revisions to any forward-looking statements to reflect events or circumstances that occur, or that we become aware of, after the date of this prospectus. All forward-looking statements contemplated in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all the information in this prospectus, including the risks described below, before making an investment in the Offer Shares. The risks described below are not the only ones we face. You should pay particular attention to the fact that our principal operations are conducted in Australia and are governed by a legal and regulatory environment that may differ from that which prevails in other countries. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are an early-stage development company, have no operations and may not develop our business as planned or at all.

We were incorporated on 6 March 2009, and we currently have no commercial operations and, as such, your investment is highly speculative in nature. We have no operating history upon which an evaluation of our future success or failure can be made. We intend to use substantially all of the net proceeds from the Global Offering to partially finance the development of our coal and iron ore mining projects, which we expect to depend upon for substantially all of our operating revenues and cash flow. We will require additional financing to implement these projects. We may not be able to obtain such financing at commercially viable terms or at all. We have not entered into all the necessary agreements for the development of any of these projects. In addition, we do not have all our requisite approvals in place. Accordingly, and as a result of any of the additional risks identified below and elsewhere in this prospectus, we may not develop any mines as planned or at all.

The development of our planned mining projects will require substantial capital expenditure, experienced personnel and regulatory approvals. While members of our Board of Directors and our senior management have experience in mining projects, our Company, having been recently incorporated, has not previously implemented any mining projects. We will therefore be subject to all the risks inherent in the establishment of new greenfield mining and infrastructure projects.

Our current target is to commence first commercial production and earn revenue from our China First Coal Project by 31 December 2014 (based on our expectation that we will be able to procure that MCC Overseas and any other contractors construct the rail and associated infrastructure within three years) and from our China First Iron Ore Project in the first half of 2014. We do not expect to have any significant revenues until after the commencement of first commercial production at these projects, although we will be utilising a substantial portion of our net proceeds from the Global Offering in developing the mine, and processing facilities and related infrastructure before then. We currently expect estimated working capital and capital expenditure requirements for the 18-month period ending 30 June 2012 for each of the China First Coal Project and the China First Iron Ore Project to be approximately A\$2,101 million (US\$2,121 million) and A\$1,325 million (US\$1,338 million), respectively. Accordingly, we are subject to all of the risks inherent in companies without cash flow or earnings. This will make it difficult for prospective investors to assess our likely future performance. “First commercial production” means, with respect to the China First Coal Project, the point in time when raw coal is first processed into saleable thermal coal and able to be shipped from the port, which we currently expect to be three years from project release for procurement and construction (with up to another approximately three years being necessary to

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ramp up to full production of 40Mtpa of thermal coal); and, with respect to the China First Iron Ore Project, the point in time when magnetite iron ore is first processed into saleable iron ore concentrate product and able to be shipped from the port, which we currently expect to be 36 months from when we receive the net proceeds from the Global Offering (with up to another approximately two years being necessary to ramp up to full production of 12Mtpa of iron ore concentrate products).

We have not obtained a number of licences and approvals required for our projects and whether we obtain these licences and approvals on a timely basis or at all is dependent on factors beyond our control (including the consent of relevant Government ministers and agencies). Further, the licences and approvals we have obtained are subject to ongoing conditions and/or renewal.

We require various licences, permits, authorisations and approvals before mining and infrastructure development can commence, but have not yet obtained a number of them. There are well established approval regimes in Australia which govern the manner in which a project is taken from the exploration phase to development. The relevant licences, permits, authorisations and approvals will be applied for in accordance with the procedures set out in the relevant approvals regimes as and when required, with the approvals process varying depending on the stage of development of the project. Many factors will influence the timing of the grant of the licences, permits, authorisations and approvals required for our operations, including without limitation the following: (i) many of the relevant approvals are not subject to any time limits within the relevant government department; (ii) it is possible that adverse decisions can be made by Ministers for purely political reasons; (iii) rights of appeal exist in favour of third parties, which can add delay to the project timetable; and (iv) as noted in this section, the approvals process for the relevant tenements is not prosecuted by us, but by Mineralogy and Waratah Coal, who are outside of our control. Accordingly, these may not be granted in a timely manner or at all. Failure to obtain all necessary licences, permits, authorisations and approvals may prevent us from being able to develop our projects or may result in significant expenses or delays. For a description of the licences and approvals required for our projects and the process to obtain them, see “Our Business — Details of Our Development Projects and Exploration Rights — China First Coal Project — Mining Leases and Approvals” and “Our Business — Details of Our Development Projects and Exploration Rights — China First Iron Ore Project — Mining Leases and Approvals” and see generally “Our Business — Licences, Permits and Approvals”.

In particular, before we can develop the China First Coal Project, Waratah Coal must first be granted a mining lease and access to land or waters for the construction and operation of mine, rail and port infrastructure. The first step in this process is the publishing of the environmental impact statement which has not yet been finalised. Such leases and land access rights may not be obtained by Waratah Coal in a timely fashion, or at all. A number of factors that may delay or prevent Waratah Coal’s and our acquisition of the necessary leases and access rights are outside our control, including environmental issues, native title claims, landowner consent, changes in the regulatory environment, unforeseen geological, geophysical, physical or meteorological conditions, natural disasters and political and other external factors. We and Waratah Coal have started the process of applying for certain of these licences or approvals, but we will not be able to obtain many of them until the environmental impact statement has been lodged, reviewed and approved by the relevant government body. We and Waratah Coal are in the process of preparing the environmental impact

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statement which is proposed to be submitted in final form in May 2011. Concurrent to this process, we have commenced the design phase of the China First Coal Project in April 2011. The cost of the design phase, which is estimated to be up to US\$200 million and will be funded from the net proceeds of this Global Offering, will not be recoverable if environmental and other relevant approvals and the mining leases are not granted.

We, and Waratah Coal or Mineralogy from whom we have obtained our contractual mining rights, will also require various approvals including general corporate, mining, capital investment, manpower, environmental, land utilisation, mining tenement and Ministerial Statements and other licences to commence development of the China First Coal Project and the China First Iron Ore Project, and there is no guarantee that we will receive these on a timely basis, or at all.

The licences, permits, authorisations and approvals may also be granted subject to conditions which impose material restrictions on our ability to carry out the relevant project as planned or which require certain expenditures or activities in order to retain such licenses.

Any licences granted or approvals given to us, and Waratah Coal or Mineralogy from whom we obtain our contractual mining rights, are subject to periodic renewal. While we anticipate that renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there can be no assurance that new conditions will not be imposed.

A number of petroleum exploration tenements, which overlap with the areas subject to the exploration permits for coal held by Waratah Coal and form part of the China First Coal Project, have been granted to third parties. There is a risk that if a third party discovers petroleum on an overlapping petroleum tenement, the Company's ability to extract coal for the China First Coal Project may be adversely affected.

We are not the legal title holder of the mining tenements for the China First Coal Project and the China First Iron Ore Project and may lose our contractual right to mine because of the actions of Waratah Coal and Mineralogy, which are beyond our control.

We are not the legal title holder of the exploration tenements for the China First Coal Project and the mining and exploration tenements and ancillary tenements for the China First Iron Ore Project. We hold contractual rights only to mine specific quantities of coal and iron ore, each granted to us by Waratah Coal and Mineralogy, respectively. We do not hold any of the relevant project tenements in our own name.

Our contractual right to mine coal is granted pursuant to the Coal Mining Right Agreement, and is therefore dependent on Waratah Coal obtaining and retaining the relevant mining leases and any other land access as required for the China First Coal Project and Waratah Coal keeping the underlying tenements in good standing and complying with the Mineral Resources Act 1989 (Qld), the Native Title Act 1993 (Cth) and any other relevant legislation.

Our contractual right to mine iron ore is granted pursuant to the Iron Ore Mining Right Agreement, and is therefore dependent on Mineralogy keeping the underlying mining leases in good standing and complying with the Mining Act 1978 (WA) and the State Agreement Act. Our access to the Cape Preston Area and our contractual right to develop and utilise our own or shared infrastructure and

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facilities for the transport of iron ore product in the Cape Preston Area is dependent on Mineralogy (or a third party assignee of the tenements from Mineralogy) maintaining the underlying ancillary tenements in accordance with the terms of the Western Australian mining legislation. Our development of new, and additional development on existing, infrastructure and facilities is also dependent upon Mineralogy (or a third party assignee of the tenements from Mineralogy) obtaining all necessary governmental consents and approvals for that development.

We are also dependent on each of Waratah Coal and Mineralogy continuing to own the relevant mining tenements or procuring that any transferee of any mining tenements assumes the obligations of Waratah Coal or Mineralogy owed to us under the Iron Ore Mining Right Agreement or the Coal Mining Right Agreement.

We are not able to control the actions of Waratah Coal and Mineralogy (or the actions of any transferee of Waratah Coal or Mineralogy), who may or may not comply with their legal and contractual obligations. In the event of non-compliance, our operations may be disrupted and we may have to enforce our legal rights, which ordinarily would be a claim for monetary damages. The remedy of specific performance, which would legally compel Waratah Coal or Mineralogy to comply with its contractual obligations, would be available only if monetary damages were judicially determined not to be an adequate remedy. Consequently, if Waratah Coal or Mineralogy fails to comply with its contractual obligations or fails to provide full cooperation or acts or omits to act in a manner that frustrates the development of our projects, we may only be able to obtain limited remedies, such as a monetary award for damages, and not discretionary equitable remedies such as an injunction or specific performance of our contractual mining rights and related development rights.

Our contractual rights to mine under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement and our rights under the Iron Ore Facilities Deed may be threatened or at risk if Waratah Coal or Mineralogy were to be subject to insolvency or other winding up proceedings.

We derive our contractual rights to mine raw coal from specified areas covered by the South Alpha Deposit under the Coal Mining Right Agreement and magnetite iron ore from specified areas covered by the Balmoral Deposit and the Bilanoo Deposit under the Iron Ore Mining Right Agreement. The mining tenements underlying the South Alpha Deposit are held by Waratah Coal, and the mining tenements underlying the Balmoral Deposit and the Bilanoo Deposit are held by Mineralogy. Each of Waratah Coal and Mineralogy has given China First Coal and China First Iron Ore, respectively, certain undertakings in relation to the mining tenements, so long as our Controlling Shareholder controls Waratah Coal or Mineralogy, respectively. We also derive the right, subject to Mineralogy's consent, to access the Cape Preston Area and to develop and utilise our own or shared infrastructure and facilities to be constructed in the Cape Preston Area, including the port under construction by Sino Iron, under agreements with Mineralogy. All infrastructure and facilities to be used or constructed by China First Iron Ore under the Iron Ore Facilities Deed are owned and operated by Mineralogy.

If Waratah Coal or Mineralogy were to be subject to insolvency or other winding up proceedings, our contractual rights may be impaired or terminated, and our plans to develop and operate the China First Coal Project and the China First Iron Ore Project may be frustrated or delayed. In

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particular, as all infrastructure and facilities constructed in the Cape Preston Area are owned and operated by Mineralogy, any insolvency proceeding in respect of Mineralogy may result in creditors of Mineralogy taking possession of such infrastructure and facilities and either selling any such infrastructure and facilities or operating and managing the use of such infrastructure and facilities in a manner that is inconsistent with our development plans. Any of these developments may have a material adverse effect on our business. Based on advice from Blake Dawson, our Company's legal counsel on Australian law, in the event Waratah Coal or Mineralogy become insolvent or are subject to other winding up proceedings and an insolvency administrator is appointed, we consider the risk, that the insolvency administrator would ignore or disclaim our contractual rights under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement, is low.

We enjoy certain rights under the State Agreement which may be terminated because of default or repudiation by Mineralogy or any of the other parties, which are beyond our control.

China First Iron Ore is a party to the State Agreement, which specifies the requirements for project proposals and the project development approvals process, and grants certain iron ore royalty concessions granted from the State Government of Western Australia in the event that the magnetite ore is processed by Mineralogy in Western Australia.

The State Agreement may be terminated because of default or repudiation by Mineralogy or any of the other parties, regardless of our compliance with the State Agreement, which would result in the loss of all or some benefits available to us under the State Agreement. For further information on the consequences of termination of the State Agreement, please see "Laws and Regulations Relating to the Industry — State Agreement — Termination of State Agreement".

Our contractual rights to mine granted by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement do not give us exclusive possession over the areas which form the subject of those contractual rights to mine.

The contractual rights to mine granted by Mineralogy for the China First Iron Ore Project under the Iron Ore Mining Right Agreement and by Waratah Coal for the China First Coal Project under the Coal Mining Right Agreement do not give us exclusive possession over the areas which form the subject of those contractual rights to mine.

With respect to the Mineralogy Tenements, Mineralogy may enter the tenements to explore for and mine minerals other than magnetite iron ore, provided that such activities do not "unreasonably affect" our activities under our right to mine. In addition, we must cooperate with other holders of a right to mine granted by Mineralogy and permit common carrier pipelines, roads and similar facilities approved under the State Agreement over the area which form the subject of their right to mine. With respect to the Waratah Coal Tenements, Waratah Coal may enter the tenements to explore for and mine minerals other than coal, provided that such activities do not "unreasonably affect" our activities under our right to mine. The China First Iron Ore Project and the China First Coal Project may therefore be interfered with by future grants of rights granted to a third party, which may adversely affect our interests and harm our business.

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If any of the contracts entered into by the Company are not honoured, or any of their conditions are not complied with, the Company may incur losses and be unable to declare a dividend.

Except as permitted by our Constitution, no dividend is payable by us other than out of our profits. We may be unable to pay a dividend unless we have profits out of which a dividend can be declared. Further, under the Corporations Act, our Company must not pay a dividend unless: (i) our Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; (ii) the payment of the dividend is fair and reasonable to our Company's Shareholders as a whole; and (iii) the payment of the dividend does not materially prejudice our Company's ability to pay our Company's creditors. We have entered into numerous contracts, including with major state-owned enterprises, in connection with many aspects of our business, including but not limited to construction projects, mine development and sales of coal. Further details of our contracts are described in this prospectus. In the event that one or more of our contracts is not honoured or any of the conditions contained in our contracts are not observed by a contracting party, we may incur a loss in relation to such contract thereby adversely affecting our business, financial condition and results of operations. If the loss incurred in relation to such contract is significant, we may not achieve a profit, in which case we may be unable to pay a dividend.

Our EPCM Contract with MCC Overseas in respect of the China First Coal Project is subject to a number of conditions precedent and risks, and we are dependent on subcontractors submitting reasonable quotes to undertake works.

We have entered into the EPCM Contract with MCC Overseas for engineering, procurement and construction management services to develop the China First Coal Project. Under the EPCM Contract, MCC Overseas is responsible for the design, engineering planning, procurement, construction management and management of trade contractors, coordination, administration, pre-commissioning, commissioning of the project and production start-up of the China First Coal Project. The project budget is stated to be US\$8.013 billion.

The EPCM Contract is conditional upon receipt of approvals from the State Government of Queensland and the Commonwealth Government of Australia to allow the project to commence construction and proceed to the point of producing and exporting coal, execution of land access agreements with third parties, China First Coal having secured unconditional equity funding for 30% of the project, buyer's credit arrangement for up to 70% of the project cost with China Eximbank having been finalised and becoming unconditional and completion of this Global Offering, in each case by 31 March 2012. There can be no assurance that these conditions will be satisfied.

MCC Overseas must ensure that practical completion is achieved by the date for practical completion to the extent that it is within the power of MCC Overseas to do so. The date of practical completion is stated to be 1 July 2014. MCC Overseas will not be liable for liquidated damages for delay and these losses will be borne by us.

Preliminary design and engineering for subcontractors' works has not been determined. Subcontractors are expected to quote fixed price lump sum amounts for works to be completed by

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them. Subcontractors may decline to quote or quote prices and timelines which are not acceptable to China First Coal. If the China First Coal Project cannot be contracted within the project budget, China First Coal may terminate the EPCM Contract and pay MCC Overseas a break fee of US\$20 million.

The EPCM Contract is also subject to a number of risks. The actual project cost is not known and will only be known once fixed lump sum quotes are provided to MCC Overseas. The actual project cost estimate and the actual total cost of the project may therefore be higher than the project budget. In addition, there can be no assurance that this project will be completed within the time frame we currently target, or at all, given that we do not have detailed designs and no contractors have been appointed. We are dependent on subcontractors entering into binding contracts as contemplated by the EPCM Contract.

Our ability to develop, expand or use the necessary infrastructure and facilities required for the China First Iron Ore Project is dependent upon Mineralogy's consent and other factors outside our control.

Under the terms of the Iron Ore Facilities Deed, Mineralogy may require us to ensure that the iron ore transport infrastructure developed by us is suitable for expansion, to share the infrastructure developed by us with third parties at costs determined by Mineralogy and to pay various costs payable under the Iron Ore Facilities Deed, which will be determined solely by Mineralogy at its absolute discretion. Mineralogy will also advise on the maximum amount of products which may be shipped by China First Iron Ore through the port each year and will be responsible for scheduling of shipment of China First Iron Ore's products. Any such requirements imposed or determinations made by Mineralogy may have a material adverse effect on our operations, financial condition and ability to achieve the project completion on a timely basis, in a cost-effective manner, or at all.

In addition, despite China First Iron Ore having entered into the Iron Ore Facilities Deed with Mineralogy to coordinate the development of infrastructure facilities for the China First Iron Ore Project, we have not agreed the terms, nor timing in relation to how such infrastructure will be developed. Mineralogy may therefore disagree with our plans and delay, change or prevent the development of adequate infrastructure suitable for the China First Iron Ore Project. Our development plans (including project financing) and certain other rights in relation to our China First Iron Ore Project are subject to obtaining approval from Mineralogy. Mineralogy may, instead of approving the proposal of China First Iron Ore, require China First Iron Ore to use existing or other proposed infrastructure and facilities, contribute to the development of existing or proposed infrastructure and facilities, or reimburse third parties that have developed existing infrastructure and facilities. Mineralogy may require that third parties use infrastructure and facilities developed by China First Iron Ore in Mineralogy's absolute discretion, which could have a material adverse effect on our ability to achieve project completion.

The provisions of the Iron Ore Facilities Deed are potentially uncertain, and as a result may not be enforceable. Further, the rights of Mineralogy to grant us the use of shared infrastructure and facilities is dependent upon the terms of the relevant facilities deed in place, or to be executed, between the relevant co-proponent and Mineralogy, to which we are not a party. If we are unable to enforce our rights to develop our own or utilise shared infrastructure and facilities under the Iron Ore Facilities Deed, our business will be materially and adversely affected.

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We intend to utilise and/or expand upon some of the infrastructure facilities that are being developed by Sino Iron (which is owned by CITIC Pacific), in particular the port facilities and transportation and power infrastructure, in order to minimise duplication of infrastructure for the China First Iron Ore Project and reduce our overall costs of development. However, this plan is subject to Mineralogy's approval and reaching agreement with CITIC Pacific, neither of which we have obtained. Failure to develop or obtain adequate and suitable infrastructure would impact the success of our projects and therefore materially and adversely affect our business and results of operations.

Other projects may also be developed in the vicinity of our projects, and the government may not approve the construction of several sets of similar infrastructure in the same area. We may therefore be required by Mineralogy to share necessary infrastructure constructed by other parties, which may not be suitable for our use. The sharing of infrastructure that is not suitable for the China First Iron Ore Project, may have a material and adverse impact on our planned production levels, revenue and cost and thus the financial viability of the project.

We will require additional financing to implement our projects which we may not be able to obtain on commercially viable terms, or at all.

The exploration for and development of natural resources requires substantial capital investment. The estimated capital cost is approximately A\$8.0 billion (US\$7.3 billion) for the China First Coal Project and approximately A\$2.7 billion (US\$2.5 billion, based on the exchange rate of A\$1:US\$0.9078 used in the Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project) for stage 1 of the China First Iron Ore Project. We intend to use substantially all, if not all, of the net proceeds from the Global Offering for our projects, but we will require additional funding in the form of debt or further equity to meet our capital expenditure needs. Such capital expenditure will be required to develop our projects, to place them in commercial production and to expand our business.

MCC, on behalf of China First Coal, has applied for a buyer's credit facility from China Eximbank for the lower of (i) 70% of the total project investment cost of the China First Coal Project or (ii) 85% of the total amount of the construction contract for the China First Coal Project. China Eximbank has issued a letter of intent with respect to such financing, provided, among others, the feasibility study prepared by MCC is accepted by China First Coal, the conditions and requirements of the bank's credit policy are satisfied, the final coal purchase agreement and respective EPC contracts with potential PRC participants are entered into, 30% of the total investment cost of the project is funded through successful equity capital raising, the bank completes due diligence and obtains final approval from its management and approvals from the PRC and Australian governments are obtained. Any one or more of these conditions may fail to be satisfied. This letter of intent does not guarantee completion of debt financing. Furthermore, under the Sino-Australian Coal Purchase and Supply Agreement, if we fail to secure debt financing from China Eximbank, any syndicate participating banks of China Eximbank or other PRC bank(s) acceptable to China Power International Holding, China Power International Holding may terminate that agreement which may have a material adverse effect on our business. If China First Coal fails to secure debt financing, we intend to seek joint venture arrangements with other mining companies to implement the China First Coal Project which may or may not be agreed on commercially satisfactory terms, if at all.

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We expect to fund stage 1 of the China First Iron Ore Project through net proceeds from this Global Offering and debt financing. Following Listing, we intend to seek one or more PRC-based entities to provide or arrange for debt financing for approximately 70% of the capital cost of stage 1 of the project. There is no guarantee that the proceeds raised by the Global Offering will be sufficient for these purposes, and delays or unexpected costs may impact upon our current business plan. As such, if we are able to enter into such arrangements for 70% debt financing, we may still require additional funds for the development of the China First Iron Ore Project, either because the available net proceeds of the Global Offering are less than 30% of the capital cost of the project or because the actual total capital cost is higher than estimated by ProMet Engineers. We intend to obtain such funds through additional capital raising, consisting of either debt or equity or a combination of both. We have not, however, entered into any such arrangements for 70% debt financing or commenced any such additional capital raising exercises for the China First Iron Ore Project.

The additional financing we will require for our projects may not be available on acceptable terms, or at all, particularly in light of the current global financial conditions and may have an impact on other areas of our business such as our offtake arrangements for the China First Coal Project. Continued disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity. Failure to obtain additional financing to meet the capital costs of our projects and to satisfy our operating, development and expansion plans will materially and adversely affect our ability to continue with the development of our projects and our business and results of operations.

Any debt financing could make us more vulnerable to changing exchange rates, interest rates, competitive pressure and economic downturns in our industry or the economy, in general. It could also require us to use a portion of our cash from operations for the repayment of debt, which will reduce the cash that would otherwise be available for our working capital needs, capital expenditures, acquisitions and other general requirements and reduce our flexibility to respond to changing business, regulatory and economic conditions.

Certain of our Directors and senior management may be subject to conflicts of interest because of affiliations with other resource companies.

Certain of our Directors and senior management serve as officers and/or directors of other resource exploration and development companies which are themselves engaged in the search for additional opportunities, including:

- our Chief Executive Officer, Professor Clive F. Palmer, who beneficially owns 100% of the shares in, and is the Executive Chairman of, Mineralogy; and
- Geoffrey Smith, who is a director of Mineralogy.

Situations may therefore arise where such persons are presented with, or identify, resource exploration opportunities that may be or perceived to be in competition with us for exploration opportunities. As some of our Directors and officers have a financial interest in other resource companies to whom they owe a fiduciary duty, our management may never be financially disinterested in such potential conflicts of interest situations. For further information, please refer to the “Relationship with the Controlling Shareholder” section.

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Restrictions on foreign investment in our Company or in the Australian mining industry may apply.

Foreign persons are currently allowed to invest in mining and exploration projects in Australia subject to compliance with the foreign investment regime described below. However, the respective governments may impose restrictions on such investments or prohibit them completely.

We are not currently a “foreign person” for the purposes of the FATA. We will become a “foreign person” immediately following Listing (including exercise of the Over-allotment Option) if 40% or more of the interests in our Shares are sold to “foreign person” investors in this Global Offering. It is not currently anticipated that any single “foreign person” investor in the Global Offering (together with its associates) will hold 15% or more of the interests in our Shares.

In the event that 15% or more of the interests in our issued Shares become owned by a single “foreign person” (generally, any person or entity that is not an Australian resident but including any Australian company in which a “foreign person” has voting power (including potential voting power) of more than 15%) and its associates, or two or more “foreign persons” (even if unrelated to each other) and their associates in aggregate acquire, or obtain control over, 40% or more of the interests in our issued Shares or voting power (including potential voting power) in our Company, we will become a “foreign person” for the purposes of the FATA. Acquisitions by “foreign persons” of mineral rights, mining leases and mining tenements or production licences are subject to review and prior approval by the Treasurer (unless an exemption applies) if: (1) such acquisitions provide the right to occupy Australian urban land and the term of the lease or licences (including extensions) is likely to exceed 5 years; or (2) such acquisitions provide an interest in an arrangement involving the sharing of profits or income from the use of, or dealings in, Australian urban land. Accordingly, if we become a “foreign person”, certain further investments in Australia by us (including the contemplated upgrading of our rights under the Coal Mining Right Agreement when Waratah Coal obtains the relevant mining leases for the China First Coal Project, acquisitions of interests in Australian urban land and some acquisitions in Australian corporations) may be subject to review and prior approval by the Treasurer, which may or may not be given or may be given only subject to conditions that we may need to comply with. If such approval is required and not given in relation to an investment, we will not be able to proceed with that investment.

Common exemptions relied upon by “foreign persons” include acquisitions from an Australian Government (Federal, State or Territory) or government corporation, acquisitions of developed commercial property valued at less than A\$50 million and acquisitions of less than 15% in a listed AULC or land trust estate.

However, as our business is in the exploration for, and production of, mineral resources, we have no intention of developing commercial real estate or acquiring interests in a land trust estate. As such, the impact of our being considered a “foreign person” is limited to the review and approval procedures noted above, and we do not consider that these procedures will materially affect our Company’s business operations.

Any shareholder of our Company who is a “foreign person” will also be subject to the requirements and limitations described above. Any person who acquires interests in our Shares (including interests in issued or unissued Shares arising from agreements to acquire Shares and instruments such as

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options and convertible securities) will be required to obtain prior approval by the Treasurer if the acquisition would result in a single “foreign person” (together with its associates) holding or controlling 15% or more of the interests in our Shares, or controlling 15% or more of the voting power (including potential voting power) in our Company (or would result in any increase to a “foreign person’s” (together with any associates) interests or voting power (including potential voting power) above those levels). If this occurs, and approval was not obtained for the acquisition, the Treasurer may, among other things, direct the disposal of the acquired Shares, restrain the exercise of rights attached to the acquired Shares, or prohibit or defer the payment of any sums due in respect of the acquired Shares. Although there is no legal requirement to obtain prior approval from or provide notification to the Treasurer where this 15% threshold is not exceeded and we are not an AULC at the time of the relevant acquisition, such orders may also be made in respect of any acquisition by a “foreign person” where two or more “foreign persons” (together with their associates) in aggregate hold or control, or would as a result of the acquisition hold or control, 40% or more of the interests in our Shares or voting power (including potential voting power) in our Company. If the Treasurer is made aware of such acquisition and determines that the result of the acquisition is contrary to Australia’s national interest, the Treasurer may, among other things, direct the disposal of the acquired interests in Shares, restrain the exercise of rights attached to the relevant interests in Shares, or prohibit or defer the payment of any sums due in respect of the acquired interests in Shares. According to Australian counsel, acquisitions of less than 15% interests in Australian corporations that are listed outside of Australia and are not AULCs generally do not raise “Australian national interest” concerns and thus such acquisitions are unlikely to result in the Treasurer electing to use his powers under the FATA.

The 15% or 40% thresholds are not a cap or restriction on an investment. They are the level at which the FATA is triggered and the Treasurer’s powers are active if a proposal is considered contrary to Australia’s national interest.

Prior notification requirements under the FATA will also apply to all acquisitions of interests in our Shares by “foreign persons” (regardless of whether the 15% or 40% thresholds described above are exceeded) if our Company becomes an AULC and is not listed on an Australian stock exchange. We will be deemed to be an AULC if the total value of our “interests in Australian urban land” (including interests in land in Australia used for mining purposes) held by us and each of our subsidiaries exceeds 50% of the total value of our combined total assets. When we commence construction of our projects, we are likely to capitalise the construction costs as an asset of our Company. It is possible that the future economic benefit therefore of these assets will be recorded as part of our properties, plant or equipment or intangible assets or rights such that the value of our interests in land as a percentage of our total assets may increase to a level where we will be deemed to be an AULC.

If ever our Company considers that it is likely to become an AULC, we may apply for a listing on the ASX in order to allow foreign investors to rely on a regulation made under the FATA that provides that the FATA does not apply to an acquisition of less than 15% in an AULC. The criteria for operation of this AULC exemption also require that the developed residential real estate of the AULC amount to less than 10% of the AULC’s total assets. Our Company will not hold such levels of developed residential real estate. We consider that, following Listing on the Stock Exchange, our Company will or will be able to satisfy the ASX’s existing listing criteria. However, there can be no

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guarantee that such a listing would be granted as the decision to grant any application to list on the ASX is at the discretion of the ASX. We will seek a listing on the ASX by the second half of 2011 if we are required to meet the criteria for the operation of the AULC exemption. See “Summary of the Constitution of Our Company and the Australian Corporations Act” for a discussion on certain ASX listing requirements which we will have to meet.

Regulation 3(j) of the Foreign Acquisitions and Takeovers Regulations 1989 exempts acquisitions of interests by foreign persons in Australian urban land where, as a consequence of the acquisition, the foreign person holds less than a substantial interest (i.e., 15% interest in an AULC with less than 10% of its real estate assets in the form of developed residential real estate or an interest in an AULC that is publicly listed on an Australian stock exchange) or, if two or more foreign persons hold interests in the AULC, those foreign persons hold less than an aggregate substantial interest (i.e., 40% interest) in that corporation. In practice this exemption is regarded as applying to individual acquisitions of less than 15% interests in listed companies even where the 40% aggregate level is exceeded.

Regulation 3(j) is not expressed to be a cap on individual investments by foreign investors. Exceeding the 40% threshold leaves open the possibility of an adverse order by the Treasurer; however the risk of the Treasurer exercising power in an offshore context in respect of a less than 15% interest is minimal. As the Company will be listed offshore on the Stock Exchange and when listed on an Australian stock exchange, the risk of the Treasurer exercising powers in respect of the acquisition of an interest of less than 15% in an AULC whose land interests are non-residential is low even where the aggregate foreign holding amounts to 40% or more.

Accordingly, and in order to summarise the above:

- in the event that either (a) 15% or more of the interests in our Shares become owned by a single “foreign person” and its associates; or (b) two or more “foreign persons” and their respective associates in aggregate acquire, or obtain rights over, 40% or more of the interests in our issued Shares or voting power in our Company, we will become a “foreign person” for the purposes of FATA. As a “foreign person”, we will require the review and prior approval from the Treasurer to conduct certain business operations (as outlined above). That review process is not onerous in practice and unlikely to impact on investors in any way (assuming no change to the current FATA or the Australian Federal Government’s Foreign Investment Policy and that the Company’s proposed acquisitions are consistent with the Australian Federal Government’s Foreign Investment Policy and not contrary to Australia’s national interest);
- in the event that we are not an AULC at the time when two or more “foreign persons” and their respective associates in aggregate acquire, or obtain rights over, 40% or more of the interests in our issued Shares or voting power in our Company, there is no legal requirement for those “foreign persons” to obtain prior approval from or provide notification to the Treasurer in respect of those interests which are equal to or exceed the 40% threshold where the 15% threshold is not exceeded. However, if the Treasurer is made aware of such acquisition and determines that the result is contrary to Australia’s national interest, the Treasurer may, among other things, direct the disposal of those acquired Shares, restrain the exercise of rights attached to the acquired Shares, or prohibit or defer the payment of any sums due in respect of the acquired Shares;

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- even if our Company becomes an AULC and the Treasurer does not exercise his powers in respect of an acquisition by a “foreign person” of a less than 15% interest in our Shares, where two or more “foreign persons” and their associates in aggregate acquire, or obtain rights over, 40% or more of the interests in our issued Shares or voting power in our Company, there remains the risk of an adverse order by the Treasurer in respect of those interests which are equal to or exceed the 40% threshold (notwithstanding that a listing is obtained on an Australian stock exchange); and
- in the event that our Company becomes an AULC and is not at that time listed on an Australian stock exchange, prior notification requirements under the FATA will apply to all acquisitions of interests in our Shares by “foreign persons” (regardless of whether the 15% or 40% thresholds described above are exceeded) meaning that investors in our Company must notify FIRB of the timing and circumstances surrounding the acquisition of even a single share. However, in practice, the risk of the Treasurer exercising powers in respect of the acquisition of an interest of less than 15% in an AULC whose land interests are non-residential is low.

Our Directors have formed a committee comprising two executive Directors, namely Professor Clive F. Palmer and Clive Mensink, to monitor (especially prior to announcement of results and prior to incurring major capital expenditure) and seek to ensure that our Company manages its affairs so as not to become an AULC, or not until such time as our Company meets the criteria for the operation of the AULC exemption.

Restrictions on foreign investment in the Australian mining industry, or in any other jurisdiction in which we may in future explore or develop resources, may have a significant impact on our growth and would materially and adversely affect our business.

Our mineral projects may yield fewer minerals than indicated by our resource estimates and may not ultimately be extracted at a profit.

We have prepared resource estimates for our mineral projects in accordance with the JORC Code, but these estimates are based on various assumptions including geological conditions and historical production from the area compared with production from other producing areas. Actual factors may, however, vary considerably from these assumptions. Such resource estimates are, therefore, by their nature, imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate.

In addition, substantial additional work and expenditure will be required to obtain additional mineral reserves and to construct mining and processing facilities and infrastructure. Only those mineral deposits that we can economically and legally extract or produce, based on a comprehensive evaluation of cost, grade, recovery and other factors, are considered “reserves”.

Our estimates may prove to be materially inaccurate, or our resources may not ultimately be extracted at a profit. The grade of ore ultimately mined may also differ from that indicated by drilling results. We may therefore have substantially less, if any, minerals which could be recovered profitably, and our revenues, operations, financial condition and prospects would be materially and adversely affected.

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Our actual results of operations may differ significantly from certain information included in the Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project prepared by ProMet Engineers reproduced in Appendix VI to this prospectus.

We have included, and also extracted certain information from, a report by ProMet Engineers because we believe that their evaluations are helpful to an investor's understanding of our China First Coal Project and China First Iron Ore Project. This report is based on certain assumptions, including, among others, forward-looking assumptions about development time frames including government approvals and development of infrastructure, production capacities, fixed capital costs, operating costs, product prices, sales levels, inflation rates, exchange rates and financing costs. In particular, the net present value and operating costs per tonne information assumes, among other things, a discount rate of 8% and that each of the China First Coal Project and the China First Iron Ore Project achieves production at the times and levels and within the cost estimates as detailed further in this prospectus, which cannot be assured. Investors should not place undue reliance on this information, which is provided for illustrative purposes only. Investors should in particular make their own assessment as to future prices for coal and iron ore and as to the appropriate discount rate for mining projects of this size and type.

These forward-looking assumptions may differ from our development plans or may require revision in light of actual production experience, operating costs, world mineral prices and other factors. In particular, operating costs, product prices, exchange rates and financing costs have been assumed based on current market conditions which may or may not prove to be a stable medium to long-term indicators of demand. These costs and exchange rates have experienced significant fluctuations in the past and may fluctuate in the future. We cannot assure you that our actual net present value, operating costs and earnings, among other things, will not differ materially from our estimates in this prospectus. If there is a significant change in the above factors, our actual results of operations may be materially and adversely affected. You are therefore cautioned not to rely on the conclusions stated in the reports.

The development of our projects and the development of adequate and suitable infrastructure may be delayed, may exceed the expected budget or may not be developed at all.

Our projects and our ability to develop adequate infrastructure may be delayed or adversely affected by a variety of factors, including:

- failure to obtain the necessary tenure, access rights or regulatory approvals;
- failure to obtain sufficient funding;
- failure to engage an engineering, procurement and construction contractor and the subcontractors required to undertake specific works;
- difficulties or delays in the construction of infrastructure required for our projects;
- technical difficulties such as equipment or machinery malfunction;
- resource constraints, particularly in Western Australia and Queensland, where, for example, there is limited access to fuel to generate electricity for mining operations in rural areas and access to the fresh water resources required for our operations can be difficult to procure and may be potentially quite costly;
- availability of labour;
- labour disputes or work stoppages;
- disputes with or defaults by our contractors;

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- changes in the regulatory or political environment;
- unforeseen geological or geophysical conditions;
- weather interferences, fires or other natural disasters; and
- failure to secure adequate rail and port capacity for the transport of our product.

Costs of our projects and the necessary infrastructure may also exceed our planned investment budget because of such delays, unforeseen geological, engineering and/or environmental problems, changes to plans and specifications and shortages of, and price increases in, energy, materials, equipment and labour. Any such delays, cost overruns or inability to develop infrastructure could have a material adverse effect on our results of operations, financial condition and ability to achieve project completion. All these matters may adversely affect the assumptions upon which the net present value and operating costs per tonne data are based in the report by ProMet Engineers.

We may not be able to sell all or any of our coal or iron ore products at the price or quantity that we expect.

China First Coal has entered into the Vitol Coal Supply Agreement with Vitol under which Vitol has agreed to purchase and take, or pay if not taken, an aggregate quantity of thermal coal produced from the China First Coal Project that is equivalent to 20 Mtpa less a 10% operational tolerance for a period of 20 years. The Vitol Coal Supply Agreement is conditional upon the establishment and operation of the China First Coal Project, China First Coal obtaining all government approvals necessary for it to enter into and perform its obligations under the agreement, and the conditions precedent to the Coal Mining Right Agreement having been satisfied or waived in accordance with that agreement and the first supply of a commercial quantity of coal to Vitol on or before 31 December 2016. If any of these conditions are not satisfied or waived by both parties, then the obligations of Vitol under the Vitol Coal Supply Agreement will not come into force. The pricing for the coal supplied under the agreement is calculated as a base price (which will be agreed between the parties on an annual basis having regard to, among other considerations, the relevant benchmark price, to reflect the prevailing market price for thermal coal) adjusted for actual coal quality (as measured by moisture, calorific value, sulphur content and ash content). If the parties are unable to agree the base price, the price shall be the average price for coal as recorded by GlobalCoal FOB Newcastle (New South Wales, Australia), as adjusted for coal quality, transport savings, marketability of the coal and any differences in the gross calorific value of the coal, such premiums or discounts to be mutually agreed between the parties. There is some uncertainty over how these terms will be resolved and this could result in Vitol's purchase obligation being unenforceable. The parties have agreed to consult further as to the existing terms of the agreement and confirm the agreement and all of its terms, negotiate and agree amendments to the agreement by 30 August 2011 or terminate the agreement at any time during the period between 14 August 2011 and 30 August 2011. Further, the agreement states that neither party shall be liable to the other party, except in case of wilful misconduct or fraud, for any loss of profit or loss of revenue, which could result in us being unable to recover losses that we may suffer as a result of a breach of the agreement by Vitol. If the obligations of Vitol under the agreement do not come into force, the purchase obligation of Vitol is unenforceable or we are unable to recover our losses for a breach of contract, then this could materially and adversely affect our business and results of operations. We are currently in discussions with other companies to secure alternative offtake arrangements for our thermal coal should the offtake arrangements with Vitol not be agreed.

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China First Coal has also entered into the Sino-Australian Coal Purchase and Supply Agreement with China Power International Holding under which China First Coal has agreed to supply to China Power International Holding, and China Power International Holding has agreed to purchase from China First Coal, in each contract year for a supply period of 21 years from the date of first shipment (i) 50% of the thermal coal produced during the period from the date of first shipment until the earlier of the date when the China First Coal Project reaches full production capacity of 40 Mtpa or 30 months from the first shipment, and (ii) 20 Mtpa thereafter. The pricing formula under this agreement is complex, subject to reduction for any import duty imposed by the PRC government on the import of coal and ensures that China Power International Holding's receipt of purchase money for thermal coal sold to third-party customers achieves a minimum profit margin of 3%. See "Our Business — Details of Our Development Projects and Exploration Rights — China First Coal Project — Sales — Offtake Arrangement with China Power International Holding" for further details. If a dispute arises between the parties as to either the price or quantity to be purchased in a contract year, either party may refer the matter to an expert for determination, in which case there is some uncertainty over how these key terms will be resolved and this could result in this purchase obligation of China Power International Holding being unenforceable. Furthermore, if we fail to secure debt financing from either the China Eximbank, any syndicate participating banks of China Eximbank or other PRC bank(s) acceptable to China Power International Holding, under the terms of the Sino-Australian Coal Purchase and Supply Agreement, China Power International Holding may terminate that agreement which may have a material adverse effect on our business.

The purchase obligation of China Power International Holding under that agreement is subject to the satisfaction, or its unilateral waiver, of (i) China First Coal having procured the completion of construction of the China First Coal Project by 1 January 2019 and (ii) the EPCM Contract between China First Coal and MCC Overseas for the development of the China First Coal Project being in full force and effect on 1 January 2019 unless it is terminated for any reason other than due to any default of MCC Overseas under that agreement. Further, if the first shipment has not occurred by 31 December 2016, China Power International Holding may terminate the agreement in full and shall be held harmless by China First Coal for any direct loss, liability or damage it may incur, provided that the obligation of China First Coal to indemnify China Power International Holding from such loss, liability or damage shall not be more than US\$40 million. If the China First Coal Project is not being funded in whole or mostly in part by China Eximbank, any syndicate participating banks of China Eximbank or other PRC bank(s) acceptable to China Power International Holding, China Power International Holding may terminate that agreement on or before 1 January 2019. If that agreement is terminated, then this could materially and adversely affect our business and results of operation.

We have not entered into any offtake arrangements for the purchase and sale of the iron ore to be produced from the China First Iron Ore Project. Accordingly, we will be subject to market demand for and prices of these products. As such, we may not be able to sell the products at the prices that we currently expect, or at all.

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We have entered into a framework agreement and may enter into a memorandum of understanding, each in relation to the China First Coal Project and which is/will be subject to further agreements being negotiated and agreed.

We have entered into the CREC Framework Agreement with CREC for the appointment of CREC as the EPC contractor for the construction of the rail and associated infrastructure for the China First Coal Project. Performance under this framework agreement is conditional on Listing, the subscription by CREC for US\$200 million of Offer Shares as part of the International Offering and the parties entering into a definitive EPC contract within six months after the completion of the Global Offering.

We may enter into a memorandum of understanding to negotiate and finalise an EPC contract with China Communications Construction for construction of the port facilities and associated infrastructure for the China First Coal Project. This memorandum of understanding would not be legally binding.

There can be no assurance that any such definitive EPC contracts will be entered into nor all necessary approvals obtained. Failure to secure these definitive EPC contracts will materially and adversely affect our ability to continue with the development of the China First Coal Project and our business and results of operations.

Letters of support received from the government are not a guarantee of government support or approval for our China First Coal Project.

We have received a letter of support from Anna Bligh, the current Premier of Queensland, in which the Premier noted the State Government of Queensland's in-principle support to the China First Coal Project. This letter reflects in-principle support only, and we and Waratah Coal are still required to obtain the normal approvals required for a project of this nature and our applications for such approvals will still need to meet the standard requirements. The granting of such in-principle support does not represent, nor does it imply, any government guarantee for the commercial success or otherwise of the development of the project, nor does it absolve the project from meeting the standard requirements of approval processes as for other similar projects. Failure to obtain the necessary government approvals will materially and adversely affect our ability to continue with the development of the China First Coal project and our business and results of operations.

Our continuing connected transactions are subject to independent Shareholders' approval.

We have applied to the Stock Exchange for waivers in relation to certain continuing connected transactions between ourselves and certain connected persons of the Company, namely the Coal Mining Right Agreement, the Iron Ore Mining Right Agreement and the Iron Ore Facilities Deed, under Chapter 14A of the Listing Rules. Please see "Connected Persons and Connected Transactions" for further details.

Under the terms of the waivers, the annual caps for each of these continuing connected transactions would apply in respect of (i) the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement, for each of the three financial years from their respective payment commencement date and (ii) the Iron Ore Facilities Deed, for each of the three financial years ending 30 June 2011, 2012

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and 2013. We will be required to re-comply with the relevant requirements of Chapter 14A of the Listing Rules (including setting annual caps, issuing announcement and/or obtaining independent Shareholders' approvals) before the end of the relevant three-financial-year period applicable to each of the continuing connected transactions.

Further, we may be entering into other continuing connected transactions with Waratah Coal in relation to certain rail and port infrastructure for the China First Coal Project. Please see "Connected Persons and Connected Transactions — Continuing Connected Transactions — Potential Future Continuing Connected Transactions" for more details. Such continuing connected transactions, if entered into, will be subject to the relevant requirements of Chapter 14A of the Listing Rules, which may include the approval of the independent Shareholders.

There is no assurance that we will be able to obtain the approval of independent Shareholders for these continuing connected transactions, and if such approval is not granted in respect of any of these continuing connected transactions at the relevant time, we may not be able to continue the relevant project and such project would be of no value to our Company, which will have a material adverse effect on our results of operations and financial condition.

The Federal Government of Australia has announced its intention to impose a mineral resource rent tax on mining of iron ore and coal which may have an adverse impact on our Company and our projects.

In July 2010, the Federal Government of Australia announced plans to impose a minerals resource rent tax ("MRRT") on the mining of iron ore and coal. The current proposal by the Federal Government of Australia is for the MRRT to be levied at a rate of 30% of the operating margin (revenue less operating and investment costs) less the MRRT allowance (unused losses carried forward at the long-term government bond rate plus 7%), less an extraction allowance which provides a 25% discount to the MRRT liability. Other key features of the current proposal include, among others, immediate write-off of new investment made after 1 July 2012, offset for state royalties paid in respect of a mining project against the MRRT liability, and transferability of deductions between projects. The Federal Government of Australia has proposed public release of the draft legislation for public comment by June 2011 and introduction of legislation into Parliament in the latter half of 2011, with anticipated passage of the legislation in early 2012. To become law, the proposed MRRT must be passed by both Houses of Parliament. While there is no certainty as to whether the MRRT will be enacted in its announced form, if at all, no assurance can be given that some form of a profits-based resource tax will not be introduced. Our proposed projects, and this prospectus including the financial analyses and feasibility studies discussed in this prospectus, have been prepared to reflect the laws and regulations currently in force. Any increase in the overall tax rate applicable to resource-based profits will have a commensurately negative impact on after-tax profits and returns to Shareholders of our Company and may also affect the willingness of our Company to undertake investment in new projects in Australia. However, as there is uncertainty as to whether (and, if so, in what form) the proposed tax legislation will be enacted, we cannot be certain of the impact of this proposed tax on our Company, our business or our results of operations.

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Fluctuations in exchange rates could adversely affect the development of our projects and our results of operations and financial condition.

We intend to use substantially all of the net proceeds from the Global Offering for our projects. However, while the estimated capital costs of our projects are denominated in Australian dollars, they will be funded by the net proceeds from the Global Offering, which will be denominated in Hong Kong dollars. Actual payments may be in a variety of foreign currencies including U.S. dollars and Renminbi. Any depreciation in the foreign currency exchange rates among these currencies may therefore result in a shortfall in the funding of our projects. For example, the estimated capital cost of the China First Coal Project based on the Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project prepared by ProMet Engineers is A\$8.0 billion which was approximately US\$7.3 billion based on the exchange rate of A\$1:US\$0.9078 used in the report (HK\$56.7 billion), but would be HK\$66.7 billion and US\$8.6 billion based on the respective exchange rates as of 13 May 2011. Certain components of the capital cost of our projects will be denominated in other currencies, including U.S. dollars and Renminbi. Consequently, fluctuations in the exchange rates of these currencies at the time we incur the cost will impact our initial estimates. In addition, our financial statements are prepared in Australian dollars, but we anticipate that our revenues will generally be denominated in U.S. dollars and our operating expenses will be incurred in a number of currencies. Our budgets and operations will therefore be subject to fluctuations in foreign currency exchange rates among the U.S. dollar, Australian dollar and other currencies, which may result in excesses or shortfalls in liquidity, depending on market conditions.

We are not party to any exchange rate risk management transactions. We therefore are dependent, in respect of any shortfalls in funding as a result of exchange rate fluctuations, upon additional funding from commercial banks or other sources. There can be no guarantee such additional funding, if required, will be available on commercially acceptable terms, or at all.

We will be dependent on external contractors over whom we have no control.

We intend to outsource substantially all our exploration, mining and development activities pursuant to service contracts with third-party contractors. While we have entered into an agreement with MCC Overseas with respect to EPCM of the China First Coal Project, we intend to enter into further contracts with subcontractors for the construction of infrastructure relating to our projects. In addition, we intend to engage Australian mining contractors for our mines but have not currently identified nor hired any. Such contractors may have economic or other interests or goals that are inconsistent with our interests or goals or may be unable or unwilling to fulfil their obligations or comply with our instructions or requests. Their performance may be constrained by labour disputes or actions, shortages in the supply of plant capacity, equipment, facilities, services, materials or supplies or damage to or failure of plants, equipment and machinery. In the event of such problems, we may not be able to find a suitable replacement contractor within a reasonable time, or at all, and our business and results of operations would be materially and adversely affected. We may not be able to control the quality, safety and environmental standards of the work done by third-party contractors to the same extent as when the work is performed by our own employees.

We may face competing claims such as native title and Aboriginal cultural heritage claims over the land on which our proposed operations are located.

If tenement applications overlap with other pre-existing types of land tenure (for example, pastoral leases) where native title may continue to exist, the applicant may be required to commence

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negotiations, or have entered into agreements, with the relevant registered native title claimants or native title holders to obtain their agreement to the grant of the relevant tenement, and such negotiations may be protracted, result in unforeseen or ongoing commercial obligations, or be unsuccessful.

The Native Title Act 1993 (Cth) recognises and protects native title and establishes processes relating to the grant of certain interests in land (including mining tenements). Indigenous Australians have registered native title claims which overlap with the mining tenements in which we have contractual interest as granted to us by Mineralogy or Waratah Coal. Registered native title claimants may be entitled to participate in the Native Title Act 1993 (Cth) procedures in respect of the grant of any pending tenement applications or any future mining tenements if the respective grant is considered to be an act which affects native title. This process may cause delays in the grant of the current tenement applications or any future tenements, or tenements may be granted subject to conditions that are unfavourable to us. Our ability to gain access to those tenements may be adversely affected. The Queensland Aboriginal Cultural Heritage Act (2003) also imposes negotiation, consultation and other requirements and obligations on potential mining lease tenement applicants, which may have a material adverse impact on our business.

In addition, several Aboriginal heritage sites are registered on the areas of land covered by some of the tenements in which we have an interest, and further Aboriginal sites may be discovered in areas material to our development and operation. The consent of the Minister for Indigenous Affairs is required to use land for a purpose that may disturb an Aboriginal site. The presence of sites of indigenous heritage significance on tenements in which we have an interest may limit or preclude mining or construction activity with the potential to disturb those sites, and delays and expenses may be experienced in obtaining clearances and approvals. Failure to resolve issues associated with sites of indigenous heritage significance could result in delays in the development of our projects.

We are required to make annual payments for site remediation costs which will be determined by Mineralogy and Waratah Coal.

We are required under the Iron Ore Mining Right Agreement and the Coal Mining Right Agreement to make annual payments into a trust account for any site remediation costs that may arise with respect to the China First Iron Ore Project and the China First Coal Project, respectively. The amount of these payments will be determined by Mineralogy and Waratah Coal in their sole discretion based on Mineralogy's or Waratah Coal's best prevailing estimate of the amount of future site remediation costs and may not be disputed by us. Mineralogy and Waratah Coal may therefore require us to pay an amount which we may not agree with. Any such payment could adversely affect our financial condition and results of operations.

Our future growth depends on our ability to strengthen existing alliances and form and maintain new successful relationships with PRC-based companies to develop, finance and/or carry out our mining and exploration projects.

We intend to capitalise on the demand in the PRC for coal and iron ore by engaging in joint venture and/or other strategic relationships primarily with PRC-based third parties to optimise the value of our assets and acquire and develop other resource projects in Australia and elsewhere for supply to the PRC.

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If we are unable to advance existing informal alliances or forge new alliances with such third parties, we may fail to acquire new mining and exploration projects or develop our existing projects, which could materially and adversely affect our growth.

As we place a great deal of reliance on our current network of relationships, any change in the management of our project companies may result in the strategic direction of our projects becoming inconsistent with our objectives. Additionally, if a dispute arises between ourselves and our partners and we are unable to amicably resolve the dispute, we may be involved in lengthy proceedings to resolve the dispute, which could materially and adversely affect our business and results of operations.

We may undertake strategic acquisitions or investments, which may be difficult to integrate and manage or may not be successful at all.

We may consider making strategic acquisitions or investments in the future as a means of pursuing our corporate strategy to identify low-cost, large-scale resource projects that will attract collaborative development opportunities with PRC financial sponsors and enterprises. We currently intend to fund any future acquisitions with internal funds only. We may not identify suitable acquisition or investment opportunities, or we may not be able to complete those transactions on commercially acceptable terms or at all. Our inability to identify successful acquisition targets or investments or our inability to complete such transactions could materially and adversely affect our business.

In the event we successfully complete an acquisition or investment, we could face difficulties managing the investment or integrating the acquisition with our existing operations. We may not be able to achieve the strategic purpose of such an acquisition or investment. These difficulties could disrupt our ongoing business, distract our management and employees, and increase our expenses, any of which could materially and adversely affect our business and results of operations.

We may be unable to attract, retain and train management and key personnel and are dependent on the experience of our Directors.

Our success will depend to a significant extent upon our ability to attract, retain and train employees, including key management personnel in Australia, the PRC and Hong Kong, as well as other management and technical personnel (including those employed on a contractual basis).

If we are unable to attract and retain key management personnel, this could materially and adversely affect our business and results of operations. Our ability to recruit and train personnel is also a key factor for our business activities. As our business activity grows, we will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional operations staff. Our business and results of operations could also be materially and adversely affected if we are not successful in recruiting, retaining and training such personnel.

We are dependent on our current Directors for their industry experience and relationships with PRC-based companies.

We depend on a number of our Directors and certain of our senior management to utilise their prior experience to negotiate and develop relationships with PRC-based companies for our projects. We also depend on the experience of a number of our Directors and senior management in the mineral resources industry.

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The loss of the services of any of our Directors, in particular our executive Director and Chief Executive Officer, Professor Clive F. Palmer, could impact our ability to strengthen alliances as well as form and maintain new successful relationships with PRC-based companies, and in turn, materially and adversely affect our business and results of operations.

We are an Australian company principally governed by Australian laws and regulations.

We are registered under the Corporations Act and governed by Australian laws and regulations. As highlighted in the section of this prospectus headed “Summary of the Constitution of Our Company and Australian Corporations Act”, Australian laws and regulations may differ in some respects from comparable Hong Kong laws and regulations. Our Company may therefore be subject to different obligations in each jurisdiction. This may result in increased compliance costs for our Company and those involved with our Company. For example, in the case of a takeover bid, our Company, offeror and other parties will need to consider regulatory obligations in both jurisdictions which may involve significant increases to time and cost when compared with a takeover bid in a single jurisdiction.

Our Company will not provide further advice to Shareholders or potential investors regarding their compliance with or obligations under any Australian laws and regulations arising from a purchase of Shares.

Any description of Australian laws and regulations in this prospectus is for general information purposes only and is not to be taken as advice to any particular Shareholder or potential investor. Shareholders and potential investors are encouraged to seek their own professional advice.

Shareholders who are not resident in Australia may be subject to Australian dividend withholding tax on dividends paid in relation to their Shares.

Shareholders who are not resident in Australia may nonetheless be subject to Australian dividend withholding tax on dividends paid in relation to their Shares where such dividends have not been franked under the Australian imputation system or declared to be “conduit foreign income” (which relates to certain foreign income received by our Company). The general rate of dividend withholding tax is 30% of the unfranked component of the dividend. However, where the Shareholder is resident in a country that has a double tax agreement with Australia, the double tax agreement may reduce the rate of dividend withholding tax. See “Appendix VII — Taxation Information” for further details on Australia’s tax regime.

RISKS RELATING TO OUR INDUSTRY

Resource exploration and development is a speculative business and involves a high degree of risk.

Our exploration activities may not result in discoveries or the profitable exploitation of commercial quantities of minerals. The marketability of natural resources which may be acquired or discovered by us will be affected by numerous factors beyond our control. These include market fluctuations, the availability of processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, the importing and exporting of minerals and

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environmental protection. Any one or more of these factors may result in our not receiving an adequate return, if any, on invested capital. We cannot assure you that our business will be profitable or that our resources will become commercially viable in the future. This may materially adversely affect the price of our Shares and you may lose substantially all or all of your investment.

We may face supplies, equipment, materials or personnel shortages and operating cost pressures.

The strong commodity cycle over recent years and large numbers of projects being developed in the resources industry has led to increased demand for, and shortages in, skilled personnel, contractors, materials and supplies that are required as critical inputs to our existing projects and planned developments. In particular, the availability and cost of labour and construction materials will be critical to the growth and development of our business. A number of key cost inputs such as power and fuel, which are expected to constitute a significant part of our operating expenses, are commodity-linked and will be affected by unpredictable factors outside our control, such as a higher commodity price environment, government policies, exchange rates and inflation rates. Shortages and increases in the cost of inputs could lead to increased capital and operating costs and could impact the schedule of our exploration and development plans. Such changes may require us to seek additional funding and incur additional debt which may adversely affect our financial condition.

Market prices of minerals can fluctuate widely.

Our revenues and cash flows will be derived from the sale of minerals. Our financial performance is therefore exposed to mineral price fluctuations. The market prices of minerals have fluctuated widely, particularly in recent years. These prices are affected by numerous factors beyond our control, including world demand, particularly from the PRC, forward selling activities, mineral reserve movements at central banks, freight costs, costs of production by other mineral producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates (in particular, the U.S. dollar), as well as general global economic conditions and political trends. If mineral prices should fall below or remain below our cost of production for any sustained period, our business and results of operations would be materially and adversely affected.

If we cannot maintain a competitive cost of production, we will face intense competition in the mineral industry.

The resource exploration and development industry is highly fragmented among many global and regional mining and exploration companies and is characterised by intense competition. Competition is based on many factors, including resources and reserves, product quality and characteristics, costs and transportation capability. Increases in our transportation costs, for example, could make coal a less competitive source of energy and could make us more expensive than our competitors. Conversely, significant decreases in transportation costs, or the absence of disruptions in coal transportation systems, could also result in increased competition from coal producers in other parts of Asia, Australia and South Africa.

We also face competition from numerous other resource exploration and development companies, both domestic and foreign, in discovering, acquiring and producing resources, in attracting and retaining experts and labour for our various stages of development, in securing appropriate equipment and supplies and to secure financing and joint venture partners for our operations. Some of our competitors have substantially greater financial, technical, marketing, distribution and other

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resources as compared with us. If, when we reach production phase, we are not able to maintain or improve our cost-effective rate of producing high quality products as compared with our competitors, our market share at the time, financial condition and results of operations may be materially and adversely affected.

An oversupply of minerals in the future could adversely affect our profitability.

A growing world market and increased worldwide demand for minerals have attracted new investors to the mineral industry, spurred the development of new mines and the expansion of existing mines in various countries, including Australia and the PRC, and resulted in added production capacity throughout these industries worldwide.

Increases in mineral prices have encouraged new or existing international mineral producers to expand their production capacity.

Any oversupply of minerals in the world markets could reduce world prices in the future, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Compliance with environmental standards related to coal combustion may cause consumers to switch to alternative energy sources.

Coal contains impurities, including sulphur, mercury, chlorine and other elements and compounds, many of which are released into the air when coal is burned. Stricter environmental regulations of emissions from coal-fired electricity generation plants and other industrial plants could increase the costs of using coal, thereby reducing demand for coal as a fuel source and adversely affect our coal sales and coal prices. This could materially and adversely affect our business, financial condition, results of operations and prospects.

Australia and 191 other signatories to the 1992 United Nations Framework Convention on Climate Change (“UNFCCC”) intended to limit or capture emissions of greenhouse gases such as carbon dioxide. In December 1997, in Kyoto, Japan, signatories to UNFCCC established a potentially binding set of emissions targets for developed nations (the “Kyoto Protocol”). The Kyoto Protocol came into effect on 16 February 2005. The specific emissions targets vary from country to country. The enactment of the Kyoto Protocol or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal in our primary target markets. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas may also affect the use of coal as an energy source and could materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to risks inherent in exploration, development and production activities.

The conduct of exploration, development and production programmes and extraction opportunities involves a variety of risks, man-made and naturally occurring, including:

- operating and infrastructure risks and safety issues, such as the risk of fire, explosions, mine collapses, blowouts, accidents, labour disputes, power outages, unexpected geological conditions or occurrences, and environmental hazards;
- adverse weather and natural disasters, including heavy rains, landslides, floods, earthquakes and fires;

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- technical or mechanical failures;
- processing deficiencies;
- protests or disruptions caused by the local community, compensation claims for land acquisition and native title claims;
- failure to obtain key materials and supplies, such as explosives, fuel and spare parts, particularly coal hauling trucks, excavators and tires for such equipment, due to capacity and supply constraints in the world steel and rubber markets and high global demand for those materials and other mining equipment;
- changes in geologic conditions and geotechnical instability of our mining pits;
- licensing or regulatory issues, such as temporary or permanent instructions to cease operations because of pollution;
- incorrect reserve estimates or discrepancies in our geological models;
- wars, terrorism and other similar activities; and
- delays caused by unforeseen circumstances or events outside our control.

The occurrence of any of these risks and hazards could result in damage to or destruction of our facilities, personal injury or loss of life, environmental damage, business interruption, delays, increased production costs, monetary losses and possible legal liability, including compensatory claims, fines and penalties, which could materially and adversely affect our business and results of operations.

In addition, we may incur substantial losses because of delays or disruptions in our production logistics, the shipment of products, our inability to generate sales and disputes between ourselves and future project partners with respect to the management of our projects.

We expect the coal and iron ore projects to produce a significant amount of wastewater and tailings as by-products of our mining activities, which could expose us to material liabilities.

One of the main environmental issues in the mining industry is wastewater and tailings management. Whilst we contribute to site remediation trust funds required by the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement, wastewater and tailings can contain substances that are potentially harmful to human beings and the environment, especially in large quantities. Notwithstanding any payments made to the site remediation trust funds, we may be subject to claims for damages to persons or property resulting from the release into the environment of wastewater or tailings residue by our operations. We are responsible for any liability arising in connection with environmental harm and are contractually obligated to Waratah Coal and Mineralogy to indemnify them for all amounts. Furthermore, higher environmental protection standards may be imposed by Australia in the future, which could increase our costs of compliance. In either event, such costs and liabilities could materially and adversely affect our business and results of operations. For a description of the environmental laws and regulations affecting our activities, please see “Laws and Regulations Relating to the Industry”.

Our operations are exposed to risks in relation to the mishandling of dangerous articles.

Our exploration, mining and mineral production operations will involve the handling and storage of explosive, toxic and other dangerous articles, particularly in the event of the discovery of radioactive materials or fibrous minerals. Accidents arising from the mishandling of dangerous articles may occur in the future. If we fail to comply with any relevant laws, regulations or policies

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or should any accident occur as a result of the mishandling of dangerous articles, our business and results of operations may be materially and adversely affected, and we may be subject to penalties and/or civil and/or criminal liabilities. More stringent laws, regulations and policies may be implemented by the relevant Australian authorities, and we may not be able to comply with any future laws, regulations and policies in relation to the handling of dangerous articles in an economically viable manner, or at all.

Our operations will be subject to extensive laws and government regulations.

Our operations are subject to extensive laws and government regulation, including environmental, health and safety laws and regulations. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including waste treatment, emissions and disposals. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

Mining and construction operations in Australia are subject to a variety of general and industry specific regulations concerning the environment (including discharge of hazardous waste and materials and mine reclamation and rehabilitation), the health and safety of employees, land access, infrastructure creation and access, royalties, taxation, accounting policies and other matters. In addition, certain types of operations require the design and use of mining and construction methods and equipment, submission of impact statements and approvals thereof by government authorities. Compliance with such laws may cause delays or require capital outlays in excess of those anticipated, causing an adverse impact on our projects. Additionally, if these laws were to change and if, as a result, material additional expenditure was required to comply with such new laws and regulations, this could adversely affect our projects and financial condition. Further, a breach of the regulations to which we are subject may result in the imposition of fines and penalties or suspension or closure of mining operations or associated infrastructure. Certain laws and regulations are evolving in a manner that may mean stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Despite precautions, breaches of such regulations, whether inadvertent or not, or consequences of our activities such as environmental pollution, may subject us to liability that would materially or adversely affect our financial condition and results.

More onerous environmental, health and safety laws, policies and/or industry standards, codes and practices, including environmental rehabilitation requirements, may be implemented by the relevant authorities in the future that will require us to undertake costly measures or obtain additional approvals. Our business and results of operations could be materially and adversely affected by any obligations which may be imposed under such new laws, policies and/or standards.

As our projects mature, production volumes could decrease and production costs could increase if we are not able to acquire additional resources.

Our resources will decline after we commence production. In turn, production costs typically increase as mining increases because of increased costs of ventilation, drainage and transportation. Our China First Coal Project and stage 1 of our China First Iron Ore Project (to mine 1 billion tonnes of iron ore) each has a projected mine life of 25 years. Our future growth and medium- to

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long-term success will therefore depend on our ability to acquire additional resources and to convert such resources into economically recoverable reserves. We may not be able to find new resources or such resources may not be recoverable on economically viable terms. If we are unable to obtain new resources, our business, results of operations and prospects would be materially and adversely affected.

We face risks relating to our interests in Australia and our target market and potential alliances in the PRC.

Political, economic and legal developments could materially and adversely affect our business and results of operations.

All of our projects are currently located in Australia, but we intend to pursue exploration and development wherever we identify opportunities. Accordingly, our result of operations, financial position and prospects are subject to economic, political and legal developments in those areas. Political instability in these areas can result in civil unrest, expropriation, nationalisation, renegotiation or nullification of existing agreements, mining leases and permits, changes in laws, or currency restrictions. Commercial instability caused by bribery and corruption can lead to similar consequences. Any of these can have a material adverse effect on the profitability or, in extreme cases, the viability of a project.

Some of our current and potential projects are located in or near communities that may now, or in the future, regard such a project as having a detrimental effect on their economic and social circumstances. Should this occur, it may have a material adverse impact on the profitability or viability of the project. In addition, such an event may adversely affect our ability to enter into new operations in that country.

Our business may be affected by economic and regulatory changes in the PRC.

Our target market for our products will be the PRC, which has become a significant source of global demand for commodities. A slowing in the PRC's economic growth could result in lower prices for our products. The demand for our products in the PRC may not increase to projected levels, and a decline in demand may have a material adverse effect on our business.

We also expect our alliance and partnership sources, including possible sources of development financing, will be from the PRC. The Company has executed the MCC Placing Agreement with MCC and the CREC Placing Agreement with CREC for subscription of our Offer Shares as part of the International Offering. We have also entered into an EPCM Contract with MCC Overseas to develop the China First Coal Project. Our business and results of operations could therefore be materially and adversely affected by changes in PRC government regulations with respect to restrictions on price controls, foreign investment and income taxes. Any such changes could have a negative effect on our existing PRC alliances and our strategy generally, which may result in loss of funding, construction and other resources which are critical to the success of our business.

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There may be an outbreak, or threatened outbreak, of a severe communicable disease in Australia and/or the PRC.

The outbreak, or threatened outbreak, of any severe communicable disease in Australia and/or the PRC could materially and adversely affect the overall business sentiments and environment in these countries, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labour supply and, possibly, the overall GDP growth of Australia and/or the PRC. As all of our current projects are located in Australia, and as we intend to enter into arrangements with PRC companies to develop our projects, any labour shortages or contraction of domestic consumption or GDP growth in Australia and/or the PRC could materially and adversely affect our business and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Upon completion of the Global Offering, our Chief Executive Officer will own a significant number of our Shares.

Our executive Director and Chief Executive Officer, Professor Clive F. Palmer, has irrevocably exercised his right to convert the Convertible Notes into 6,600,000,000 shares in our Company, such conversion to be effective upon Listing. Accordingly, upon completion of the Global Offering, he will own approximately 53.59% of our Shares directly and indirectly, assuming the Over-allotment Option is not exercised. Therefore, he will continue to have a significant amount of control over the outcome of all matters on which our Shareholders are entitled to vote, including the election of directors and other significant corporate actions. He is also the controlling shareholder of Mineralogy and therefore has a significant degree of control over our Company. His objectives may conflict with our business goals. His interests may be different from your interests, and he may be able to deter or delay a future takeover or change of control of our Company.

The sale or possible sale of a substantial number of our Shares in the public market following the Global Offering could adversely affect the price of our Shares and ability to raise capital in the future.

Sales of a substantial number of our Shares in the public market following the Global Offering, or the perception that these sales could occur, may depress the market price for our Shares. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

Following the Global Offering, we will have 12,316,220,002 issued Shares, of which 6,600,000,000 Shares or approximately 53.59% will be owned by Professor Clive F. Palmer and two Shares will be owned by Mineralogy, assuming in each case that the Over-allotment Option is not exercised. If Professor Clive F. Palmer sells or is perceived as intending to sell a substantial amount of Shares, this could have a material adverse impact on the market price of our Shares.

Our Shares have never been publicly traded and the Global Offering may not result in an active or liquid market for our Shares.

Prior to the Global Offering, there has been no public market for our Shares and an active public market for our Shares may not develop or be sustained after the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for our Shares will develop

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following the Global Offering or, if a market does develop, the liquidity of that market for our Shares. Although we currently intend that our Shares will remain listed on the Stock Exchange, there is no guarantee of the continued listing of our Shares. Failure to maintain our listing on the Stock Exchange or other securities market could adversely affect the market value of our Shares.

As the Offer Price is higher than the net tangible book value per Share, you will incur immediate and substantial dilution and may experience further dilution in the future.

The Offer Price will be higher than the net tangible book value per Share of the outstanding Shares held by the existing Shareholder immediately prior to Listing. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in net tangible book value of HK\$2.77 per Share (assuming the maximum Offer Price of HK\$4.93) and the existing Shareholders will receive an increase in the net tangible book value per Share of their Shares. If the Underwriters exercise their Over-allotment Option or we issue additional Shares in the future, your interest may be further diluted.

Our Share price may be volatile.

The market price of our Shares may be volatile and could fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:

- variations in our operating results;
- success or failure of our management team in implementing business strategies;
- gain or loss of an important business relationship;
- changes in securities analysts' recommendation, perceptions or estimates of our financial performance;
- changes in conditions affecting the industry (including commodity prices), general economic conditions or other events or factors;
- the operating and share price performance of other companies and other stock market sentiments generally;
- the liquidity of the market for our Shares;
- amount of our reserves;
- the time needed to reach commercial production;
- differences between our actual financial operating results and those expected by investors and analysts;
- changes in accounting principles or other developments affecting us, our customers or our competitors;
- additions or departures of key personnel;
- changes in market conditions and broad market fluctuations; and
- involvement in litigation.

These fluctuations may be exaggerated if the trading volume of our Shares is low. In recent years, the securities markets have experienced a high level of price and volume volatility and have exerted extreme downward pressure on stock prices, particularly in the mining industry. The market price of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. If these increased levels of volatility and market turmoil continue, the trading price of our Shares could be adversely affected.

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Exchange rate fluctuations may adversely affect the foreign currency value of our Shares and any dividend distribution.

Our Shares will be quoted in Hong Kong dollars on the Stock Exchange and dividends, if any, in respect of our Shares will be paid in Hong Kong dollars. Our financial statements are, however, prepared in Australian dollars. Fluctuations in the exchange rate between the Hong Kong dollar and the Australian dollar or other currencies will affect, among other things, the value of the proceeds that a Shareholder would receive upon the sale of our Shares on the Stock Exchange and the value of dividend distributions made in Hong Kong dollars.

In relation to our business generally, we may have currency exposure in the procurement of capital equipment for the construction of infrastructure and in the sale of coal and iron ore, as the international trade in these products is generally denominated in U.S. dollars.

It could be difficult for investors to enforce any judgment obtained outside Australia against us or our management.

Our Company is an Australian registered company, and a number of our Directors and officers are residents of Australia. A substantial portion of our assets and the assets of our Directors and officers, at any one time, may be located in jurisdictions outside Hong Kong. It could be difficult for investors to effect service of process within Hong Kong on our Directors and officers who reside outside Hong Kong or to recover against our Company or our Directors and officers on judgments of Hong Kong courts predicated upon the laws of Hong Kong.

If a judgment is obtained against us or our Directors in a Hong Kong court, additional requirements need to be satisfied in order to attempt to enforce the judgment in Australia. An Australian court will only enforce such a judgment if, among other things, an application is made to register the judgment in Australia within six years of the date of judgment (or date of latest appeal), it is a judgment of the Court of Final Appeal or the High Court in Hong Kong, and the judgment is final and conclusive, even if an appeal can be made. In addition, an Australian court may set aside registration of a judgment of the Hong Kong courts where, for example, the judgment debtor did not appear in the proceedings in Hong Kong, the judgment has been reversed or set aside on appeal, or enforcement of the judgment would be contrary to public policy in Australia.

We may not declare dividends in the future.

Except as permitted by our Constitution, no dividend is payable otherwise than out of our profits. As we have no trading history and no reserves, we may not be able to pay a dividend until we have profits out of which a dividend can be declared. Further, under the Corporations Act, our Company must not pay a dividend unless: (i) our Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; (ii) the payment of the dividend is fair and reasonable to our Company's Shareholders as a whole; and (iii) the payment of the dividend does not materially prejudice our Company's ability to pay our Company's creditors. Future dividends may not be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among others, our earnings, capital requirements, overall financial position, our constitutional documents, applicable law and other relevant factors.

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Press articles or other media regarding us and the Global Offering may contain inappropriate, inaccurate, incomplete and/or unreliable information.

Prior to the completion of this Global Offering, there have been press and media coverage regarding us and this Global Offering, such as the article appearing in Hong Kong Economic Times on 1 March 2011. We do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorized by our Directors or our management. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information included in or referred to by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding us or our Shares. To the extent that any statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim it, and accordingly, you should not rely on any such information. In making your decisions as to whether to purchase our Shares, you should rely only on the information included in this prospectus. By applying to purchase our Shares in this Global Offering, you will be deemed to have agreed that you will not rely on any information other than the information contained in this prospectus.

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WAIVER APPLICATIONS OF THE COMPANY

RULE 8.05 OF THE LISTING RULES — BASIC CONDITIONS AND TRADING RECORD IN RELATION TO QUALIFICATIONS FOR LISTING

According to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalisation, revenue and cash flow; or (iii) market capitalisation and revenue requirements, pursuant to which the issuer must satisfy, among other things, a trading record of not less than three financial years. Rule 8.05B of the Listing Rules provides that the Stock Exchange may accept a shorter trading record period and/or may vary or waive the requirement in Rule 8.05 of the Listing Rules in respect of, among other things, mineral companies to which the provisions of Chapter 18 of the Listing Rules apply. Under Rule 18.04 of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may not apply if the Stock Exchange is satisfied that the directors and management of the issuer, taken together, have sufficient and satisfactory experience of at least five years in the relevant mining and/or exploration activities. Our Company is a mineral company under Chapter 18 of the Listing Rules and our Directors consider that Rule 18.04 of the Listing Rules applies to our Company. Accordingly, we have applied for a waiver from strict compliance with Rule 8.05 of the Listing Rules in accordance with the reasoning under Rule 18.04 of the Listing Rules.

RULE 8.12 OF THE LISTING RULES — MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong and normally at least two of our executive Directors must be ordinarily resident in Hong Kong.

Given that our central management and current headquarters are based in Australia and none of our executive Directors is ordinarily resident in Hong Kong, we consider that it would be unduly burdensome for us to maintain a management presence in Hong Kong in order to comply with the requirement in Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain regular communication with the Stock Exchange, we have put in place the following measures:

- (a) we have appointed two authorised representatives who will act as our principal channel of communication with the Stock Exchange. Our two authorised representatives are Professor Clive F. Palmer and Anna Palmer. Baljeet Singh, our legal counsel who will reside in Hong Kong after Listing, and Raymond Tam, our Chief Financial Officer who is a permanent resident of and currently based in Hong Kong, are appointed as our alternate authorised representatives. Each of our authorised representatives and alternate authorised representatives will be available to meet with the Stock Exchange on reasonable notice as and when required and will be readily contactable by the Stock Exchange;
- (b) each of Professor Clive F. Palmer and Clive Mensink, our two executive Directors, possesses valid travel documents to visit Hong Kong, and there is no legal impediment for the other Directors to apply for valid travel documents to visit Hong Kong; therefore, all of our Directors will be available to meet with the Stock Exchange on reasonable notice as and when required and will be readily contactable by the Stock Exchange;

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- (c) our authorised representatives and alternate authorised representatives have means to contact all members of our Board of Directors (including our four independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters;
- (d) each of our executive Directors will provide his mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange, and the remaining Directors can be contacted through our authorised representatives and alternate authorised representatives; and
- (e) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Somerley as our compliance adviser for the period commencing from the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date to provide us with professional advice on continuing obligations under the Listing Rules and to act as the alternative channel of communication with the Stock Exchange.

RULE 8.17 OF THE LISTING RULES — COMPANY SECRETARY

Pursuant to Rule 8.17 of the Listing Rules, the company secretary must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of secretary of the issuer who (i) is an ordinary member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant or (ii) is an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging those functions.

Both of our Joint Company Secretaries, Anna Palmer and Derek Payne, are professional accountants for the purposes of Rule 8.17 of the Listing Rules but are not ordinarily resident in Hong Kong. While our Directors acknowledge the importance of having a company secretary who ordinarily resides in Hong Kong, they believe Anna Palmer and Derek Payne are competent and capable candidates to serve as our Joint Company Secretaries on the basis of their academic background, professional qualifications and relevant experiences. The Directors also believe that both Anna Palmer and Derek Payne have the requisite knowledge and experience to discharge the functions of Joint Company Secretaries and to satisfy the requirement under Rule 8.17(3) of the Listing Rules. Please refer to the section headed “Directors, Senior Management and Employees” for the biographical information of Anna Palmer and Derek Payne. Our Directors consider it commercially impracticable to appoint another candidate merely for the purpose of complying with the residency requirement of Rule 8.17 of the Listing Rules.

Further, we will implement the following arrangements to ensure effective communication between our Joint Company Secretaries and the Stock Exchange:

- (1) The Joint Company Secretaries will work closely with the two authorised representatives of our Company appointed pursuant to Rule 3.05 of the Listing Rules, namely Professor Clive F. Palmer and Anna Palmer. Baljeet Singh, our legal counsel who will reside in Hong Kong after Listing, and Raymond Tam, our Chief Financial Officer who is based in Hong Kong, are appointed as our alternate authorised representatives. Each of our authorised representatives and our alternate authorised representatives as well as all executive Directors will be available

WAIVERS

to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon request by the Stock Exchange and will be readily contactable by mobile or residential telephone, facsimile or email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

- (2) in addition, we have appointed Somerley as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as our Company's alternative communication channel with the Stock Exchange, in addition to our Company's authorised representatives. The contact persons of the compliance adviser will be fully available to answer enquiries from the Stock Exchange. Contact details of the compliance adviser have been provided to the Stock Exchange; and
- (3) our authorised representatives and our alternate authorised representatives will work closely with Somerley and the external counsel of our Company who will be able to explain and advise both our Joint Company Secretaries and our Company on the relevant requirements of the Listing Rules as well as other applicable Hong Kong laws and regulations. Our authorised representatives and our alternate authorised representatives will also act as our channel of communication, while Somerley will be the alternative channel of communication, with our Joint Company Secretaries.

On the basis of the above arrangements, we have applied to the Stock Exchange for a waiver from strict compliance with Rule 8.17 of the Listing Rules in connection with the residency requirements of company secretary.

CHAPTER 14A OF THE LISTING RULES — CONNECTED TRANSACTIONS

We have applied to the Stock Exchange for waivers in relation to certain connected transactions between ourselves and certain connected persons of the Company under Chapter 14A of the Listing Rules after the Listing. Please refer to the section headed "Connected Persons and Connected Transactions" for further details.

PARAGRAPH 6 OF PART I OF THE THIRD SCHEDULE TO THE COMPANIES ORDINANCE — RESIDENTIAL ADDRESS

We have applied to the SFC for a certificate of exemption pursuant to Section 342A of the Companies Ordinance from strict compliance with paragraph 6 of Part I of the Third Schedule to the Companies Ordinance in relation to the disclosure of the residential address of Alexander Downer, one of our independent non-executive Directors, in this prospectus on the basis that such disclosure would be unduly burdensome and jeopardise the safety of Mr. Downer and that the exemption would not prejudice the interest of the public. Mr. Downer is a well-established public figure in Australia and was Australia's Foreign Minister for 11 years (from March 1996 to November 2007) and is currently serving in a part-time position as the United Nations special envoy in Cyprus. Mr. Downer played a key part in the National Security Committee of Cabinet deliberations on Australia's role in the Afghanistan and Iraq conflict. Consequently, Mr. Downer has, as a result of Australia's involvement in the war in Afghanistan, been a terrorist target. We have disclosed the business address of Mr. Downer in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus in place of his residential address.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

Our Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis under the terms of the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed by 8 June 2011 between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. The Global Offering is managed by the Joint Global Coordinators. For further information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" of this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out in this prospectus and in the Application Forms. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

SELLING RESTRICTIONS

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Australia

Neither this prospectus nor any disclosure document in relation to the Offer Shares has been, or will be, lodged with the ASIC under Chapter 6D of the Corporations Act. Accordingly, this prospectus does not constitute an offer of the Offer Shares in Australia and this prospectus, and any application form for an offer of the Offer Shares or any other offering material or advertisement relating to the Offer Shares, must not be issued, circulated or distributed to any person in Australia except to persons who do not need to be given a disclosure document under Chapter 6D of the Corporations Act to receive offers of the Offer Shares pursuant to section 708 of the Corporations Act and such action complies with all applicable laws, regulations and directives and does not require any document to be lodged with ASIC. We do not issue our Shares with the purpose of the person to whom they are issued selling or transferring our Shares or granting, issuing or transferring an interest in, or options over, our Shares to any person in Australia.

In addition, it is the responsibility of any person (including, without limitation, custodians, nominees and trustees) who is: (i) a natural person not ordinarily resident in Australia; (ii) a corporation in which a natural person not ordinarily resident in Australia (“Non-Australian Resident”), or a corporation incorporated outside of Australia (“Non-Australian Corporation”), holds direct or indirect voting power of 15% or more; (iii) a corporation in which two or more persons, each of whom is either a Non-Australian Resident or a Non-Australian Corporation, hold direct or indirect voting power in aggregate of 40% or more; (iv) a trustee of a trust estate in which a Non-Australian Resident or Non-Australian Corporation holds 15% or more of the corpus or income of the trust estate; (v) a trustee of a trust estate in which two or more persons, each of whom is either a Non-Australian Resident or a Non-Australian Corporation, hold in aggregate 40% or more of the corpus or income of the trust estate; (vi) a foreign government or an agency of a foreign government (for example, state-owned enterprises and sovereign wealth funds); or (vii) a corporation in which a foreign government, or an agency of a foreign government, has direct or indirect voting power of 15% or more, and who wishes to subscribe for Offer Shares under the Global Offering, to satisfy himself, herself or itself (as the case may be) as to the full observance of the FATA and the Australian Federal Government’s Foreign Investment Policy published by the FIRB in relation to investments in Australian companies or businesses, including the obtaining of any governmental or other consents which may be required, and compliance with other necessary approval and registration requirements and other formalities.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States, except to qualified institutional buyers in accordance with Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, or outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

The Offer Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States to qualified institutional buyers in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act. In addition, until

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

40 days after the commencement of the Global Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Global Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than pursuant to an exemption from the registration requirements of the U.S. Securities Act.

The Offer Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in our Shares on the Stock Exchange are expected to commence on 10 June 2011. None of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future, subject to our Company becoming an AULC which would require us to list on the ASX to obtain the benefit of the AULC exemption (see “Summary of the Constitution of Our Company and the Australian Corporations Act — Australian Foreign Investment Regime — Acquisitions in an AULC”).

We believe that listing on the Stock Exchange will further strengthen our reputation as a resource company with a focus on the PRC market by enhancing our ability to collaborate with PRC-based companies and obtain PRC financing to develop our business.

Although we are incorporated in Australia, we believe that the Stock Exchange as our initial listing venue is appropriate because of our intention to build on our existing PRC connections. We are focussed on the PRC market for financing, supply of certain resources for our operations and sales of our products. Members of our board and certain members of our management team have significant experience in successfully negotiating and working with PRC-based companies. We plan to hire and train PRC personnel for our mining operations as part of our collaborative efforts with PRC companies. Four of our Directors spend a significant amount of time in the PRC and our executive Director and Chief Executive Officer, Professor Clive F. Palmer, has a PRC working card and a PRC residence. We intend to relocate our head office to Hong Kong which we believe will facilitate our ability to identify and develop our relationships with potential PRC partners, financiers, suppliers and customers. Although there are certain foreign investment limitations for Australian companies such as ours (see “Risk Factors” and “Summary of the Constitution of Our Company and the Australian Corporations Act”), these foreign investment limitations apply regardless of whether we are listed on the Stock Exchange or any other exchange, including the ASX.

We believe that the liquidity of securities on the Stock Exchange, the breadth of the Stock Exchange’s global investor base and the number of companies in the resource industry listed on the Stock Exchange will result in better investor understanding of our business and operations, in particular the PRC-focussed nature of our business.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ELIGIBILITY FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC determines. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in our Shares. None of us, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in or exercise of any rights in relation to our Shares.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, BOCI, as stabilising manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the stabilising manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the stabilising manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 857,433,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

For the purpose of covering such over-allocations, the stabilising manager, BOCI, may borrow up to 857,433,000 Shares from Professor Clive F. Palmer, equivalent to the maximum number of Shares to be issued by our Company on the full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between the stabilising manager (or its affiliate acting on its behalf) and Professor Clive F. Palmer on or about the Price Determination Date. In compliance with Rule 10.07(3) of the Listing Rules, the performance by Professor Clive F. Palmer and the stabilising manager of their obligations under the Stock Borrowing Agreement will be subject to the following conditions:

- (i) the Stock Borrowing Agreement will only be effected by the stabilising manager for settlement of over-allocations in the International Offering;
- (ii) the maximum number of Shares borrowed from Professor Clive F. Palmer will be limited to the maximum aggregate number of Shares which may be issued and allotted by our Company upon exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Professor Clive F. Palmer on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised or (ii) the day on which the Over-allotment Option is exercised in full;
- (iv) borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- (v) no payments will be made to Professor Clive F. Palmer by the stabilising manager in relation to the Stock Borrowing Agreement.

Stabilising action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation and stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the Securities and Futures Ordinance includes:

- (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above;
- (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
- (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and
- (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- BOCI as stabilising manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the stabilising manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the stabilising manager may have an adverse impact on the market price of our Shares;

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on 2 July 2011, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

We will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Joint Bookrunners may over-allocate up to and not more than an aggregate of 857,433,000 additional Shares and cover such over-allocations by (among other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

PROCEDURE FOR APPLYING FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed in such table are due to rounding.

REGISTER AND STAMP DUTY

Our principal register of members will be maintained by Computershare Investor Services Pty Limited in Australia and the Hong Kong register of members will be maintained by Computershare Hong Kong Investor Services Limited in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Dealings in our Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
Executive Directors		
Professor Clive F. Palmer	1 Rio Vista Boulevard Broadbeach Waters, Queensland 4218 Australia	Australian
Clive Mensink	19 Blackall Road Murrumba Downs, Queensland 4503 Australia	Australian
Non-executive Director		
Heting Shen	No. 28 Shuguangxili Chaoyang District, Beijing People's Republic of China	Chinese
Baohua Bai	Room 5-101, Building No. 1 Zhu Xi Yuan Xin Dian Road No. 1 Chaoyang District, Beijing People's Republic of China	Chinese
Independent Non-executive Directors		
Domenic Martino	25 Powell Street Killara, New South Wales 2071 Australia	Australian
Dr. Zhengrong Shi	35 Roma Block Venice Garden, Wuxi People's Republic of China	Australian
Alexander Downer	c/o Resourcehouse Limited Level 19 Two International Finance Centre 8 Finance Street Central Hong Kong	Australian
John Elmore	6/31 Shanti Niketan New Delhi 110022 India	American

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Sole Sponsor

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

The Hongkong and Shanghai Banking Corporation
Limited
1 Queen's Road Central
Central
Hong Kong

The Royal Bank of Scotland N.V., Hong Kong Branch
38/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

UBS AG, Hong Kong Branch
52nd Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Legal Advisers to our Company

as to Hong Kong law
Clifford Chance
28th Floor, Jardine House
One Connaught Place
Central
Hong Kong

as to Australian law
Blake Dawson
Level 32, Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000
Australia

as to Australian law on matters relating to the FATA
Hickey Lawyers
Level 6, The Corporate Centre
Cnr Bundall Rd & Slatyer Ave
Bundall, Queensland
Australia

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

as to certain matters of U.S. federal securities and New York law

Shearman & Sterling
12/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

Legal Advisers to the Underwriters

as to Hong Kong, U.S. federal securities and New York law

Linklaters
10th Floor, Alexandra House
Chater Road
Central
Hong Kong

as to Australian law including matters relating to the FATA

Mallesons Stephens Jaques
Level 10
Central Park
152 St George's Terrace
Perth, Western Australia 6000
Australia

Reporting Accountants and Auditors

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Receiving Bankers

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation
Limited
1 Queen's Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Bank of Communications Co., Ltd. Hong Kong Branch
20 Pedder Street
Central
Hong Kong

Industrial and Commercial Bank of China (Asia)
Limited
33rd Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kowloon
Hong Kong

Independent Geologists

as to Coal
Xenith Consulting Pty Ltd
Level 11
100 Eagle Street
Brisbane, Queensland 4000
Australia

as to Iron Ore
Hellman & Schofield Pty Ltd
6/3 Trelawney Street
Eastwood
New South Wales 2122
Australia

Independent Mining Engineers

as to Coal
Coffey Mining Pty Ltd
Level 2, 12 Creek Street
Brisbane, Queensland 4000
Australia

Xenith Consulting Pty Ltd
Level 11
100 Eagle Street
Brisbane, Queensland 4000
Australia

as to Iron Ore
ORElogy Pty Ltd
PO Box 334
Northbridge
Western Australia 6865
Australia

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent Technical Expert

as to Coal and Iron Ore
ProMet Engineers Pty Ltd
267 St Georges Terrace
Perth, Western Australia 6000
Australia

Industry Expert

as to Coal and Iron Ore
James F. King
Spoutwell House
Spoutwell Lane
Corbridge NE45 5LF
England

CORPORATE INFORMATION

Registered Office	Level 7 380 Queen Street Brisbane Queensland 4000 Australia
Headquarters	Level 7 380 Queen Street Brisbane Queensland 4000 Australia
Place of Business in Hong Kong	Level 19, Two International Finance Centre 8 Finance Street Central Hong Kong
Company Website	www.resourcehouselimited.com <i>This website address and its contents do not form part of this prospectus.</i>
Joint Company Secretaries	Derek Payne Certified Practising Accountant member of CPA Australia and fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA) Anna Palmer Certified Practising Accountant member of Institute of Chartered Accountants in Australia (ICAA) and member of Hong Kong Institute of Certified Public Accountants (HKICPA)
Audit Committee	Domenic Martino (Chairman) Baohua Bai John Elmore
Remuneration Committee	Professor Clive F. Palmer (Chairman) Alexander Downer Domenic Martino
Authorised Representatives	Professor Clive F. Palmer 1 Rio Vista Boulevard Broadbeach Waters, Queensland 4218 Australia

CORPORATE INFORMATION

Anna Palmer
Level 7
380 Queen Street
Brisbane, Queensland 4000
Australia

**Alternate Authorised
Representatives**

Baljeet Singh
Level 19, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Raymond Tam
Level 19, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Compliance Adviser

Somerley Limited
10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

Principal Bankers

Australia:
National Australia Bank
308-322 Queen Street
Brisbane, Queensland
Australia

Hong Kong:
Standard Chartered Bank (Hong Kong) Limited
13th Floor, 4-4A Des Voeux Road Central
Central
Hong Kong

Principal Share Registrar

Computershare Investor Services Pty Limited
117 Victoria Street
West End
Queensland 4101
Australia

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INDUSTRY OVERVIEW

Unless otherwise specified, all of the data presented in this section with respect to the coal industry and iron ore industry has been provided by James F. King, an independent consultant specialising in the economic aspects of the iron and steel industry and its associated raw materials, including iron ore and coal. We have taken reasonable care in the extraction, compilation and reproduction of information and data presented in this section and elsewhere in this prospectus. Neither we, the Sole Sponsor or the Underwriters, or any of their respective affiliates or advisers, have independently verified the information presented in this section from their sources. Such information may not be consistent with other information from other sources and no representation is given as to its accuracy.

James F. King, *An Overview of the Market for Thermal Coal; An Overview of the Market for Iron Ore*

- We commissioned James F. King, an independent consultant, to prepare a report on the overview of the coal and iron ore markets. Mr. King received a total fee of US\$23,063 (equivalent to approximately HK\$179,612).
- Mr. King is an independent consultant specialising in the economic aspects of the iron and steel industry and its associated raw materials including iron ore and coal. Since 1982, Mr. King has been providing consultancy services and prepared reports containing forecasts of the steel and iron ore markets. Mr. King also contributes to various steel industry research services including but not limited to the Economist Intelligence Unit, London, Metal Bulletin Research, London and Steel Business Briefing.
- The parameters and assumptions of Mr. King's report reflect his understanding of the prevailing international coal and iron ore markets at the time of preparation of the reports. The historical market data are generated through the analysis of relevant data such as production, trade and consumption that are prepared by various governmental and industry associations such as the World Coal Institute, the Energy Information Administration of the U.S. and the World Steel Association. In certain instances, published data may not be available, in which case it is necessary to make estimates based on regular contact (for example, via telephone interviews and in-person meetings) with industry participants such as producers, consumers and traders, as well as secondary sources such as conference presentations and news articles. Market forecasts are driven by Mr. King's own in-depth analysis of data and intelligence, including published statistics on production and trade and data derived from public information about the capacity and products of plants and companies, planned changes to capacity, technical trends in production and in end-use applications, and other economic and commercial factors affecting these products.

INDUSTRY OVERVIEW

COAL INDUSTRY

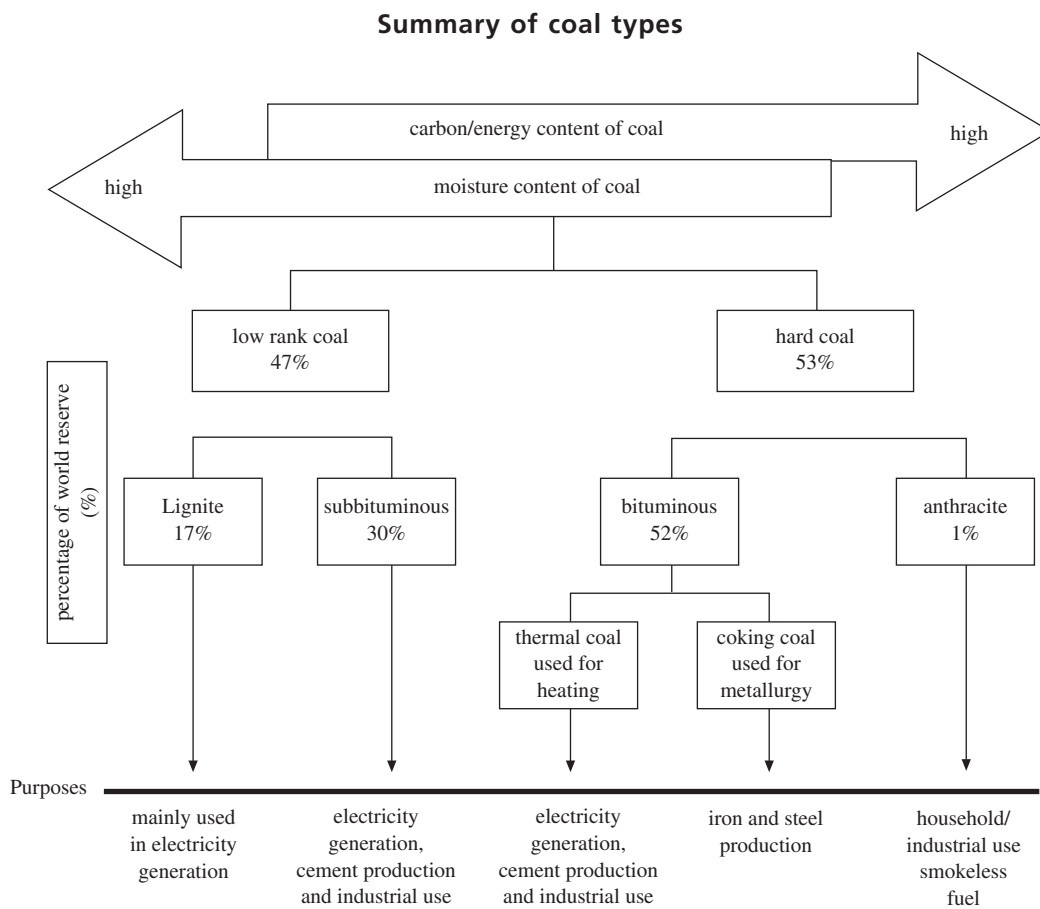
An Introduction to Coal

Coal is a substance containing mainly carbon, which has been formed by the compression and natural heating of decaying vegetable matter over thousands of years. Various types of coal products exist. Of particular importance for export purposes, however, is hard coal, of which there are two sub-categories: (i) coking coal (also commonly referred to as metallurgical coal) and (ii) other bituminous coal (also known as steam coal or thermal coal) and anthracite.

Hard coals contain more carbon, have lower moisture content, and generate more energy than low rank coals. While anthracite has the highest carbon content and contains the fewest impurities of all types of coal, it can have a lower energy content than many coking coals and, subject to market forces, can trade at lower prices than coking coal.

Low rank coals (i.e., lignite and subbituminous coals) or “brown” coals are typically softer, friable materials and are dull and earthy in appearance. Typically, these types of coal are characterised by high moisture levels and low carbon content and hence have lower energy content.

The following diagram summarises the different types of coal and the associated end-uses.



Source: World Coal Institute

INDUSTRY OVERVIEW

Coal is used for various purposes, including coke production, PCI into blast furnaces, power stations using pulverised fuel, cement kilns, domestic heating and light industrial use and coal for liquefaction. Coking coal is used primarily for the first two of these applications (production of coke and PCI coal for the steel industry).

Coal is assessed on the basis of its most common properties, namely, ash, volatile matter, sulphur content, gross heating value and crucible swelling number, the latter being a measure of caking which is critical for its use as a coking coal.

Open-pit and underground mining are the two major methods of coal mining. In open-pit mining (also known as surface or open-cut mining) overburden is stripped and stored for future use in rehabilitating mined areas. Blasting may be required and mining proceeds along successive benches as pits become progressively deeper. Beyond a certain depth, the haulage distances within an open-pit mine become uneconomical and underground mining may become more suitable. The most common form of large-scale underground mining is longwall mining, which involves mining a long wall of coal in a single slice. There are also other methods of underground mining, including shaft mining, which utilises shafts to access the coal, and drift mining, which involves entering the seam from the side through a slope.

Uses of Thermal Coal

In 2009, 88% of world coal consumption was thermal coal and 12% metallurgical coal. The overwhelming use of thermal coal is for generation of electric power, but some coal is used for direct industrial purposes such as production of cement and for domestic fuel.

Coal – Consumption by use

Item	2000	2009	2009	
	(million tonnes)		Share total	Share thermal
Power generation	3,844	5,641	82.6%	94.4%
Other	197	443	4.9%	5.6%
Total thermal	4,041	6,084	87.6%	100.0%
Metallurgical	515	785	12.4%	
Total coal	4,556	6,869	100.0%	

Source: James F. King's estimates from US Energy Information Administration statistics

INDUSTRY OVERVIEW

Coal Reserves

As with any extracted resource, the long-term future of coal supply is critically affected by the availability of coal reserves.

The following table shows the estimated recoverable reserves of coal of all types, using data from the BP Statistical Review of World Energy (June 2010). The life of the total reserves (R/P ratio = reserve/production ratio) was calculated by the BP Statistical Review of World Energy by dividing the reserves by production in 2009.

Coal reserves (at end 2009)

Country	Million tonnes	R/P ratio
USA	238,308	245
Russia	157,010	>500
PRC	114,500	38
Australia	76,200	186
India	58,600	104
Ukraine	33,873	460
South Africa	30,408	122
Kazakhstan	31,300	308
Brazil	7,059	>500
Poland	7,502	56
Colombia	6,814	95
Others	<u>59,709</u>	—
World	<u>826,001</u>	119

Source: BP Statistical Review of World Energy (June 2010)

Note: R/P ratio is the ratio of reserves to production; the reserves remaining at the end of the year divided by the production in that year

INDUSTRY OVERVIEW

Reserves in the PRC are estimated at over 100 billion tonnes, but the ratio of reserves to production is only 38 years at current production rates. Unless these reserves are significantly understated, this suggests that the PRC will increasingly need imports of coal. Statistics for reserves, however, are normally very imprecise and reserves of mineable resources can be substantially increased by additional exploration efforts, which are only justified when prices are relatively high. It is therefore very likely that the above reserve estimates for some countries are significantly understated. They do not include, for example, any reserves for Mongolia, which has substantial coal potential.

Thermal Coal Supply

Production

Since 1980, the PRC has grown to be the largest coal producer, overtaking the USA and the Former Soviet Union. Coal production has also increased rapidly in India, and other major exporters (for example, Australia, Indonesia and Colombia). The following table shows the producing countries for thermal coal for the period 1980 to 2009.

Thermal coal: Top 10 producing countries

Country	1980	1990	2000	2005	2009
	(million tonnes)				
PRC.....	558	974	971	1,904	2,596
USA.....	666	870	916	978	934
India.....	96	189	314	406	544
Australia.....	62	140	202	238	258
Russia.....	—	—	189	217	248
former USSR.....	573	660	—	—	—
Indonesia.....	1	10	73	160	292
South Africa.....	109	168	221	241	240
Germany.....	427	421	186	191	172
Poland.....	200	195	145	145	135
Kazakhstan.....	—	—	67	76	94
Others.....	836	959	607	648	683
World.....	<u>3,269</u>	<u>4,306</u>	<u>3,891</u>	<u>5,204</u>	<u>6,175</u>

Source: US Energy Information Administration

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Thermal Coal Demand

According to data from the US Energy Information Administration, in 2009 world consumption of coal was approximately 6.87 billion tonnes, of which thermal coal comprised approximately 6.08 billion tonnes (87% of total consumption), with the balance of 785 million tonnes comprising metallurgical coal. The production of electricity is estimated to have accounted for approximately 5.64 billion tonnes, or 94%, of total thermal coal consumption in 2009.

The PRC and USA are the largest consumers of thermal coal. James F. King expects an increase in consumption of thermal coal for the next 20 years, driven largely by the growth of consumption in the PRC and India. According to this forecast, consumption of thermal coal in the PRC is forecast to increase by 3.6 billion tonnes between 2009 and 2030. In India, consumption of thermal coal is forecast to increase by 0.6 billion tonnes. The combined increase from those two countries of 4.1 billion tonnes is 80% of the total world increase in consumption of 5.2 billion tonnes over the period. The following table shows the largest thermal coal consuming countries for the period 2000 to 2010 based on historical consumption and projected consumption.

Thermal coal: Top 10 consuming countries

Country	2000	2007	2008	2009	2010F	Change 08-10F
(million tonnes)						
PRC	924	2,038	2,314	2,648	2,743	18.5%
USA	953	999	994	892	970	-2.4%
India	343	504	542	596	596	10.0%
Germany	229	240	229	215	223	-2.5%
South Africa	154	177	187	175	181	-3.3%
Russia	189	164	182	163	170	-6.2%
Australia	123	130	137	131	133	-3.2%
Poland	131	122	122	122	122	0.6%
Japan	90	122	121	107	119	-1.7%
South Korea	47	69	79	84	86	-8.8%
Others	858	1,023	992	992	956	-3.6%
World	4,041	5,589	5,898	6,084	6,299	6.8%

Source: James F. King's estimates and forecasts based on data to 2009 from US Energy Information Administration

For each country the forecasts of thermal coal consumption take account of the growth of the economy, the requirement for electricity, the sources of electricity generation (hydro-electric, nuclear, thermal and others) and the fuel sources for thermal electricity generation (oil, gas, coal and other).

INDUSTRY OVERVIEW

Thermal Coal Trade

Traded Coal - Imports

World aggregate imports of thermal coal in 2009 were approximately 722 million tonnes, or about 12% of total consumption. Because of the wide spread of coal production across many countries of the world, trade in thermal coal is not as important, relative to consumption, as it is in some other commodities, such as iron ore.

Forecasts of imports are based on assessment for each country of the share of consumption that will be taken by imports, in the light of the competitive position of the domestic coal mining industry, if any.

Thermal coal: Top 10 importing countries

Country	2000	2007	2008	2009	2010F	Change 08-10F
	(million tonnes)					
Japan.....	90.1	123.7	123.3	107.6	120.3	-2.4%
PRC.....	1.8	44.8	34.0	92.1	119.0	250%
South Korea	43.7	65.3	75.5	80.8	81.3	12.0%
Taiwan	39.4	58.4	56.8	52.0	55.2	-2.7%
India	15.3	35.0	39.9	53.6	43.0	7.8%
Germany	31.1	41.4	39.4	37.1	44.2	18.7%
UK.....	15.6	37.2	37.3	32.4	30.4	-18.7%
Italy.....	11.3	17.6	17.8	20.4	17.4	-0.5%
USA.....	13.3	33.7	32.6	19.7	29.4	-9.9%
Spain.....	17.8	20.1	16.9	13.9	10.0	-41.1%
Others.....	<u>193.8</u>	<u>252.6</u>	<u>249.5</u>	<u>212.1</u>	<u>229.3</u>	<u>-8.1%</u>
World	<u>473.2</u>	<u>729.8</u>	<u>723.0</u>	<u>721.8</u>	<u>779.5</u>	<u>7.8%</u>

Source: James F. King's estimates and forecasts based on data to 2009 from US Energy Information Administration. Data for the PRC for 2010 is based on official trade statistics of the PRC.

The major importing countries for thermal coal are in Asia, with Japan, South Korea, Taiwan and the PRC accounting for 333 million tonnes of imports in 2009, or 46% of all imports. James F. King expects that the same four countries in Asia will account for 376 million tonnes of imports, or 48% of all traded thermal coal, in 2010.

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The PRC is the principal consumer and producer of coal. The country has both exports and imports of metallurgical and thermal coal. Imports of thermal coal have risen significantly in recent years, particularly in 2009, but still account only for about 3.5% of PRC's consumption of thermal coal. Geographical and environmental factors may favour imports of thermal coal into some parts of the country. In particular, in southern PRC, imported coal may be cheaper and of better quality than domestic coal, which is produced in huge quantities in Shanxi province towards the north of the country. For example, in 2009 Shanxi province produced 615 million tonnes of coal (20% of PRC total), while there was no coal production in a southerly province such as Guangdong. As pressures for higher environmental standards grow (such as requirements for reduced emissions of sulphur dioxide causing urban smog) or constraints on the country's infrastructure (for example, railway access for coal transportation) intensify, imported coal may become more attractive in some regions of the country.

Because of the expected rapid growth in the PRC economy and despite major efforts at energy saving and the rapid expansion of renewable energy, James F. King expects the consumption of thermal coal in the PRC to rise from 2.6 billion tonnes in 2009 to 6.1 billion tonnes in 2030. James F. King also expects a continuing small increase in the market share of imported thermal coal into the PRC, with imports rising to over 6% of PRC's consumption of thermal coal by 2030. This modest increase in market share of imported thermal coal within the PRC is expected to raise the volume of the PRC's thermal coal imports to over 370 million tonnes per year by 2030.

Traded Coal - Exports

The following table shows the principal exporting countries of thermal coal.

Thermal coal: Top 10 exporting countries

Country	2000	2007	2008	2009	2010F	Change 08-10F
	(million tonnes)					
Indonesia	53.3	191.3	200.0	227.2	176.7	-11.7%
Australia	87.3	105.7	126.6	137.6	111.8	-11.7%
Russia	32.6	86.9	88.0	108.2	84.6	-3.9%
South Africa	67.4	65.1	58.8	65.7	68.3	16.2%
Colombia	35.9	64.6	67.8	68.7	62.2	-8.3%
PRC.	48.6	50.6	42.0	21.8	17.9	-57.4%
Vietnam.	3.3	31.9	19.4	25.6	30.7	8.5%
USA.	25.7	25.8	50.2	30.1	22.9	-54.3%
Kazakhstan	21.8	22.6	36.8	17.0	16.2	-56.1%
Poland.	20.4	12.7	9.5	12.6	8.9	-6.0%
Others	44.6	56.7	55.1	57.3	136.0	147.1%
World	440.8	713.7	754.0	771.8	736.2	-2.4%

Source: James F. King's estimates and forecasts based on data to 2009 from US Energy Information Administration. Data for the PRC for 2010 is based on official trade statistics of the PRC.

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Forecasts of exports are based on an assessment of the share of world exports that will be taken by each producing country, in the light of the available resources and competitive position of its coal mining industry.

Indonesia is the largest exporter of thermal coal, with significant sales to Japan, Korea, India and Taiwan, and, to a lesser extent, the PRC. Production costs for thermal coal are low in Indonesia and the country has a number of large locally-based coal mining companies. Indonesia does not have significant resources of metallurgical coal, and its coal companies concentrate on the thermal coal market.

In 2009, exports of thermal coal from Australia were approximately 138 million tonnes. Australia is the second largest exporter of thermal coal, with particular focus on sales to the Asian markets of Japan, Korea and Taiwan.

Of the other largest exporters, Colombia mainly supplies to the USA and Europe, while Russia and South Africa supply mainly to Western and Eastern Europe.

Transport costs are a major factor in determining the geographical areas that can be economically served by the main producers and the geographic location of Australia and Indonesia provide a strong advantage in the Asian market.

Structure of Thermal Coal Production Industry

The earlier table showed the largest producing countries for thermal coal.

The thermal coal industry in the main producing countries is relatively diverse with several types of producers, which can be categorised as follows:

- state-owned mining enterprises supplying domestic markets;
- independent private coal mining companies serving domestic and export markets;
- publicly-traded international coal, minerals or energy companies; and
- trading companies with shareholdings in mining operations.

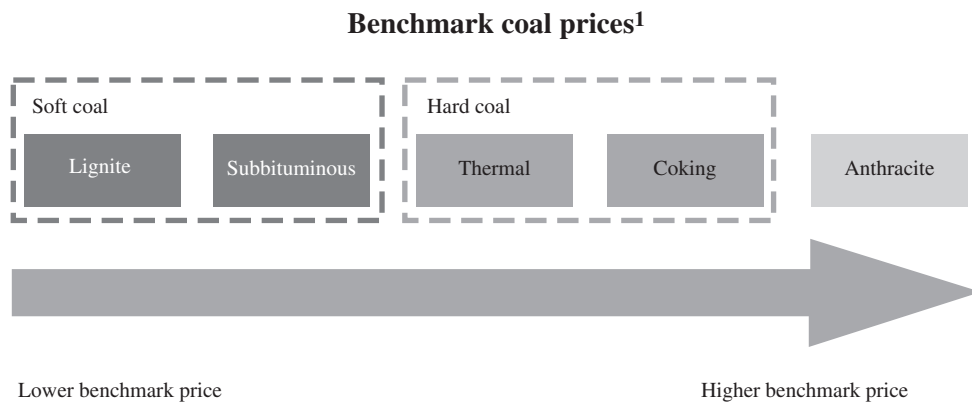
Since the 1990s, the growing concern about energy supply, rising consumption of thermal coal (as shown by the 51% growth in world consumption between 2000 and 2009 in the earlier table) and rising energy prices have caused international mining companies to show more interest in the thermal coal industry. This has led to the creation of the large coal activities of Xstrata plc and the entry of Vale S.A. (formerly Companhia Vale do Rio Doce S.A.) into the coal industry. The U.S. coal company, Peabody Energy Corporation, and the German coal companies, RAG AG, acquired overseas coal assets, particularly in Australia to supplement or replace domestic capacity. By contrast, oil companies have shown less interest in the expansion of their coal activities, concentrating instead on developing further resources of oil and gas.

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As a result of this structure the number of competitors in the international market for thermal coal is large and supply is much less concentrated than is the case for metallurgical coal. Independent coal producers are, therefore, more able to compete in the thermal coal market than in metallurgical coal, where the number of producers is small.

Pricing of Coal

Coal is classified as a bulk commodity and is commonly traded by contract. The illustration below provides a diagrammatic scale of the prices of various types of coal.



Note:

- (1) This chart reflects the general tendency for prices to be higher for higher grades, although market forces can cause prices to depart from this pattern in particular circumstances.

Benchmark Prices

The export price information of Australian Newcastle thermal coal to Japan is considered most comparable to the pricing of the Group's thermal coal as the majority of Australian thermal coal is exported from Newcastle to Japan and the Newcastle-Japan FOB price benchmark is widely recognized by industry participants as the pricing benchmark for export thermal coal in Asia Pacific on an ex-freight basis. Furthermore, the specifications of the thermal coal expected to be produced by China First Coal are closest to that of Newcastle benchmark thermal coal. In practice, the FOB price for the Group's coal will be determined by reference to the FOB Newcastle benchmark with adjustment for any difference in coal specification. The table below shows the annually negotiated Newcastle-Japan FOB price for the main types of coal.

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Prices for coal

Year	hard	semi-soft	LV PCI	thermal coal		crude oil		ratio of coal to oil
	coking	coking		US\$/t	US\$/GJ	US\$/bbl	US\$/GJ	
	US\$/t	US\$/t	US\$/t	US\$/t	US\$/GJ	US\$/bbl	US\$/GJ	
1990. . . .	52.80	—	44.20	40.85	1.52	22.05	3.33	45.7%
1991. . . .	51.80	—	43.20	39.85	1.48	18.30	2.76	53.7%
1992. . . .	51.30	—	42.20	38.90	1.45	19.03	2.87	50.4%
1993. . . .	49.30	—	39.70	36.35	1.35	16.82	2.54	53.3%
1994. . . .	45.45	—	36.40	34.35	1.28	15.90	2.40	53.3%
1995. . . .	51.10	—	42.67	40.30	1.50	17.16	2.59	57.9%
1996. . . .	53.50	—	43.87	40.30	1.50	20.42	3.08	48.7%
1997. . . .	53.50	—	41.87	37.65	1.40	19.18	2.89	48.4%
1998. . . .	50.65	—	36.90	34.50	1.28	13.07	1.97	65.1%
1999. . . .	41.90	—	31.50	29.95	1.11	18.14	2.74	40.7%
2000. . . .	39.75	—	30.60	28.75	1.07	28.21	4.25	25.1%
2001. . . .	42.75	—	36.75	34.50	1.28	24.63	3.71	34.5%
2002. . . .	48.15	32.75	32.00	31.85	1.18	24.87	3.75	31.6%
2003. . . .	46.10	32.95	30.00	27.13	1.01	28.76	4.34	23.3%
2004. . . .	56.50	45.50	40.00	43.38	1.61	38.27	5.77	27.9%
2005. . . .	125.00	100.00	77.50	53.00	1.97	53.76	8.11	24.3%
2006. . . .	110.50	64.00	55.50	51.00	1.90	66.17	9.98	19.0%
2007. . . .	91.50	66.25	62.38	55.33	2.06	71.95	10.85	19.0%
2008. . . .	292.50	241.50	240.00	125.00	4.65	100.93	15.22	30.5%
2009. . . .	128.50	75.00	90.00	67.50	2.51	61.68	9.30	27.0%
2010F. . .	200.00	167.00	—	98.00	3.64	85.00	12.82	28.4%

Source: Coal prices from Tex Report, Japan, various years; oil prices from International Monetary Fund and other published sources; energy content of coal and oil calculated by James F. King from United Nations statistics; data for 2010 are forecasts from James F. King

Prices of Newcastle thermal coal fell in absolute U.S. dollar terms during the 1990s and were still below the prices of 1990 in 2003. They increased rapidly after 2004 and experienced exceptional conditions in 2008, which saw prices rise far above any previously seen. As shown in the table, the price of thermal coal rose from US\$43 per tonne in 2004 to US\$125 in 2008.

In negotiations for 2009, the greatly weakened conditions in the steel industry (low demand caused much of the western world's steel industry to operate at about 50% of capacity in late 2008 and early 2009) set the tone for a major reduction in prices of metallurgical coal. Prices for thermal coal were initially settled at US\$70 per tonne with some buyers, but a falling market led to contracts in the range of US\$65 per tonne FOB Newcastle, Australia between major Australian exporters and Japanese buyers in the electricity industry.

Market conditions for coal improved sharply in the later months of 2009 and into 2010, as steel production and world economic activity revived. Prices of metallurgical coal were raised to US\$200 per tonne and prices of thermal coal rose from under US\$70 to just below US\$100 for sales to Japanese electric power companies.

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Spot Prices

There is a significant spot market in coal. A formal trading platform for the spot market was introduced facilitating the public trading of coal on the exchange of GlobalCOAL. This has provided for quotations of FOB spot prices for Australian thermal coal (NEWC – Newcastle New South Wales) and South African thermal coal (RB – Richards Bay) and for coal from these and other sources delivered to Northern Europe (ARA – Amsterdam, Rotterdam, Antwerp). The total extent of sales at spot prices is unquantifiable, but, for example, in 2007 the physical quantities traded at spot prices on GlobalCOAL's system was 9.9 million tonnes from South Africa and 3.8 million tonnes from Australia.

In 2008, spot prices for NEWC coal rose from about US\$125 per tonne in January to a peak of US\$170 per tonne in August, but fell back rapidly to about US\$80 by the end of 2008. The spot price fell further to a low point of about US\$65 per tonne in March 2009. This spot price weakness affected the later stages of the contract price negotiations for thermal coal. Spot prices remained at about US\$65 until June and then rose to about US\$77 per tonne by late July 2009.

Over the 20-year period 1987-2007, the average export price of thermal coal from Australia in absolute dollar terms (not adjusted for inflation) was US\$33.23 per tonne FOB and over the 10-year period 1997-2007 it was US\$34.61 per tonne. In 2007, the export price of thermal coal averaged over US\$50 per tonne and the average in 2008 was close to US\$90 per tonne.

In the second half of 2009, spot prices for thermal coal started to recover from their low point to around \$80 by July 2009. Strengthening demand continue to raise the Australian spot export price to over \$90 by early 2010, and by April 2010 the spot price was around \$93 per tonne FOB Newcastle. Domestic coal prices in the PRC at that time were about \$105 per tonne loaded at domestic ports for coastal shipment. Thermal coal prices continued strong into the later months of 2010 and spot prices for Australian thermal coal were about US\$110 per tonne in November 2010.

IRON ORE INDUSTRY

An Introduction to Iron Ore

Iron ore is the key raw material for the production of steel and is used in blast furnaces, other pig iron processes and direct reduced iron processes. Iron ore is a naturally occurring mineral ore, containing 25-70% iron, and is usually mined by open-pit methods. Commercially extractable iron ore is usually found in one of several types of naturally occurring minerals, of which hematite, also known as “natural ore”, and magnetite are the most common.

Iron ore as mined can have iron content from as low as 20% to over 65%. Iron ore products, as supplied to the steel industry after processing by the iron ore producer, have iron content ranging from about 55% to over 68% on a dry basis. Ore products below 60% iron can be considered to be relatively low grade, but may still be commercially attractive under the right price and transport conditions.

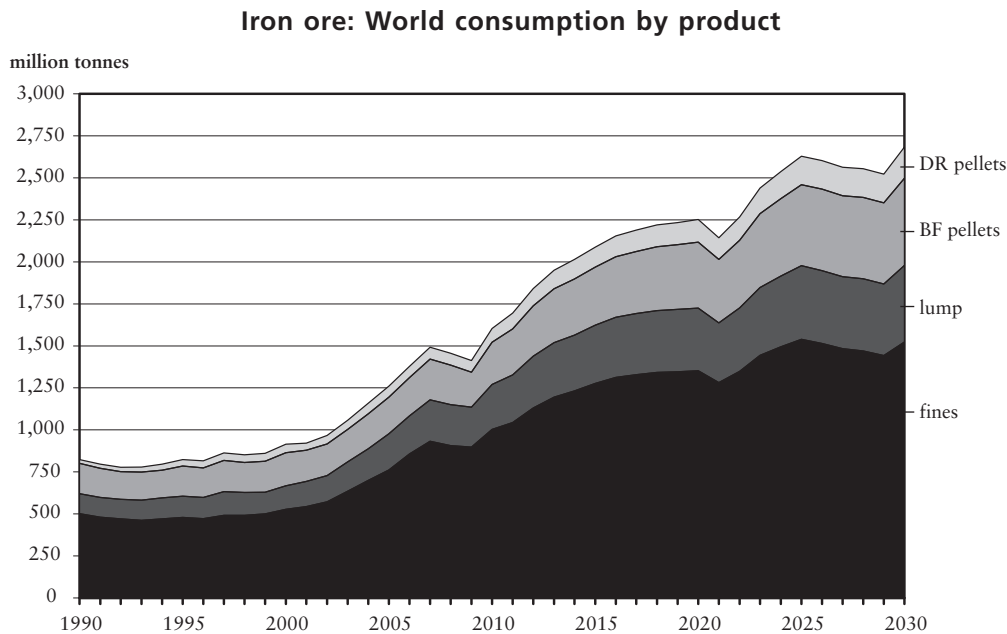
INDUSTRY OVERVIEW

The form in which the iron is contained is also of significance. Hematite ores are most common among the iron ores in seaborne trade ores (estimated by James F. King at over 90% of the volume), but quantities of locally mined magnetite ore are traded within North America, the Former Soviet Union and the PRC. Magnetite ores are amenable to treatment by magnetic methods and also offer thermal energy savings in the pelletising and sintering process because of chemical reactions that release energy in the form of heat. This means that magnetite ore can be economically processed at grades which would be unacceptable in hematite ores.

In the USA, the Former Soviet Union, India and the PRC, large-scale iron ore production supplies the domestic steel industry, often involving the processing of relatively low-grade natural ores. In countries without large-scale iron ore deposits, such as Japan and most European nations, iron ore is imported from several areas with high-grade ores, including Brazil, Australia, Canada, Venezuela, parts of North and West Africa, South Africa and Sweden.

Iron Ore Demand

The driving force behind the demand for iron ore is the expected growth in the steel industry. The following graph shows world iron ore consumption, by product, for the period 1990 to 2030.



Source: James F. King's estimates and forecasts based on data from World Steel Association, trade statistics of individual countries as published in official sources, or derived from those sources and supplied by Iron & Steel Statistics Bureau, London, or published in Tex Report, Japan

These long-term forecasts are derived from analysis of the consumption of finished steel products required to meet the needs of the economy in each country, the geographical location for the production of those steel products and the processes and types of raw materials required for the production of the crude steel used in those products. This leads to a forecast of the consumption of various types of iron ore product in each country.

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James F. King estimates that in 2009 total consumption of seaborne fell by 1.9%, which was less than previously expected because of the relatively rapid recovery in steel production in the PRC late in the year. James F. King expects seaborne iron ore consumption to rise by 14% in 2010, as steel production picks up in Europe and Japan, followed by growth of 6% in 2011.

Iron Ore Supply

The following table shows estimates by James F. King of the iron ore capacity of major companies. This is based on an assessment by James F. King of the effective control of production and sales rather than equity ownership. The data includes captive mining within the steel industry and for that reason companies in Russia, Ukraine and the PRC appear as significant producers, in addition to the major iron ore exporters such as Vale, Rio Tinto and BHP Billiton.

Iron ore: World's largest producers – total

Rank	Company	Base Country	Capacity (million tonnes per year)	Share
1	Vale	Brazil	417.08	19.16%
2	Rio Tinto	UK	273.73	12.57%
3	BHP Billiton.....	Australia	188.49	8.66%
4	ArcelorMittal	UK	78.89	3.62%
5	Fortescue Metals	Australia	55.00	2.53%
6	Evrzholding.....	Russia	50.45	2.32%
7	Metalloinvest	Russia	44.74	2.05%
8	AnBen.....	PRC	44.65	2.05%
9	Metinvest Holding	Ukraine	42.83	1.97%
10	Anglo American	South Africa	41.11	1.89%
11	LKAB.....	Sweden	38.46	1.77%
12	CVG	Venezuela	37.91	1.74%
13	Cleveland-Cliffs.....	USA	34.56	1.59%
14	NMDC	India	32.61	1.50%
15	Imidro	Iran	29.85	1.37%
16	CSN.....	Brazil	27.97	1.28%
17	Shougang Beijing.....	PRC	26.53	1.22%
18	US Steel	USA	23.50	1.08%
19	ENRC.....	Kazakhstan	19.71	0.91%
20	Wuhan Iron & Steel	PRC	18.63	0.86%
	Total Top 10		1,236.97	56.81%
	Total Top 20		1,526.70	70.12%
	World		2,177.28	100.0%

Source: Capacity data for individual mining operations, as compiled by James F. King. Capacity refers to end 2009, ownership to April 2010.

INDUSTRY OVERVIEW

The table shows that international resource companies (Vale, Rio Tinto, BHP Billiton, Anglo American), selling iron ore to third parties, have a major position in the iron ore industry, while steel producers (Arcelor Mittal, the companies in China, Russia and Ukraine, US Steel and CSN) are significant in certain areas for supply of iron ore to their own operations.

Since 2000, there has been significant consolidation in the iron ore industry increasing the concentration of supply. These include the acquisition by Vale (formerly CVRD) of most of the iron ore industry in Brazil, the acquisition of a joint holding in Robe River by Hamersley Iron (part of Rio Tinto) in Australia, the acquisition of many steel companies and their associated iron ore operations by the Mittal Group (now Arcelor Mittal), merger of companies in Russia and Ukraine to create a few large steel and iron ore enterprises and consolidation of steel companies and their associated iron ore operations in the PRC.

The information available to James F. King from public announcements of planned investments indicates that the iron ore industry had committed projects for the addition of 391 million tonnes of capacity, equivalent to 18% of the industry's capacity at the end of 2009. Of this total of 391 million tonnes, 204 million tonnes was scheduled for completion during 2010 and a further 55 million tonnes during 2011. These totals do not include projects that are under discussion or evaluation at present and other projects that have been considered in the past.

The structure of the iron ore market will also be potentially affected by new projects under development. Almost all the major iron ore companies have significant investment projects under way, mainly in the form of expansions and extensions of existing mines by accelerating development programmes that were already in place. This is occurring particularly in Brazil, Sweden, Ukraine, the PRC and Australia. Expansion has also occurred among private mining companies in India to meet the increasing demand from the PRC.

Some new projects (Fortescue Metals Group Ltd in Australia at 55 Mtpa and MMX Mineracao e Metalicos S.A. in Brazil at 26.6 Mtpa) are sufficiently large that, when completed, those companies will immediately be in the top 10 of the world's seaborne iron ore producers.

Arcelor Mittal's growth (such as its proposed 50 Mtpa project in Senegal) would also reduce the share of the major groups in the seaborne market, but it would also reduce the groups' purchases from third parties, reducing the size of the third-party market and increase the concentration in that market.

Since the late 1970's, the long-term trend in the iron ore industry was for western steelmakers to distance themselves from iron ore production by selling their interests in iron ore mines. This was not the case in India, the PRC, Russia or Ukraine. After 2008, prolonged high iron ore prices changed this trend and major steelmakers became interested in acquiring iron ore production capability to supply their own needs. This was particularly evident in a series of decisions by Chinese steel companies to acquire holdings in iron ore projects, mainly in Australia, and for producers in Russia and Ukraine to expand their iron ore operations with a view to export. This trend continued in 2009 and 2010.

INDUSTRY OVERVIEW

Seaborne Iron Ore Market

Alternative measures of the commercial importance of companies in the iron ore industry can also be used. By excluding iron ore consumed within a country (therefore removing most of the captive iron ore capacity), and tracking seaborne iron ore or iron ore sold to third parties, the top ten companies have between 74% and 85% of the total traded or seaborne iron ore depending on which measure is used.

Iron ore: World's largest producers – seaborne

Rank	Company	Base Country	Capacity (million tonnes)	Share
1	Vale	Brazil	342.07	30.97%
2	Rio Tinto	UK	255.37	23.12%
3	BHP Billiton.....	Australia	175.37	15.88%
4	Fortescue Metals	Australia	55.00	4.98%
5	LKAB.....	Sweden	34.61	3.13%
6	Anglo American	South Africa	27.14	2.46%
7	NMDC	India	19.72	1.79%
8	Hancock Prospecting.....	Australia	15.06	1.36%
9	ArcelorMittal	UK	12.55	1.14%
10	CVG	Venezuela	12.47	1.13%
	Total Top 10		<u>949.36</u>	<u>85.95%</u>
	Total Seaborne		<u>1,104.58</u>	<u>100.0%</u>

Source: Capacity data for individual mining operations, as compiled by James F. King. Capacity refers to end 2009, ownership to April 2010.

Most of the imports of iron ore are via seaborne trade and seaborne iron ore is the conventional measure of the international market for iron ore. In 2009 seaborne iron ore accounted for 53% of gross consumption. In the early 1980s it was only 35%.

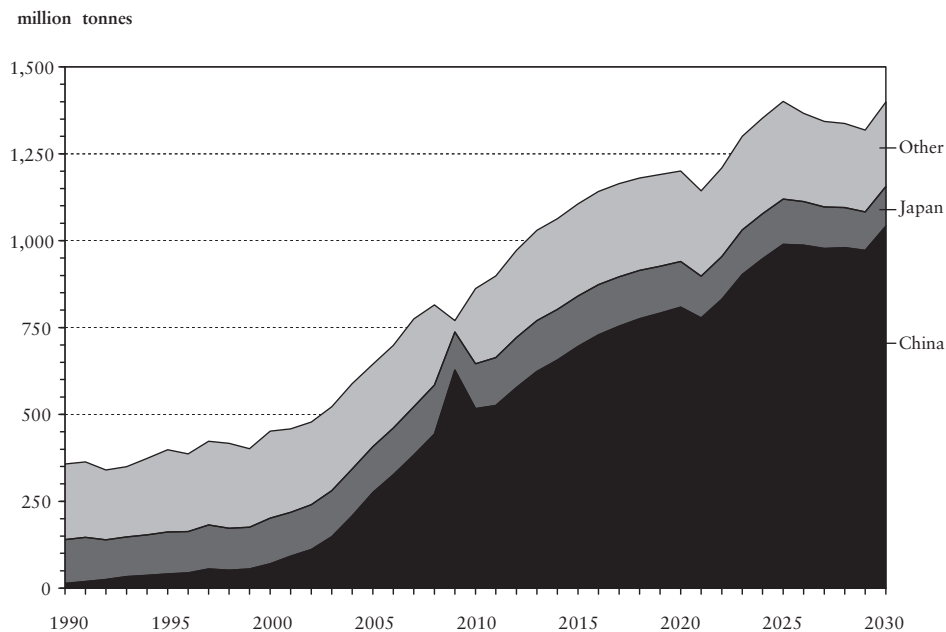
According to estimates from James F. King, seaborne iron ore trade increased from 308 million tonnes in 1980 to 357 million tonnes in 1990, 452 million tonnes in 2000 and 815 million tonnes in 2008. The increase in seaborne trade in the 1980s and early 1990s reflected the growth in steel production in Korea, some parts of Europe and in Japan. More recently, the increase was been driven by the PRC. Imports of iron ore into the PRC rose from 14 million tonnes in 1990 to 628 million tonnes in 2009. Almost all of these are seaborne imports and the demand from the PRC has effectively accounted for all the increase in seaborne iron ore trade since 1990.

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James F. King expects the growth of imported iron ore to be slower than that of domestically sourced iron ore. This is due to the expected trend for relatively higher steel production in countries with their own iron ore supplies (for example, Russia, Ukraine, South Africa, Brazil and India) and, with the exception of the PRC, relatively static steel production in countries using imported ores (Western Europe and Japan).

James F. King forecasts that total consumption of iron ore will increase over the period to 2030 at 2.8% per year, while seaborne iron ore increases at 2.5%. As a result, total seaborne iron trade would increase from 815 million tonnes in 2008 (and 770 million tonnes in the depressed market conditions of 2009) to 1.40 billion tonnes in 2030.

Iron ore: Seaborne trade – major importers



Source: James F. King's estimates and forecasts based on data from World Steel Association, trade statistics of individual countries as published by official sources, or derived from those sources and supplied by Iron & Steel Statistics Bureau, London, or published in Tex Report, Japan. Forecasts by James F. King based on consumption of iron ore by product and forecast patterns of trade.

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The PRC is the most important factor in the demand for iron ore, and in particular in the demand for seaborne iron ore. This is because of the rapid growth of steel production in the PRC, which is now by far the world's largest producer, and the shift of iron ore supply from domestic to imported material.

Iron ore: PRC					
Product	2000	2008	2010F	2020F	2030F
(million wet tonnes)					
Total consumption	186.4	668.0	801.7	1,192.7	1,449.2
Domestic - crude ore . . .	222.6	824.0	860.2	1,238.8	1,450.3
Domestic - products	116.5	278.6	299.9	410.8	456.3
Imports	70.0	444.0	516.7	809.0	1,041.9
fines	46.6	318.0	361.1	541.3	661.7
lump	17.1	89.3	106.2	149.4	173.0
pellets	6.1	24.8	33.5	82.5	149.6
pellet fines	0.3	11.9	15.7	35.7	57.6
Import share	37.5%	66.5%	64.4%	67.8%	71.9%

Source: Estimates by James F. King from published information for production and trade of the PRC up to 2009; forecasts from James F. King based on forecast production of iron by process and forecast requirements for iron ore products by type.

As noted above, the PRC's imports of iron ore rose from 14 million tonnes in 1990 to 70 million tonnes in 2000, 444 million tonnes in 2008 and 628 million tonnes in 2009. In 2008, imports of iron ore accounted for about 60% of the consumption of iron ore (measured on the basis of finished iron ore products and not crude ore as mined). Despite this huge growth of imports, domestic production of iron ore within the PRC has also expanded rapidly, from 179 million tonnes in 1990 to over 800 million tonnes in 2008 and 2009, measured on a crude ore basis. The grades of iron ore in the PRC are low, at 20-30% contained iron, which require extensive processing using scarce energy. Imports are preferred by many consumers because they permit improved productivity of the iron and steelmaking plant and higher quality steel products with lower impurities.

Domestic iron ore production is expected to continue to rise, but the declining grades of domestic resources and possible shortage of ore reserves will mean a continuing rise in imports. James F. King expects that imports of iron ore into the PRC will increase to 809 million tonnes by 2020 and over 1 billion tonnes per year by 2030. By contrast, the second largest importing country for iron ore is Japan, where consumption is forecast by James F. King to be lower in 2030 than the current level of about 150 million tonnes.

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The main sources of iron ore for the PRC have been Australia, Brazil and, particularly in recent years, India. James F. King expects Australia and India will become increasingly important sources of iron ore to the PRC due to their substantial advantages in transport cost compared to the movement of iron ore from Brazil.

Iron ore: PRC — sources of imports

Product	2000	2008	2010F	2020F	2030F
	(million wet tonnes)				
Total imports.	70.1	444.0	503.5	791.4	1007.0
Brazil.	15.1	103.4	121.8	195.2	255.0
India	11.0	91.1	109.4	168.6	208.7
Australia	32.8	184.9	190.5	294.6	365.9
Others	11.2	64.6	81.8	133.0	177.4

Source: PRC import statistics and forecasts by James F. King based on expected patterns of iron ore supply

There are also issues concerning the form of iron ore that will be consumed. In the steelmaking process most commonly used in the PRC and at other large plants around the world, iron ore is used in blast furnaces to produce iron for further processing into steel. Blast furnaces can be fed with iron ore in various forms. To permit the flow of air through the furnace that is essential to the process, the feed of raw materials to a blast furnace must be in the form of lumpy material. This can be achieved by various iron ore products. The simplest is lump ore, which occurs naturally in certain deposits, particularly in Australia. Most iron ore occurs as fines (small particles), which cannot be fed directly to the blast furnace because they block the passage of air. Fines ore must be converted into lumpy products. This is done by sintering or by pelletising. In a sinter plant, which is generally at the steel plant, iron ore is mixed with coke and heated to form lumps. Sinter plants cannot handle iron ore with very small particles and usually process iron ores that occur naturally or can be classified easily into the appropriate size range by crushers and screens. Such ores are supplied from Brazil, Australia, India and other countries. Sinter plants are also environmentally undesirable because of dust emissions.

The higher grades of natural ores, particularly those suitable for lump ores, are being depleted and consumers are finding that they must use more fine ores. As the highest grades of natural ores are being mined out, the iron and steel industry will increasingly have to turn to lower-grade ores that must be processed to remove impurities and upgrade them to finished iron ore products with low impurities and iron content of 60% or more. For some ores, the upgrading process (“beneficiation” or “concentration”) creates very small particles that are too small to produce sinter.

To turn these small particles into lumpy material for the blast furnace, they are made into pellets (small balls) by the addition of a binding material and heating in a furnace. In the longer term, as high grade iron ores are depleted, more lower-grade iron ore will have to be upgraded. The steel industry has for some years been increasing the use of pellets and this is also a trend in the PRC. In

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the western countries pellets have generally been produced by the iron ore industry and shipped to steel plants. In the PRC steel companies are shifting towards the production of pellets, using a blend of their own domestic iron ore and imported iron ore fines (“pellet feed”). The prospects for iron ore pellets are therefore good and magnetite iron ore has an advantage in pellet and sinter production because oxygen contained in the iron ore reduces energy consumption in the process.

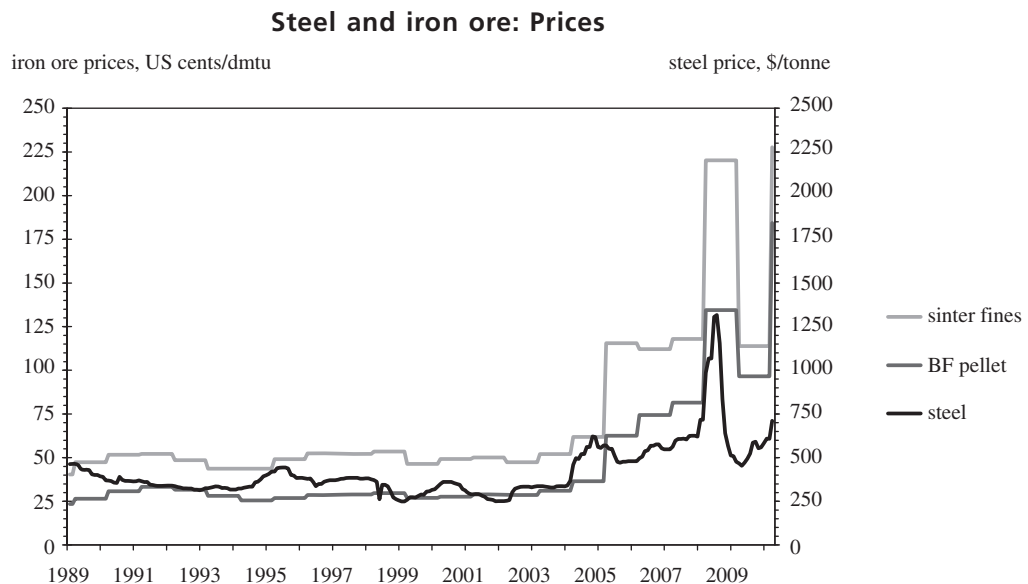
Pricing of Iron Ore

Iron ore is purchased on contracts which may have a duration from a single shipment to many years and millions of tonnes. All contracts refer to a guaranteed contractual specification of iron ore and specify the basis of shipping (FOB and CIF) and other factors such as normal loading rates for ships.

Prices of Iron Ore, Iron and Steel

The relationship of prices of iron ore to the prices of pig iron, DRI and steel products are important for the steel industry and a guide to the future direction of iron ore prices. Prices of iron ore and steel are mutually dependent and inter-related. Iron ore is a major cost factor in the production of steel and the price of traded iron ore affects production costs for an important part of the steel industry. At the same time the demand for, and price of, steel affects the prices that steelmakers can pay for iron ore if they are to remain profitable.

Historical data shows, for example, that over the 20-year period 1989-2009 the price of sinter fines in US cents per metric tonne unit (which is the equivalent of US\$ per tonne of contained iron) averaged 10.51% of the price of the typical finished steel product, but for the last 10-year period 1999-2009, it averaged 12.36%. This relationship is illustrated in the chart below, with prices of steel shown in the range up to \$0-\$2,500 per tonne and prices of iron ore 0-250 cents per dmtu.



Source: Data compiled by James F. King from information published by Metal Bulletin, UK, Skillings Mining Review, USA, and Tex Report, Japan

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Until 2004, the prices of steel and iron ore moved in the same general direction, with steel tending to lead iron ore over the cycle. Changes in the price of sinter fines, the key benchmark product, generally followed movements in the price of steel, with a time lag of one to two years. From 2005 onwards, however, the rises in iron ore prices took them well out of the range of previous experience. Although steel prices rose rapidly after 2005, prices of ore rose much more, taking them further away from the normal relationship with steel. Prices of iron ore were reduced in contract negotiations with buyers in Japan and Europe for 2009 but remain high in relation to steel.

Rising steel production in the second half of 2009 kept the iron ore market tight, and spot prices rose. In setting prices for 2010, iron ore producers moved further towards short-term pricing for contracts and away from benchmark pricing arrangements. Contract prices for 2010 were set in March 2010 at levels close to the spot prices of the time, with increases of about 90% from 2009 levels. This placed the price of the major grades of iron ore fines (from BHP Billiton and Rio Tinto) at over \$100 per tonne FOB Western Australia.

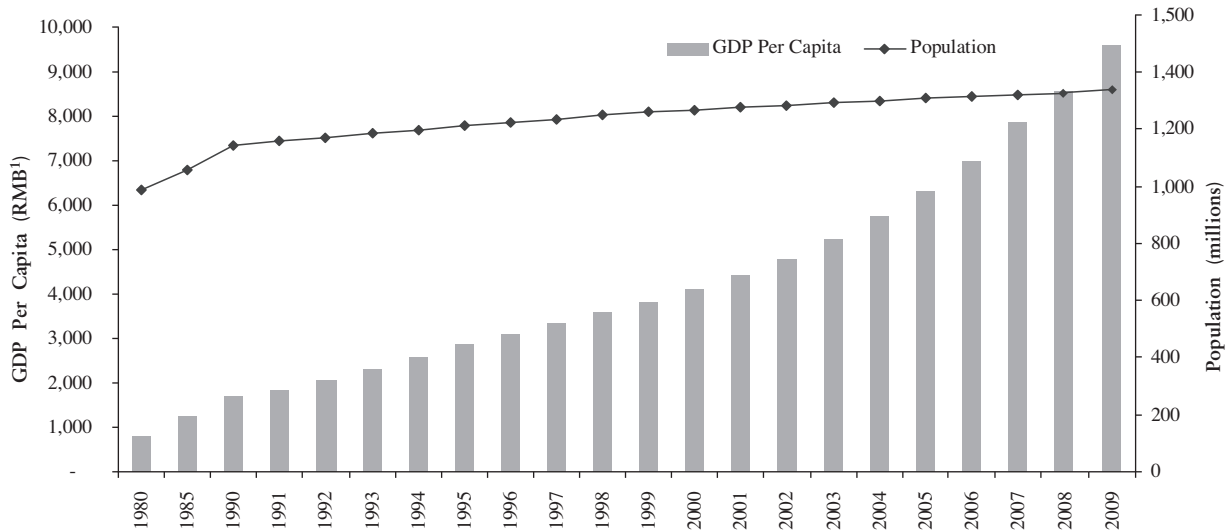
PRC GROWTH

The PRC's economy has grown significantly since it began its economic reforms in the late 1970s. The PRC's gross domestic product (GDP) per capita has grown from RMB807 in 1980 to RMB9,581 in 2009. This growth of almost 10 times has occurred for a large part on a population base exceeding 1 billion reflecting the extent of growth of the PRC's GDP.

Since the PRC became a member of the World Trade Organization in 2001, the PRC has experienced particularly strong growth with a GDP per capita CAGR of 10.1% over the period 2001 to 2009.

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PRC GDP per capita



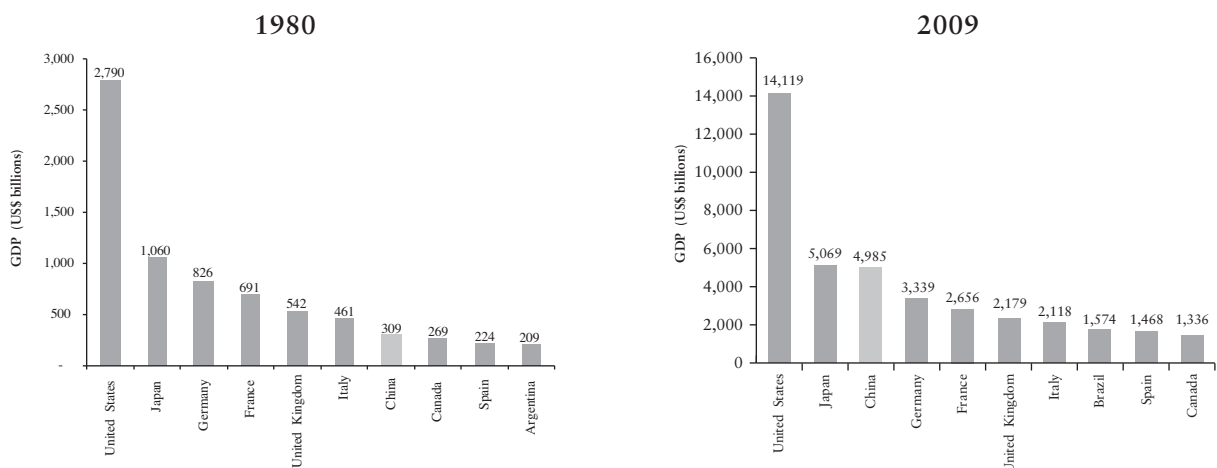
Source: GDP per capita data: International Monetary Fund, World Economic Outlook Database (October 2010)
Population data: Bureau of Statistics of China, China Statistical Yearbook (2009) and CEIC Data

Note:

(1) GDP per capita figures in constant prices

As a result of the strong economic performance, the PRC's annual GDP recorded strong growth during the period from 1980 to 2007, at a CAGR of 9.3%. The PRC's growth rate outperformed other leading Asian developing nations such as India, Indonesia and Thailand, with annual GDP growth rates of 7.0%, 5.8% and 7.8%, respectively. According to the International Monetary Fund, from 1980 to 2009, the PRC's GDP moved from the seventh to the third largest in the world.

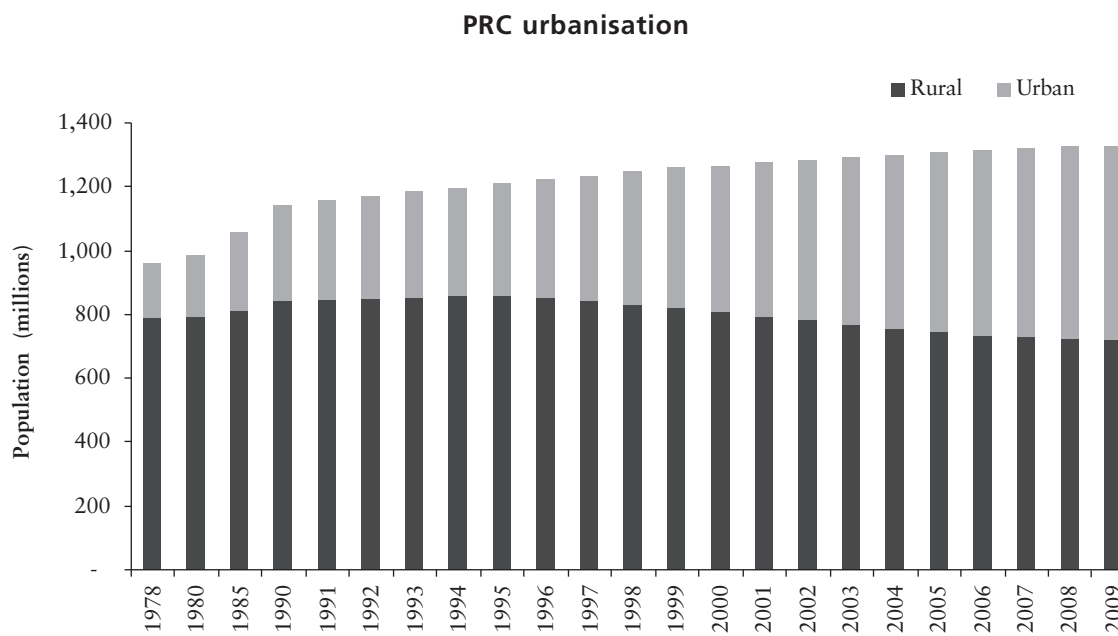
Global top 10 countries by GDP



Source: International Monetary Fund, World Economic Outlook Database (October 2010)

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Along with significant growth since 1978, the PRC economy has undergone several significant structural shifts in recent years, including increased urbanisation and industrialisation. According to the China Statistical Yearbook, from 1978 through to 2009, the PRC's urban population increased from 17.9% to 46.6% of the total population. Between 1978 and 2009, an average of 20.4 million people was added to the PRC's urban population each year.



Source: National Bureau of Statistics of China, China Statistical Yearbook (2010)

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The fast pace of economic growth in the PRC has been spurred by investment in fixed assets such as real estate and infrastructure. During the period from 2001 to 2009, an increasing amount of investments in fixed assets in the PRC were made to support continued economic development. In addition, the increasing urbanisation and industrialisation during the corresponding period led to the accelerated consumption by the PRC's middle class and to significant growth in the PRC's resource consumption.

PRC investment in infrastructure and real estate

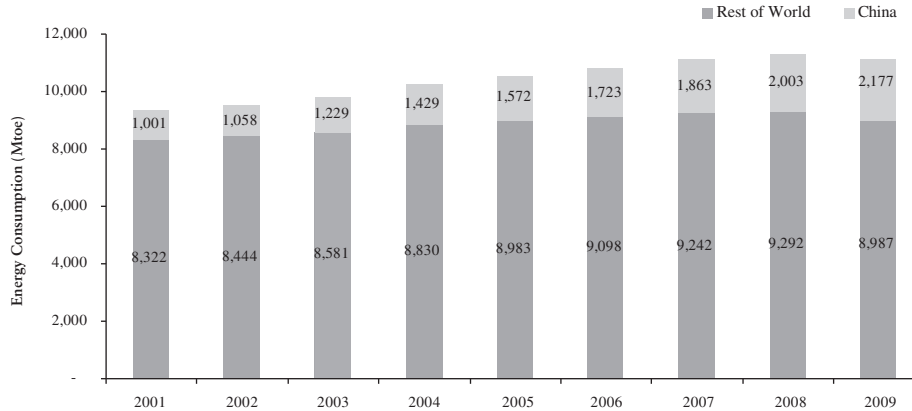
	Investment in Fixed Assets		Investment in Real Estate Development	
	RMB	Year on year growth	RMB	Year on year growth
	(in billions)	(%)	(in billions)	(%)
2001	3,721.4	13.1	634.4	27.3
2002	4,345.0	16.9	779.1	22.8
2003	5,556.7	27.7	1,015.4	30.3
2004	7,074.7	26.6	1,315.8	29.6
2005	8,877.4	26.0	1,590.9	20.9
2006	10,998.2	24.0	1,942.3	22.1
2007	13,732.4	24.8	2,528.9	30.2
2008	17,282.8	25.9	3,120.3	23.4
2009	22,459.9	30.0	3,624.2	16.1

Source: National Bureau of Statistics of China, China Statistical Yearbook (2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010)

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The PRC's ongoing urbanisation and industrialisation has resulted in a significant increase in domestic energy usage. According to the BP Statistical Review (June 2009), the PRC's consumption in power has grown significantly from 1,000.6 Mtoe in 2001 to 2,177 Mtoe in 2009. This represents a CAGR of 10.4% compared to a CAGR of 2.8% for energy usage globally over the same period.

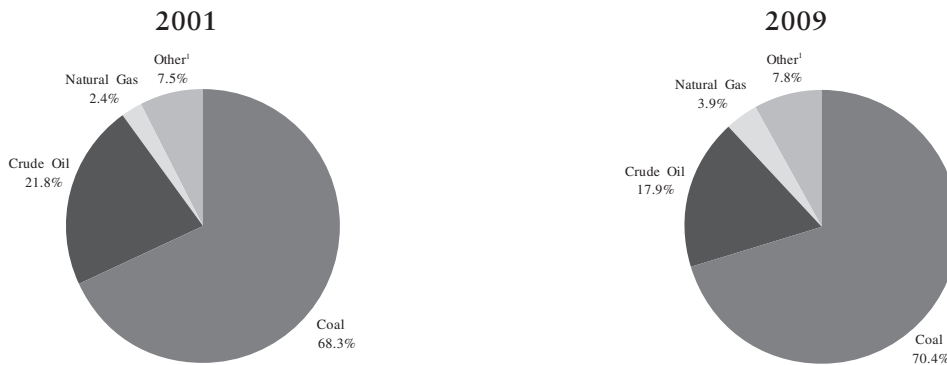
Global primary energy consumption (millions tonnes of oil equivalent)



Source: BP Statistical Review (June 2010)

Over this same period the PRC's reliance on coal has increased from 68.3% of energy consumption in 2001 to 70.4% in 2009.

PRC's energy mix



Source: National Bureau of Statistics of China, China Statistical Yearbook (2010)

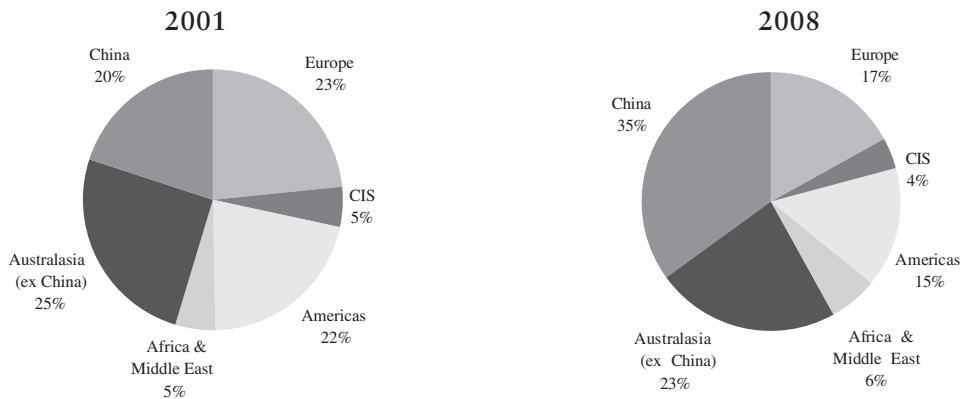
Note:

(1) Other includes hydro-power, nuclear power and wind power

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Rapid growth in the PRC's industrial demand has made the PRC one of the most prominent global resource power houses in the world. The PRC is the leading consumer of commodities globally and is the world's largest consumer of iron ore, steel, alumina, aluminium, copper, nickel and zinc. Between 2001 and 2008, PRC consumption of global steel production increased from 20% to 35%.

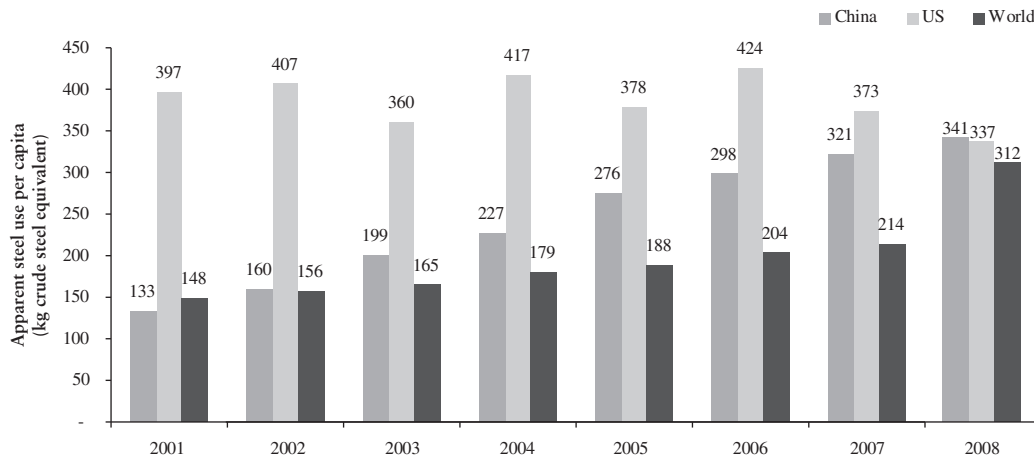
Global steel consumption by region



Source: World Steel Association, Steel Statistical Yearbook (2009)

Riding on its economic development, industrialisation and infrastructure construction, the PRC continues to experience a metal intensive stage of development. From 2001 to 2008 the PRC's steel intensity increased from 133 kg per capita to 341 kg per capita, compared to the relatively flat movement in steel intensity in the U.S. which moved from 397 kg per capita to 337kg per capita over the same period.

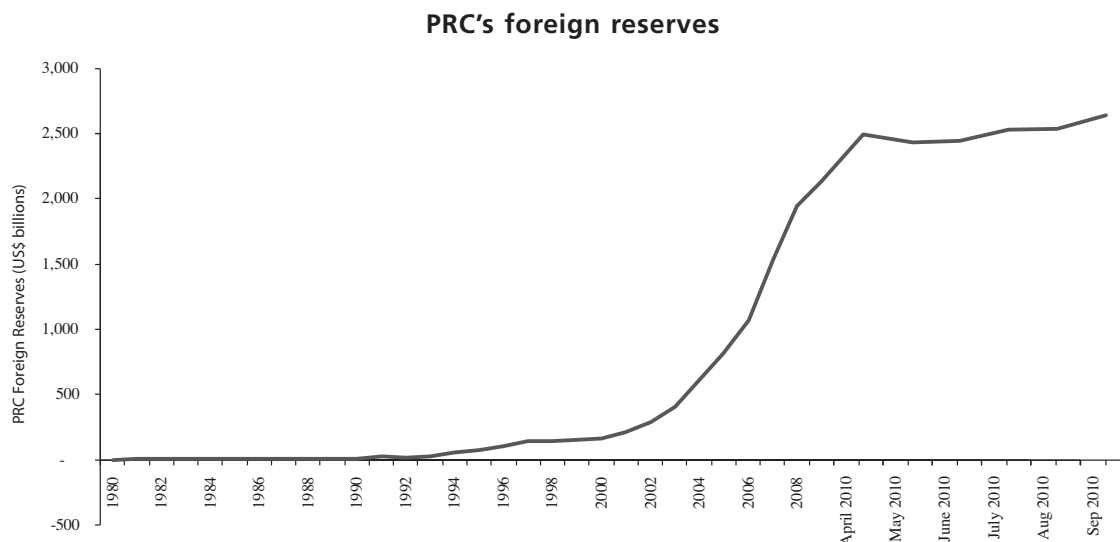
Apparent steel use per capita



Source: World Steel Association, Steel Statistical Yearbook (2009)

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PRC's large foreign reserves are expected to provide the country with opportunities to undertake initiatives that will continue to fuel the country's growth. As of September 2010, the PRC's foreign reserves stood at US\$2,648 billion.



Source: State Administration of Foreign Exchange (September 2010)

In recent years, there has been a tremendous flow of funds for resource projects across the world. Merger and acquisition activity for resource projects from and to the PRC has steadily increased over time in an attempt to mitigate security of supply issues. Select key completed transactions include:

Date Announced	Bidder	Target	Size	Commodity
Jan 2010	China Railway Materials Commercial Corporation	African Minerals Limited	US\$244mm	Iron ore
Dec 2009	CRCC-Tongguan Investment Co Limited	Corriente Resources Inc	US\$549mm	Copper and gold
Nov 2009	Wuhan Iron and Steel Company Limited	MMX Mineracao e Metalicos	US\$400mm	Iron ore
July 2009	Fullbloom Investment Corporation	Teck Resources Limited	US\$1.5bn	Coal, copper and zinc

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Date Announced	Bidder	Target	Size	Commodity
Apr 2009	China Minmetals Non-ferrous Metals Company	OZ Minerals Limited	US\$1.4b ¹	Base metals
Feb 2009	Hunan Valin Iron and Steel Group Company Ltd	Fortescue Metals Group Limited (17.4%)	A\$1.3b ²	Iron ore
Nov 2008	Anshan Iron & Steel Group Corporation	Gindalbie Metals Limited (23.7%)	A\$162m	Iron ore
Mar 2008	Sinosteel Ocean Capital Pty Limited	Midwest Corporation Limited (100%)	A\$1.4b ³	Iron ore
Feb 2007	Guangdong Yudean	Whitehaven (7.5% in Narrabri Coal Project)	A\$68m	Coal

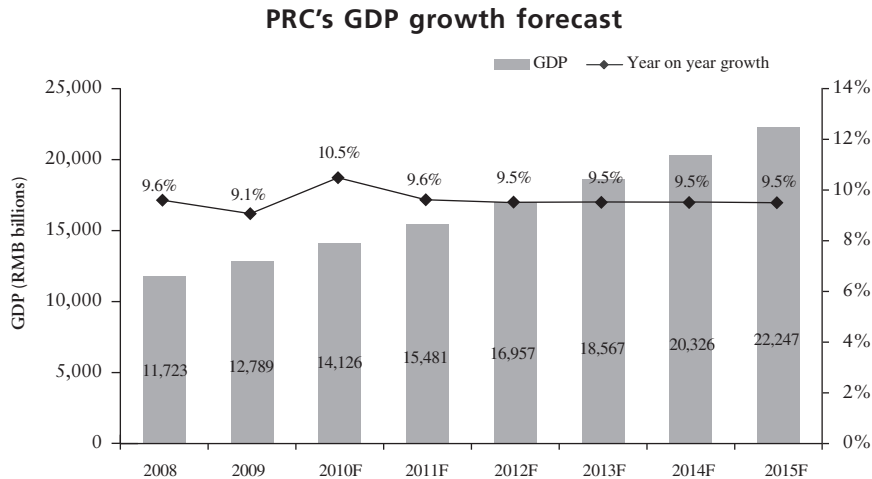
Notes:

- (1) Revised offer first announced on 1 April 2009 was US\$1.2 billion; Minmetals raised the offer price by 15% to US\$1.4 billion on 11 June 2009.
- (2) February 2009, Valin purchased 275 million shares from Harbinger Capital Partners for A\$627 million and subscribed 225 million new shares for A\$558 million. On 9 March 2009, FMG announced that Valin subscribed another 35 million shares for A\$86.8 million.
- (3) December 2007, Midwest advised that it had received a takeover proposal from Sinosteel for A\$5.60 per share. Sinosteel announced the A\$5.60 per share takeover offer on 14 March 2008 and further raised the offer price to A\$6.38 per share on 29 April 2008.

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FUTURE PRC GROWTH

According to the International Monetary Fund, the PRC's expansionary monetary policy and significant credit growth will see the PRC's GDP grow by 10.5% in 2010 and 9.6% in 2011. The increase reflects the substantial impact of the macroeconomic stimulus and a faster-than-expected turnaround in capital flows. According to the IMF World Economic Outlook in October 2010, the global economy is expanding again, and domestic demand appears relatively robust, particularly in China and India, helped by strong macroeconomic policy support.



Source: International Monetary Fund, World Economic Outlook Database (October 2010)

The strong economic growth of the PRC and the accompanying increase in fixed asset investment, continued urbanisation and the enhancement of consumer purchasing power have brought about rapid growth in the demand for resources in the past five years.

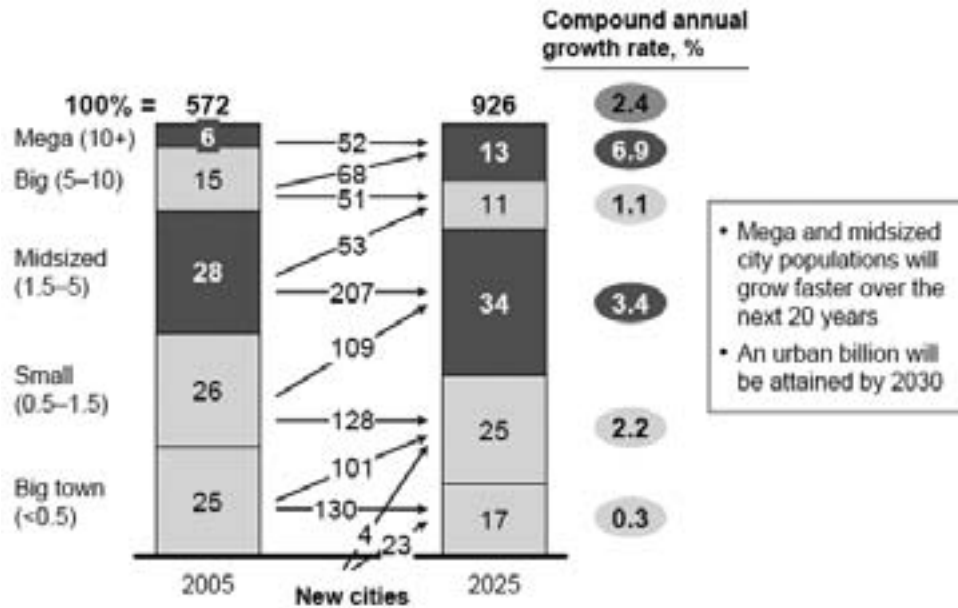
A stimulus package estimated at RMB 4 trillion (about US\$570 billion) will be spent over the next two years to finance programs in 10 major areas, such as low-income housing, rural infrastructure, water, electricity, transportation, the environment, technological innovation and rebuilding from several disasters, most notably the 12 May 2008 earthquake in Sichuan.

The spending plan is expected to play an important role in sustaining growth given RMB 4 trillion investment represents one third of the PRC's total fixed asset investment in 2008, according to the Development Research Center of the State Council. It is believed that the PRC economy will continue to grow in line with the strong demand for resources.

Continued growth and demand for commodities will be supported by continuing urban migration. According to McKinsey, it is projected that PRC's urban population will expand from 572 million in 2005 to 926 million in 2025. By 2030, PRC's urban population is on track to reach 1 billion.

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Forecast PRC population by city size (millions of people, %)



Source: 'Preparing for China's urban billion' (February 2009), McKinsey Global Institute China All City Model; McKinsey Global Institute Analysis

As a growing source of consumption, the PRC plays an increasingly important role in the development of crude oil and refined products businesses. According to the BP Statistical Review (June 2010), PRC oil consumption as a percent of global oil consumption has risen markedly over the last decade from 5.9% in 1999 to 10.4% in 2009.

The short-term collapse of the commodities markets last year has provided the PRC and us with significant opportunities. The PRC government's response so far has resulted in the following:

- the PRC government is buying cheap commodities for stockpile;
- the PRC government and PRC companies are buying overseas resource companies to improve security of resources supply; and
- the PRC government is encouraging the restructuring of its own coal domestic industry to close inefficient and small producers.

The PRC has dominated growth of the international resources markets in the last ten years and remains a dominant force today.

AUSTRALIA

General Mining Law in Western Australia

The *Mining Act 1978* (WA) regulates exploration and production of minerals in Western Australia and is administered by the Western Australian Minister for Mines and Petroleum through the Department of Mines and Petroleum. Except for certain discrete areas, ownership of all minerals in Western Australia vests in the Crown (in right of the state). A right to explore and mine for minerals in Western Australia may be granted or acquired through instruments known as mining tenements (specific endorsement by the Western Australian Minister for Mines and Petroleum is required for exploration and mining of iron ore). Subject to certain conditions imposed on a particular tenement, the general rights and obligations of the tenement holder under the *Mining Act 1978* (WA) are summarised below:

- **Exploration Licence** — The holder has a right to explore for minerals specified in the grant within the area of the licence. The holder may excavate, extract or remove earth, soil, rock, stone, fluid or mineral bearing substances up to a maximum volume of 1,000 tonnes (or another amount approved by the Western Australian Minister for Mines and Petroleum) during the term of the licence. An exploration licence is granted for an initial period of five years. An exploration licence which was in force or applied for before 10 February 2006 may be extended by the Western Australian Minister for Mines and Petroleum for a further period of one or two years and one further period of one to two years in certain prescribed circumstances. One or more extensions of one year are available in ‘exceptional circumstances’. An exploration licence granted as a result of an application made on or after February 2006 may be extended by the Western Australian Minister for Mines and Petroleum for one further period of five years and by a further period or periods of extension of two years, if prescribed grounds for extension exist.

An application for extension of the term of an exploration licence is made by lodging a form (in the format of a Form 9) at an office of the Department for Mines and Petroleum, accompanied by the instrument of licence, the prescribed rent for a period of 12 months (commencing on the day after the day on which the licence is due to expire), information in support of the proposed ground for extension and a summary of the work already carried out under the licence and a detailed programme of work still to be carried out under the licence. The application is lodged during the final year of term of the exploration licence.

- **Mining Lease** — The holder is authorised to mine for and dispose of any minerals from the land in respect of which the lease was granted. The holder has exclusive rights to use, occupy and enjoy the land for mining purposes and owns all minerals that are lawfully mined from the land which is the subject of the lease. The holder must pay royalties to the State of Western Australia at prescribed rates on minerals that are obtained from a tenement or from the land which is the subject of an application for a mining lease. A mining lease shall remain in force for an initial term of 21 years. The holder has an option to (subject to the provisions of the *Mining Act 1978* (WA) and *Mining Regulations 1981* (WA)) renew the mining lease for an additional 21-year period. Subsequently, the Western Australian Minister for Mines and Petroleum has discretion to further renew a mining lease for successive terms each of not more than 21 years.

An application for a mining lease must be in the prescribed form and be accompanied by the amount of the prescribed rent for the first year of the term of the lease or portion thereof as prescribed together with the prescribed application fee and by either (1) a mining proposal or (2) a mineralisation report and a statement which sets out information about the mining

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

operations that are likely to be carried out in, on or under the land which is the subject of the application including information as to (i) when mining is likely to commence; (ii) the most likely method of mining; and (iii) the location, and the area, of land that is likely to be required for the operation of plant, machinery and equipment and for other activities associated with those mining operations. Before any mining can commence on a mining lease, it is necessary to satisfy certain environmental procedures.

An application for renewal of the mining lease must be made in the form of Form 9 and lodged with a duplicate copy of the mining lease (if issued) and the prescribed rent for a period of 12 months commencing on the day after the day on which the term of the lease is due to expire. The application must be lodged at the office of the Mining Registrar at any time during the final year of the term of that lease.

- **Prospecting Licence** — The holder is authorised to enter upon land which is the subject of the granted prospecting licence and prospect for minerals. The holder may excavate, extract, or remove (subject to any conditions imposed under the *Mining Act 1978 (WA)*) earth, soil, rock, stone fluid or mineral bearing substances not exceeding 500 tonnes (or larger tonnage approved by the Western Australian Minister for Mines and Petroleum) during the term of the licence. The holder of a prospecting licence also has a priority entitlement to the grant of a mining lease of the land covered by the licence (subject to the *Mining Act 1978 (WA)*), any conditions to which the prospecting licence is subject and to the term of the prospecting licence being in force at the time of the application). The term of a prospecting licence is a period of four years. A prospecting licence which was in force or applied for before 10 February 2006 cannot be extended. However, in respect of a prospecting licence which was applied for on or after 10 February 2006, the Western Australian Minister for Mines and Petroleum has discretion to extend the term of the licence for an additional four year period if satisfied that a prescribed ground for extension exists and by a further period or periods of four years if the licence has retention status.
- **Miscellaneous Licence** — An applicant of a miscellaneous licence may apply for such licences for various purposes (including, but not limited to, the construction of roads, pipelines and water extraction) provided that they are directly connected with mining operations. Miscellaneous licences may be granted over land, which is the subject of an existing mining tenement. Miscellaneous licences are granted for a period of 21 years and can be renewed for one further period of 21 years. Thereafter, the licence, on application and at the discretion of the Western Australian Minister for Mines and Petroleum may be further renewed for successive periods not exceeding 21 years.
- **General Purpose Lease** — An application for this lease may only be granted if it is to be used in relation to mining operations. The holder is entitled to exclusive occupation of the land for one or more of the purposes for which the lease is granted. These purposes include the erecting, placing and operating of machinery in connection with mining operations, the depositing or treating of minerals or tailings obtained from any land in accordance with the *Mining Act 1978 (WA)* and use of the land for any other specified purpose directly connected with mining operations, all in relation to which the general purpose lease was granted.
- **Retention Licence** — The holder of a prospecting licence or exploration licence granted (or applied for) before 10 February 2006 and the holder of a mining lease (whenever granted or applied for) may apply for a retention licence. A retention licence, while it remains in force, authorises the holder to enter the subject land for further exploration for minerals, and to carry on such operations and carry out such works necessary for that purpose including digging pits,

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trenches and holes, excavating, extracting and removing earth, soil, rock, stone, fluid or mineral bearing substances not exceeding 1,000 tonnes and to take and divert water. The land in respect of which a retention licence is granted must be, in the opinion of the Western Australian Minister for Mines and Petroleum, sufficient to include the land in, on or under which an identified mineral resource is located and also additional land as may be required for future mining operations.

A retention licence remains in force for a term of five years. The Western Australian Minister for Mines and Petroleum may, upon receipt of an application (made in accordance with the *Mining Act 1978* (WA)) renew or further renew the licence for a period not exceeding five years. The *Mining Amendment Act 2004* (WA) introduced new provisions relating to retention under the *Mining Act 1978* (WA). The holder of a prospecting licence or exploration licence granted (or applied for) after 10 February 2006 can no longer apply for a retention licence but may apply for a “retention status”. The “retention status” provisions are similar to the current retention licence provisions but a separate title will not be required. The Western Australian Minister for Mines and Petroleum may approve retention status in respect of parts of the licence if a mineral resource is identified but it is impractical to mine because the resource is not economic at the time but may become so in the future; the resource is required to sustain an existing or proposed mining operation; or there are existing political, environmental or other difficulties in obtaining requisite approvals.

Once retention status has been granted the holder of a prospecting licence or exploration licence is not required to comply with the prescribed expenditure conditions and the term of a prospecting licence can be extended.

- Iron Ore — The holder of a prospecting licence, exploration licence, retention licence or mining licence may not prospect, explore or mine the land for iron ore (as the case may be) without written authorisation from the Western Australian Minister for Mines and Petroleum. Such an authorisation may only be obtained once the tenement is granted (applications cannot be “pre-authorised” for iron ore).

In Western Australia, tenements which are authorised for iron ore exploration and/or mining are identified by an “I” suffix following the respective tenement number.

Western Australian State Government Royalty

The *Mining Regulations 1981* (WA) set out royalties that are payable in respect of specified minerals. Royalties applicable to iron ore are set out below.

Iron Ore	Royalty %
Beneficiated iron ore	5
Fine ore	5.625
Lump ore	7.5

The *Mining Regulations 1981* (WA) also provide that a holder of a mining lease will pay additional rent, calculated at the rate of 25 cents per tonne, on all forms of iron ore obtained from the mining lease after the expiry of the period of 15 years from:

- (a) the day on which iron ore is or was first obtained from the mining lease; or
- (b) the day on which the *Mining Amendment Regulations 1996* (WA) came into operation, whichever is the later day.

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The rent must be paid to the Department for Mines and Petroleum within 30 days after the expiry of each quarterly period during which the iron ore was obtained under the mining lease.

Where iron ore concentrates are processed under the State Agreement, Mineralogy is entitled to the following deductions from the above rate:

- (a) 2% where ore is processed into steel within the State of Western Australia;
- (b) 1% where ore is processed into DRI (but not steel) within the State of Western Australia; and
- (c) 0.5% where ore is processed into pellets (but not DRI) within the State of Western Australia.

General Mining Law in Queensland

The *Mineral Resources Act 1989* (Qld) is the primary statute that regulates exploration and development of mineral resources in Queensland. To explore for mineral resources and progress to production requires the proponent of the project to hold approvals granted by the Minister for Natural Resources, Mines and Energy pursuant to the *Mineral Resources Act 1989* which is currently administered by the Queensland Government's Department of Employment, Economic Development and Innovation (Mines and Energy). These approvals are:

- Exploration Permit — An exploration permit allows the holder to explore the area subject to the permit and to determine the existence, quality and quantity of relevant minerals as well as the processes by which the minerals should be extracted. An exploration permit can be granted for a period not exceeding five years (unless otherwise determined by the Minister for Natural Resources, Mines and Energy) and the holder may apply for renewal of the exploration permit, with such renewal period not to exceed five years.

Generally, an exploration permit will be granted in respect of:

- (i) all minerals other than coal (referred to as an exploration permit for minerals, "EPM");
or
- (ii) solely for coal (referred to as an exploration permit for coal, "EPC").

Subject to the terms of grant, the holder of an EPM or EPC has equivalent rights under the *Mineral Resources Act 1989* (Qld). It is also possible for an EPC and an EPM to overlap and be granted over the same areas.

Unless the Minister for Natural Resources, Mines and Energy decides otherwise, the holder of an EPM must relinquish half of the area covered by the exploration permit within two years after the grant of the EPM and a further half of the remaining area by the end of each subsequent year. The holder of an EPC must relinquish in the way and to the extent decided by the Minister for Natural Resources, Mines and Energy when the EPC is granted or renewed, with such relinquishment requirements not to be greater than the extent to which an EPM must be relinquished.

An application for renewal of an exploration permit may only be made between three and six months before the expiration of the current term of the permit (unless otherwise approved by the Minister for Natural Resources, Mines and Energy). The application must be in an approved form, accompanied by a fee prescribed by regulation (under the *Mineral Resources Regulations 2003* (Qld)) and a statement describing the program of work to be carried out if

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renewed, the estimated human, technical and financial resources to be used to carry out the proposed work program and the applicant's financial and technical resources for carrying out the exploration work. The Minister for Natural Resources, Mines and Energy may request any information reasonably required to assess the application.

- Mineral Development Licence — Holders of an exploration permit may conduct more intensive studies to prove the existence of a resource by applying for and being granted a mineral development licence. A mineral development licence, subject to the approval of the Minister for Natural Resources, Mines and Energy, permits a range of activities to occur including:
 - (i) undertaking of geoscientific programs such as drilling and seismic surveys;
 - (ii) mining feasibility studies;
 - (iii) metallurgical testing and marketing studies;
 - (iv) environmental studies; and
 - (v) engineering and design studies.

A mineral development licence allows the holder to evaluate the potential of the relevant mineral. The mineral development licence shall be granted for a period not exceeding five years (unless a longer term is approved by the Minister for Natural Resources, Mines and Energy) and the holder may (within the relevant renewal period) apply for renewal of the mineral development licence, with such renewal period not to exceed five years. The Minister for Natural Resources Mines and Energy will, in determining an application for a mineral development licence, have regard to the factors set out in section 186 of the *Mineral Resources Act 1989* (Qld).

- Mining Lease — Unless otherwise approved by the Minister for Natural Resources, Mines and Energy, a person, or if there is more than one applicant at least one of the applicants, must hold either a prospecting permit, exploration permit or mineral development licence covering the contiguous area of the proposed mining lease as a condition to applying for a mining lease.

A mining lease is granted to allow mining operations to commence and entitles the holder to carry out activities associated with mining and to mine specific minerals as specified in the terms of the mining lease. Royalties are payable to the State of Queensland on all minerals extracted from the mining lease at prescribed rates. Unlike an exploration permit or a mineral development licence, a mining lease is not restricted to a maximum term but the term granted must be no longer than the period in respect of which compensation has been agreed or determined pursuant to sections 279, 281 or 282 of the *Mineral Resources Act 1989* (Qld). The initial term of a mining lease is the period approved by the Governor in Council on the recommendation of the Minister for Natural Resources, Mines and Energy. The Minister for Natural Resources, Mines and Energy in making this recommendation may give consideration to, amongst other things, the amount of reserves identified and the projected mine life. The *Mineral Resources Act 1989* (Qld) requires an applicant for a mining lease to include, amongst other requirements, a statement outlining proposals for all infrastructure requirements necessary to enable the mining program to proceed acceptable to the Queensland mining registrar. Associated infrastructure requirements (for example, the construction of rail and/or port facilities) must be approved by the relevant Queensland Government Department prior to implementation.

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The holder of a mining lease may, not more than one year and not less than six months prior to the expiration of the current term of the mining lease (unless otherwise directed by the Minister for Natural Resources, Mines and Energy), apply to the Minister for Natural Resources, Mines and Energy for a renewal of the mining lease by lodging an application with the Queensland mining registrar. The application must be in the approved form, accompanied by a fee and a statement of the term for which the mining lease is to be renewed. The application should also contain the reason for seeking the renewal, the proposed mining program and other information required under the *Mineral Resources Act 1989* (Qld).

Major proposals may be declared a “significant project” under the *State Development and Public Works Organisation Act 1971* (Qld), in which case the environmental impacts of the proposal will be evaluated by the Coordinator-General (as established under the *State Development and Public Works Organisation Act 1971* (Qld)) through a process requiring the provision of an Environmental Impact Statement prepared by the proponent and supplementary environmental impact assessment processes.

Queensland State Government Royalty

The royalty payable to the State of Queensland is set out in the *Mineral Resources Regulations 2003* (Qld) and is the higher of (a) 7% of the value of the coal and (b) the rate, rounded down to two decimal places, for each tonne of coal calculated using the following formula:

$$\text{Royalty Rate} = 7\% + \left(\frac{AP - 100}{AP} \right) \times 3\%$$

where AP is the average price per tonne of the coal sold, disposed or used in the quarterly period.

The royalty rate must be calculated and applied separately for coal sold, disposed of or used inside Queensland, and coal sold, disposed of or used outside of Queensland.

General Mining law in South Australia

The *Mining Act 1971* (SA) regulates the exploration and development of minerals in South Australia. The South Australian Minister for Mineral Resources Development administers the *Mining Act 1971* (SA) through Primary Industries and Resources South Australia.

- Exploration Licence — The holder is authorised to carry out exploratory operations of a kind described in the licence in respect of land described, or referred to, in the licence. The area of the land in respect of which an exploration licence is granted must not exceed 1000 square kilometres unless the South Australian Minister for Mineral Resources Development determines otherwise.

An exploration licence is granted for a term determined by the South Australian Minister for Mineral Resources Development of up to five years. If an exploration licence is granted for a term of less than five years, the licence may include a right of renewal but the aggregate term of the licence cannot exceed five years.

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- Mining Lease — Mining leases may be granted for a period of up to 21 years. Subject to the terms and conditions of a mining lease, the holder of a mining lease shall, if the holder has complied with the provisions of the *Mining Act 1971 (SA)* and the terms and conditions of the mining lease, be entitled to renewal for a further term pursuant to s38(2) of the *Mining Act 1971 (SA)*.

Once a mining lease is granted, the holder will be liable to pay a prescribed rental fee (per hectare), payable annually.

An application for renewal must be made between three and six months prior to expiration of the lease. The application must be made in the prescribed form.

- Retention Lease — Retention leases may be granted over the whole or part of the land which comprises a registered mineral claim. A retention lease is granted by the Minister for Mineral Resources Development for a period not exceeding five years and may be renewed for a further term, not exceeding five years.

There are standard terms and conditions imposed by the *Mining Act 1971 (SA)* and the *Mining Regulations 1998 (SA)* upon all retention leases. Further, the South Australian Minister for Mineral Resources Development has the discretion to impose further terms and conditions upon specific retention leases.

A royalty equivalent to 3.5% is payable to the Minister for Mineral Resources Development on the ex-mine gate value of the minerals (the value that fairly represents the market value (excluding GST) of the minerals at the time they leave the area of the mining tenement from which they were recovered). The South Australian Minister for Mineral Resources Development may declare that a mine is a “new mine” and a reduced royalty of 1.5% of the ex-mine gate value of the minerals will be payable for the period of five years commencing on the date of paying the first royalty payment.

Major mining proposals may be declared a “major development” under the *Development Act 1993 (SA)*, in which case the proposal will be required to be assessed and approved under the *Development Act 1993 (SA)*.

Environmental Requirements Governing Mining in Western Australia

Set out below is a general discussion of environmental requirements governing mining in Western Australia, in particular those requirements that apply to iron ore projects.

State Environmental Impact Assessment

Mining operations that are likely to have a significant impact on the environment must be referred to the Environmental Protection Authority for assessment, and approved by the Western Australian Minister for Environment, under Part IV of the *Environmental Protection Act 1986 (WA)*.

If a proposal is approved under Part IV of the *Environmental Protection Act 1986 (WA)*, then it may be subject to “Ministerial Conditions”, contained in a “Ministerial Statement”. These dictate how the proposal is to be implemented.

The conditions in a Ministerial Statement often require the preparation and implementation of various approved management plans. It is an offence to breach any of the conditions of a Ministerial Statement. In the event of a breach of conditions, the WA Minister for Environment may issue a stop order requiring operations to cease and for action to be taken to rectify the breach. The Western

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Australian Minister for Environment may approve a proponent making a change to a proposal without the revised proposal being re-referred to the Environmental Protection Authority if the Minister does not consider that the change may have a significant detrimental effect on the environment in addition to or different from the original proposal.

Other State Environmental Approvals

In addition to State environmental impact assessment approvals, other environmental approvals may be required to develop a mining operation. These approvals may include:

- works approvals and operating licences under Part V of the *Environmental Protection Act 1986* (WA) for construction and operation of premises such as ore processing facilities, on-site effluent disposal systems and power generating facilities above a prescribed production or design capacity;
- groundwater extraction licences under the *Rights in Water and Irrigation Act 1914* (WA);
- native vegetation clearing permits under the *Environmental Protection Act 1986* (WA); and
- dangerous goods, handling, transport and storage licences under the *Dangerous Goods Safety Act 2004* (WA).

Environmental Requirements Governing Mining in Queensland

Under the *Environmental Protection Act 1994* (Qld), the Department of Environment and Resource Management administers the authorisation and regulation of the key environmental impacts of exploration and mining activities. Pursuant to the *Environmental Protection Act 1994* (Qld), an environmental authority (mining activities) must be granted by chief executive of the Department of Environment and Resource Management for every mining tenement before mining activities can be carried out and the applicant for the environmental authority (mining activities) must hold or be the applicant for a mining tenement. The environmental authority (mining activities) will authorise environmental harm arising from the conduct of the mining activities subject to compliance with the conditions contained in the environmental authority (mining activities).

Depending on the nature of the activities and whether they are occurring on the area of the mining tenement or not, additional approvals may be required under other Queensland legislation before mining activities may commence.

Environmental Requirements Governing Mining in South Australia

In South Australia, the *Environment Protection Act 1993* (SA) applies to mining operations and is administered by the South Australian Environment Protection Authority.

The *Environment Protection Act 1993* (SA) imposes a duty on all persons not to undertake an activity that pollutes, or might pollute, the environment unless the person takes all reasonable and practicable measures to prevent or minimise any resulting environmental harm.

The South Australian Environment Protection Authority issues guidelines on what are considered reasonable and practicable measures to avoid environmental harm; those relevant to mining include the following:

- application of the *Environment Protection Act 1993* (SA) to mining;
- guidelines for the use of the Environmental Protection (Noise) Policy 2007;
- air quality impact assessment using design ground level pollutant concentrations;

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- bunding and spill management;
- environmental management of landfill facilities (municipal solid waste and commercial and industrial general waste);
- odour assessment using odour source modelling; and
- wastewater and evaporation lagoon construction.

If the proposed mining operation involves activities listed in Schedule 1 of the *Environment Protection Act 1993* (SA) (which include all forms of mineral processing), an authorisation in the form of a works approval is required from the South Australian Environment Protection Authority.

The works approval is required before installing plant or equipment to be used in these activities, and a licence must be obtained before operation of these activities may commence.

Commonwealth Environmental Impact Assessments

Under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth), actions that are likely to have a significant impact on a “matter of national environmental significance” may be subject to a rigorous assessment and approval process. An action that is likely to have a significant impact on a matter of national environmental significance is called a “controlled action”.

“Matters of national environmental significance” include:

- world heritage properties;
- declared Ramsar wetlands;
- listed threatened species and ecological communities;
- listed migratory species; and
- places on the National Heritage list.

Proposed actions that are likely to have a significant impact on a matter of national environmental significance must be referred to the Commonwealth Minister for Sustainability, Environment, Water, Population and Communities under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth). If the Commonwealth Minister for Sustainability, Environment, Water, Population and Communities decides that a proposal is a “controlled action” then assessment under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) will be required.

Native Title in Australia

General

The *Native Title Act 1993* (Cth) recognises and protects common law native title in Australia over land and water. In order for a native title claim over a specified area to be recognised, the claimants must prove the continuous existence of native title over the area. Multiple claims may be lodged by different native title parties over the same area. It is possible that native title may exist in respect of an area not presently the subject of a native title claim.

Certain procedures in the *Native Title Act 1993* (Cth) (known as future act procedures) must be followed to ensure the validity of the grant or renewal of a mining tenement. If a resource is found within an exploration licence or a prospecting licence which is affected by native title, and the licensee applies for a mining lease over that area, generally the grant of the mining lease will be

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subject to the future act procedures. These procedures can include the requirement for an applicant to negotiate or consult with the relevant claimant groups. In relation to a mining lease, any agreement reached will typically involve the payment of compensation to the native title holders for impairment of native title rights and interests as a result of the grant of the mining tenement or any activities carried out by the holder of the tenement. Such agreements usually provide for other matters such as Aboriginal heritage protection, employment opportunities and ongoing consultation with native title claimants.

It should be noted that the mining leases granted to Mineralogy were granted prior to the commencement of the *Native Title Act 1993* (Cth). To the extent that they may be invalid because of the existence of native title, the grant of those tenements have been validated by the combined operation of the *Native Title Act 1993* (Cth) and the *Titles (Validation) and Native Title (Effect of Past Acts) Act 1995* (WA).

Aboriginal Heritage in Western Australia

The *Aboriginal Heritage Act 1972* (WA) protects sites and areas of significance to Aboriginal persons. Protected sites may be registered under the *Aboriginal Heritage Act 1972* (WA) but there is no requirement for registration for a site to be protected. Consent of the Minister for Indigenous Affairs is required where any use of the land is likely to result in damage to, or destruction of, an Aboriginal site or objects. Important Aboriginal sites are also potentially protected by the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth). To be protected under this legislation a site must be declared. Protection under this *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) effectively prevents disturbance of the site.

STATE AGREEMENT

Overview

On 5 December 2001, the State of Western Australia (State), Mineralogy and its co-proponents Austeel Pty. Ltd. ACN 058 430 032, Balmoral Iron Pty. Ltd. ACN 058 429 931, Sino Iron Pty Ltd ACN 058 429 708 (formerly Bellswater Pty. Ltd.), China First Iron Ore Pty Ltd ACN 058 429 977 (formerly Brunei Steel Pty Ltd), International Minerals Pty. Ltd. ACN 058 341 638 and Korean Steel Pty. Ltd. ACN 058 429 600 (“Co-Proponents” and together with Mineralogy the “Proponents”) entered into the State Agreement.

The State Agreement commenced on 24 September 2002.

The State Agreement governs:

- (a) the mining and concentration of iron ore from “Area A” (a prescribed area of land held by Mineralogy which includes mining leases M08/118 to M08/130 and 08/264 — 08/266, exploration licences 08/117, 08/118 and 08/660 and other Ancillary Tenements);
- (b) the processing of iron ore predominantly as magnetite in Area A or elsewhere in the Pilbara region principally for the production and sale of high-grade pellets, direct reduced iron and/or hot briquetted iron, steel and iron ore concentrates;
- (c) the transport of magnetite concentrates and processed iron ore within the Pilbara region;
- (d) the establishment of new port facilities in the Pilbara region; and
- (e) the shipping of processed iron ore through those facilities.

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Term

Subject to earlier determination, the State Agreement expires 60 years from the commencement date (24 September 2002), unless extended by agreement between the State and the Proponents.

Any agreement between the parties proposing to extend the term of the State Agreement must be laid on the Table of each House of Parliament by the WA Minister for Mines and Petroleum within 12 sitting days of execution. Either House may disallow the extension of the agreement.

Project Proposals

Mineralogy must, either alone or with a Co-Proponent and subject to the *Environmental Protection Act 1986* (WA) and the provisions of the State Agreement, have submitted to the Western Australian Minister for Mines and Petroleum, on or before 30 June 2003, detailed proposals in respect of a project or projects for production within Western Australia of:

- (a) high-grade iron ore pellets with an initial minimum production capacity of 6 Mtpa from Area A and a pellet production facility located within Area A;
- (b) direct reduced iron (including hot briquetted iron) with an initial minimum production capacity of 2 Mtpa from Area A and a direct reduced iron production facility located within Area A; or
- (c) steel with an initial minimum production capacity of 2 Mtpa from Area A and a direct reduced iron production facility located on Area A,

or a combination of (a), (b) and/or (c) above (together, the “Projects”).

Mineralogy must also keep the State fully informed as to the progress and results of its field and office studies (and other matters necessary to enable it and any Co-Proponent to finalise and submit the Project Proposals) and advise on the Western Australian and Australian content of each Project.

Pursuant to the State Agreement, as amended by a letter from the then Minister for State Development (now the Western Australian Minister for Mines and Petroleum) dated 11 June 2003, proposals for at least one Project were to have been submitted by 30 June 2004 and approved by 30 June 2005 by the Western Australian Minister for Mines and Petroleum.

Following an amendment to the State Agreement in 2008, so long as the State Agreement remains in force, Mineralogy may, either alone or with a co-proponent and subject to the *Environmental Protection Act 1986* (WA) and the provisions of the State Agreement, submit to the Western Australian Minister for Mines and Petroleum, further detailed proposals in respect of:

- (a) a new Project or new Projects; or
- (b) a new project or new projects for production within Western Australia of iron ore concentrates.

Each Project proposal submitted by Mineralogy (alone or with a Co-Proponent) must include details in respect of a Project addressing the establishment and operation of the Project and where appropriate, Mineralogy’s workforce required to enable the proponents of that Project (“Project

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Proponents”) to mine, recover and process iron ore. Each proposal must cover the location area, lay-out, design, quantities, materials and time programme for the commencement and completion of construction or the provision of each of the following matters, if and as they are applicable:

- (a) the mining and recovery of iron ore and any other minerals necessary for use in the Project, including mining, crushing, screening, concentration, handling, transport and storage of iron ore and plant facilities;
- (b) any portion of Area A that the Project Proponents wish to be included in a mining lease to be issued to Mineralogy in respect of the Project;
- (c) any existing mining leases, further mining leases or ancillary tenements which the Project Proponents propose to use for the Project;
- (d) the plant or plants comprising the Project Proposal for producing iron ore concentrates and for processing or blending iron ore and the estimated capital cost of the Project;
- (e) accommodation and ancillary facilities for Mineralogy’s workforce;
- (f) temporary accommodation and ancillary facilities for the construction workforce for the Project;
- (g) water supply;
- (h) electricity and gas supply and transmission;
- (i) transportation of iron ore concentrates and/or products of iron ore concentrates;
- (j) dewatering of slurry and re-use of water;
- (k) disposal of waste rock and tailings;
- (l) plant areas and construction lay-down areas;
- (m) land which is proposed to be subject of any lease, licence, easement or other title granted under the State Agreement and to be shared by Projects;
- (n) production of iron ore concentrates and final products from iron ore concentrates by pelletising and/or direct reduction and/or steel making and disposal of residues;
- (o) port development works;
- (p) proposed infrastructure;
- (q) any other works, services or facilities desired by the Project Proponents;
- (r) use of local labour, professional services, manufacturers, suppliers, contractors and materials and measures to be taken with respect to the engagement and training of employees by the Project Proponents; and
- (s) any leases, licences or other tenures of land in favour of Mineralogy required from the State in respect of the Project.

The Project Proponents must also submit to the Western Australian Minister for Mines and Petroleum details of any services and works, materials, plant, equipment and supplies they propose to have carried out or obtain from outside Australia. The Project Proponents must demonstrate the availability of finance necessary to carry out and complete the Project and the readiness of the Project Proponents to commence, complete and operate the Project the subject of the Project Proposal.

If the Project Proponents notify the Western Australian Minister for Mines and Petroleum that one or more of them are applying to a government agency or government owned entity, statutory body or government controlled body for financial support in connection with the Project proposal, the time for the Project Proponent to comply with the requirement to demonstrate the availability of finance necessary to carry out and complete the Project and the readiness of the Project Proponents

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to commence, complete and operate the Project will be extended to a maximum of 18 months from the date of notification. In the interim, the Western Australian Minister for Mines and Petroleum may approve the Project Proposal subject to confirmation that finance is available, but the State will not be obliged to grant any tenure required for the Project until available finance has been confirmed.

Mineralogy is obliged to permit the State and third parties with the consent of the State to have access to and to pass over Areas A, B1 and B2 (as identified in the State Agreement) provided that access and passage does not unduly prejudice or interfere with the Proponents' activities.

Ministerial Approvals

The Western Australian Minister for Mines and Petroleum must notify a Project Proponent of his decision either to approve a Project Proposal, defer their decision or require certain conditions precedent before giving approval to a Project Proposal within two months of the later of receipt of:

- (a) a Project Proposal;
- (b) an authority under the *Environmental Protection Act 1986* (WA) relating to a Project Proposal; or
- (c) completion of any *Native Title Act 1993* (Cth) procedures.

Subject to receiving the necessary environmental approvals and licences, the Project Proponents must implement the proposal as approved by the Western Australian Minister for Mines and Petroleum and ensure continuous operation of the Project, subject to marketing arrangements and reasonable maintenance and operational shut down requirements.

During the currency of the State Agreement, the State must not, without the consent of Mineralogy, resume or permit any government authorities to resume any of the works, installations, plant, equipment or other property which belong to Mineralogy or their contractors or are being used by or are the subject of any lease or licence granted to Mineralogy for the purpose of the State Agreement.

Term of Area A — Mining Leases and Exploration Licences

Any mining lease applied for by Mineralogy over a portion of Area A will have a term of 21 years with rights to an automatic extension of the tenement for two further 21-year periods provided Mineralogy applies for an extension not later than one month before the expiration of the mining lease.

Expenditure Obligations and Rent

Mineralogy is entitled to annual extensions of any exploration licences it holds, and those licences are not subject to the surrender procedures contained in section 65 of the *Mining Act 1978* (WA).

The State Agreement provides that the State will ensure that the tenements in Area A will be exempt from the expenditure obligations which would ordinarily apply under the *Mining Act 1978* (WA).

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

The State Agreement provides that an additional rent payment of 25 cents per tonne of iron ore will apply to iron ore, but in the case of iron ore concentrates (if produced) it will apply to the iron ore concentrate rather than the actual iron ore obtained from the tenements used to produce the iron ore concentrate.

Mineralogy is still required to comply with the reporting requirements under the *Mining Act 1978* (WA) and submit such other reports and returns as are required by the State Agreement.

Royalties

Mineralogy is required to pay royalties to the State on the imputed value of iron ore concentrate processed under the State Agreement. Unless the Western Australian Minister for Mines and Petroleum and Mineralogy agree otherwise, the imputed value of the raw iron ore input is calculated on the average of the FOB sales prices (converted to Australian dollars at the Reserve Bank of Australia exchange rate for the relevant 1 July) prevailing on 1 July of each year of Goldsworthy, Hamersley and Mt Newman high-grade fine ore adjusted for iron content and sold to Japanese steel mills, as agreed by the relevant producers and consumers for the Japanese financial year which commenced on the immediately preceding 1 April as quoted in the TEX Report or a similar trade journal.

The State Agreement provides the following royalty concessions:

- (a) A discount of 2% will be applied to the royalty rate (being 5% for the period of 14 years after the commencement of the State Agreement and thereafter at the rate prescribed under the *Mining Act 1978* (WA) for magnetite as if the imputed value of the input was its realised value) where the raw iron ore input is processed into steel in Western Australia.
- (b) A discount of 1% will be applied to the royalty rate where the raw iron ore input is processed into direct reduced iron in Western Australia (but not further processed into steel).
- (c) A discount of 0.5% will be applied to the royalty rate where the raw iron input is processed into pellets (but is not further processed into direct reduced iron).

Royalties will also be payable on all other iron ore concentrates, iron ore and other minerals produced, at the rates prescribed in the *Mining Act 1978* (WA).

The Project Proponents may, as part of a relevant Project, undertake within Area A the blending of iron ore concentrates produced as part of their Project with iron ore owned by any one or more of them (or a third party) mined from tenements within the Pilbara but outside Area A, Area B1 and Area B2 (as those areas are defined in the State Agreement). If such blending of iron ore occurs:

- (a) Project Proponents must keep in place adequate systems to account for the correct apportionment of the different quantities contributed between each of the relevant mining tenements; and
- (b) for the purposes of calculating royalties payable to the State under the *Mining Act 1978* (WA), the gross sale price of the blended product shall be apportioned to those iron ore concentrates in the same proportion as the total amount of iron in those iron ore concentrates bears to the total amount of iron in the blended product.

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Development of Projects and Infrastructure

The State Agreement requires the Project Proponents to use local labour, professional services and materials where practicable.

The State Agreement also regulates the provision of services for a Project such as:

- (a) the construction and maintenance of roads;
- (b) electricity generation and transmission;
- (c) potable and non-potable water;
- (d) housing and accommodation and associated infrastructure (which may include establishment of a new town); and
- (e) the construction and operation of a railway.

On application by any Project Proponents (and no later than three months after all proposals in respect of the Project have been approved) the State shall grant or arrange for the grant of any lease, licence, easement and right of way required for the purposes of the Project, subject to such terms and conditions as are reasonable having regards to the requirements of Mineralogy and as are consistent with the terms of, and prescribed in, the State Agreement. The term of the lease, licence, easement or right of way shall be up to 60 years in respect of areas on which the Project Proponents may establish processing, port and associated facilities for production and/or shipping, or co-terminous with the mining leases in respect of other areas, subject to early termination in circumstances prescribed in the State Agreement.

Mineralogy is also obliged to develop and construct port and shipping facilities for the Project in accordance with approved proposals. The Project Proponents are obliged to permit the State and third parties with the consent of the State to have access to the wharf and port installations, wharf machinery and equipment and wharf and port services and facilities constructed or provided by the Project Proponents, provided that they do not interfere with the Project Proponents' activities.

If any proposal provides for a railway, Mineralogy must construct the railway in accordance with the State Agreement and recognised standards for railways of a similar nature operating under similar conditions with sufficient and adequate locomotives, freight cars and other railway stock and equipment for the purposes of the Proponents' activities under the State Agreement. Mineralogy must operate the railway in accordance with the *Rail Safety Act 1998 (WA)* and other relevant statutes. If required, Mineralogy shall carry the iron ore products of third parties, passengers or freight, in accordance with arrangements agreed between Mineralogy and the State.

Assignment

Ministerial consent (which consent may be conditioned on the provision of a guarantee satisfactory to the Western Australian Minister of Mines and Petroleum) is required for a Proponent to assign, mortgage, charge, sublet or dispose of the whole of any part of its rights under the State Agreement.

The Co-Proponents shall at all times during the currency of the State Agreement be and remain liable for the due and punctual performance and observance of all the covenants and agreements on their parts contained in the State Agreement and in any lease, licence, easement, grant or other title the

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

subject of an assignment mortgage subletting or disposition. The Western Australian Minister of Mines and Petroleum has a discretion to release Mineralogy or a Co-Proponent as the case may be from such liability where the Western Australian Minister of Mines and Petroleum considers such release will not be contrary to the interests of the State.

Indemnity

Mineralogy and Co-Proponents and Project Proponents must indemnify and keep indemnified the State and its servants, agents and contractors in respect of all actions, suits, claims, demands, or costs of third parties arising out of or in connection with:

- (a) any work carried out by or on behalf of them respectively pursuant to the State Agreement; or
- (b) relating to their activities under the State Agreement; or
- (c) arising out of or in connection with the construction, maintenance or use by Mineralogy, the Co-Proponents and the Project Proponents or their servants, agents, contractors or assignees of works or services the subject of the State Agreement or the plant, apparatus or equipment installed in connection therewith,

provided subject to the provisions of any other relevant Act such indemnity shall not apply in circumstances where the State, its servants, agents, or contractors are negligent in carrying out work for Project Proponents pursuant to the State Agreement.

Termination of State Agreement

The State may, after complying with notice provisions, terminate the State Agreement if one of the following default events is not remedied or such activities resume within a period of six months after notice is given by the State in relation to the default:

- (a) Mineralogy or a Project Proponent defaults in a way which the State considers material in the due performance or observance of any of its or their covenants or obligations in the State Agreement or in any other title or document granted or assigned under the State Agreement on its or their part to be performed or observed;
- (b) Mineralogy or a Project Proponent abandons or repudiates the State Agreement; or
- (c) Mineralogy or a Project Proponent goes into liquidation (other than a voluntary liquidation for the purpose of reconstruction) and its interest is not assigned to an approved third-party assignee.

The State may elect to terminate the Proponents' rights under the State Agreement in relation to a particular Project or all Projects.

Where the State elects to terminate the State Agreement only in relation to a particular Project, the State Agreement will continue to apply to common use land if such land is being used by another Project.

Where the State terminates the State Agreement, tenure granted under other Acts will continue in force under and subject to those Acts.

OUR HISTORY AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

We were registered in the State of Queensland, Australia with limited liability on 6 March 2009 as a wholly-owned subsidiary of Mineralogy. Since our registration, we have acquired a number of resource interests from Mineralogy and its subsidiaries. As a diversified resources company, our vision is to capitalise on the growing demand for resources primarily in the PRC through the cooperative development of large-scale resource projects with PRC-based companies.

The following milestones reflect key events leading to our establishment and the development of our business.

18 June 1985	Mineralogy was incorporated by our executive Director and Chief Executive Officer, Professor Clive F. Palmer.
20 February 1986	Mineralogy acquired exploration leases in respect of the Balmoral Deposit and the Bilanoo Deposit, near Cape Preston in the Pilbara region of Western Australia.
30 December 1992	China First Iron Ore (formerly Brunei Steel Pty Ltd) was incorporated in Queensland, Australia by Mineralogy.
23 June 1993	Mineralogy was granted mining leases for the Balmoral Deposit.
26 October 2001	China First Iron Ore (formerly Brunei Steel Pty Ltd) entered into the Iron Ore Facilities Deed with Mineralogy in relation to the access, development and utilisation of facilities to enable the export of iron ore products.
24 September 2002	The Western Australian State Government ratified the State Agreement as an Act of Parliament, providing benefits to Mineralogy and certain of its controlled entities (including China First Iron Ore, formerly Brunei Steel Pty Ltd and Anshan Resources Pty Ltd) for the development of iron ore projects in the Pilbara region, including those within the Balmoral Deposit and the Bilanoo Deposit.
September 2008	The full feasibility study of the China First Iron Ore Project by ProMet Engineers was completed.
28 November 2008	The Queensland State Government declared the “Galilee Coal Project (Northern Export Facility)” (which includes the mine and infrastructure area proposed for the China First Coal Project) a “significant project” requiring the filing of an environmental impact statement with the Queensland Coordinator-General.
10 December 2008	The Western Australian State Government ratified a variation to the State Agreement to, among other things, provide for the export of iron ore concentrates.

OUR HISTORY AND CORPORATE STRUCTURE

26 February 2009	China First Coal was incorporated in Queensland, Australia by Waratah Coal.
6 March 2009	Our Company was registered in Queensland, Australia.
16 March 2009	Our Company raised A\$5.0 million through the issue of the Convertible Notes to Professor Clive F. Palmer.
17 March 2009	Our Company acquired 100% of the shares of Cosmo from Mineralogy.
1 June 2009	Our Company acquired 100% of the shares of China First Coal from Waratah Coal.
June 2009	The Concept Study of the China First Coal Project by WorleyParsons was completed.
8 July 2009	China First Coal entered into the Coal Mining Right Agreement with Waratah Coal granting China First Coal a right to mine up to 1.4 billion tonnes of coal.
22 July 2009	China First Coal entered into the MCC Framework Agreement with MCC in relation to the financing and development of the China First Coal Project.
18 September 2009	Our Company acquired 100% of the shares of China First Iron Ore from Mineralogy.
21 September 2009	China First Iron Ore entered into the Iron Ore Mining Right Agreement with Mineralogy in relation to our right to mine up to 10 billion tonnes of iron ore.
21 September 2009	China First Iron Ore and Mineralogy entered into a variation deed varying certain terms of the Iron Ore Facilities Deed.
22 September 2009	JORC compliant ore reserves of approximately 1.1 billion tonnes of magnetite iron ore were determined within the China First Iron Ore area.
5 November 2009	The Australian Commonwealth Government granted the China First Coal Project “major project facilitation” status.
29 January 2010	China First Coal entered into the EPCM Contract with MCC Overseas in relation to the China First Coal Project with a project budget of US\$8.013 billion.
2 March 2010	JORC compliant open-cut and underground ore reserves of approximately 1.1 billion tonnes of coal were determined within the China First Coal Project area.

OUR HISTORY AND CORPORATE STRUCTURE

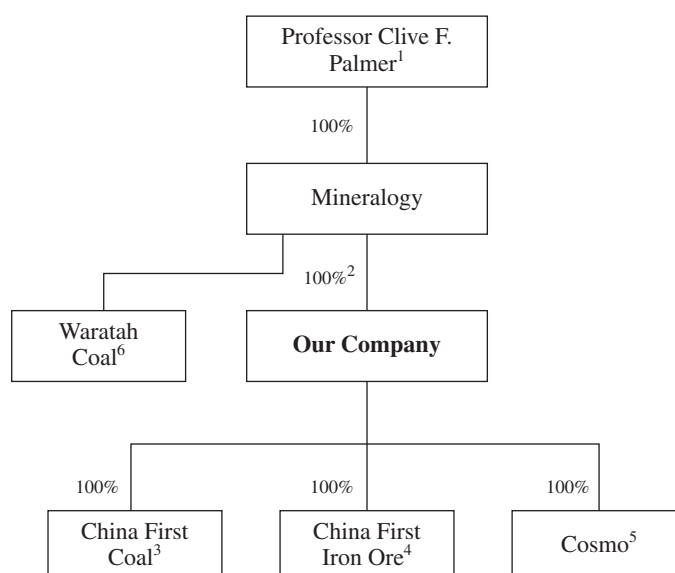
- 30 April 2010 China First Coal received a letter of intent from China Eximbank, as amended by a letter of extension dated 22 April 2011, in relation to a buyer's credit facility to partially finance the development of the China First Coal Project.
- 21 June 2010 Our Company entered into the Cooperation Agreement with MCC, China Eximbank and China Power International Holding in relation to the development and financing of and offtake of production from the China First Coal Project.
- 15 September 2010 China First Coal entered into the Vitol Coal Supply Agreement with Vitol, as amended by a variation deed dated 9 March 2011, in relation to the sale of thermal coal produced from the China First Coal Project.
- 28 October 2010 Our Company entered into the MCC Placing Agreement with MCC for the subscription by MCC for US\$200 million of our Offer Shares as part of the International Offering.
- 1 November 2010 China First Coal entered into the Sino-Australian Coal Purchase and Supply Agreement with China Power International Holding in relation to the sale of thermal coal produced from the China First Coal Project.
- 19 January 2011 Our Company entered into the non-legally binding CREC Framework Agreement with CREC in relation to the appointment of CREC as the EPC contractor for the construction of the rail and associated infrastructure for the China First Coal Project.
- 19 January 2011 Our Company entered into the CREC Placing Agreement with CREC for the subscription by CREC for our Offer Shares as part of the International Offering for a total consideration of US\$200 million.

OUR HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Professor Clive F. Palmer, our executive Director and Chief Executive Officer, is the ultimate controlling shareholder of our Company as he currently holds a 100% beneficial interest in our holding company Mineralogy. Professor Clive F. Palmer has irrevocably exercised his right to convert all of the Convertible Notes into 6,600,000,000 Shares, such conversion to be effective upon Listing. Our coal interests in Queensland, Australia are currently held through our wholly-owned subsidiary China First Coal. Our iron ore interests in Western Australia are currently held through our wholly-owned subsidiary China First Iron Ore, while our iron ore interests in South Australia are held through our wholly-owned subsidiary Cosmo.

There has not been any change in the percentage ownership of our Company between its incorporation and the Latest Practicable Date. Our corporate structure immediately before Listing is shown below.

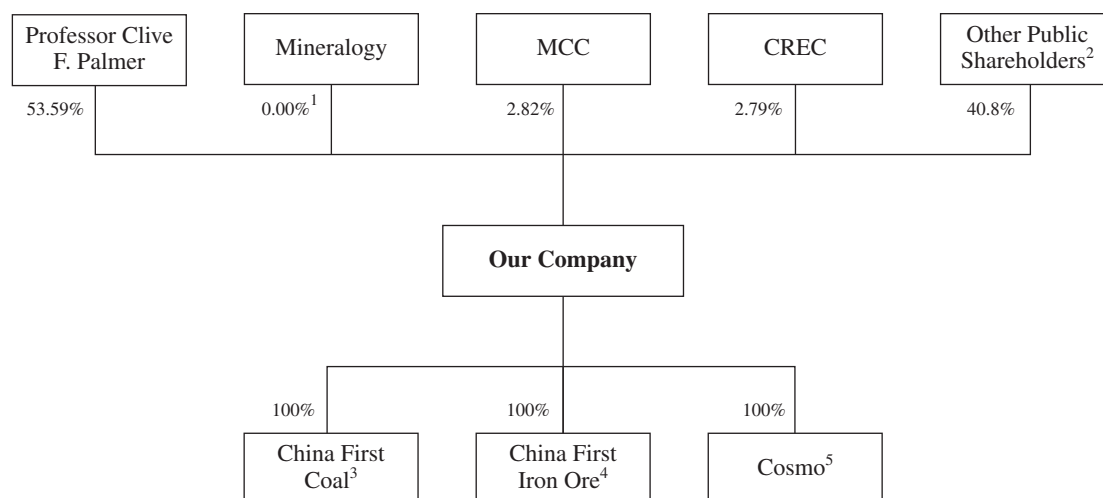


Notes:

- (1) Professor Clive F. Palmer holds and has irrevocably exercised his right to convert A\$5.0 million aggregate principal amount of Convertible Notes into 6,600,000,000 Shares, such conversion to be effective upon Listing.
- (2) Mineralogy owns two Shares and will continue to own these two Shares immediately after the Global Offering.
- (3) Proponent of the “China First Coal Project”, having the contractual right to mine up to 1.4 billion tonnes of raw coal granted by Waratah Coal under the Coal Mining Right Agreement, subject to Waratah Coal first obtaining the relevant mining leases.
- (4) Proponent of the “China First Iron Ore Project”, having the contractual right to mine up to 10 billion tonnes of iron ore granted by Mineralogy under the Iron Ore Mining Right Agreement.
- (5) Proponent of the “Cosmo Project”, the Group’s iron ore exploration tenement in South Australia.
- (6) Included for illustration purposes only.

OUR HISTORY AND CORPORATE STRUCTURE

Our corporate structure immediately after the completion of the Global Offering and on the assumption that the Over-allotment Option is not exercised, is shown below:



Notes:

- (1) Mineralogy owns two Shares.
- (2) Represents Shareholders who purchase Shares in the Global Offering other than MCC and CREC. See “— MCC Placing Agreement” and “— CREC Placing Agreement” for further details.
- (3) Proponent of the “China First Coal Project”, having the contractual right to mine up to 1.4 billion tonnes of raw coal granted by Waratah Coal under the Coal Mining Right Agreement, subject to Waratah Coal first obtaining the relevant mining leases.
- (4) Proponent of the “China First Iron Ore Project”, having the contractual right to mine up to 10 billion tonnes of iron ore granted by Mineralogy under the Iron Ore Mining Right Agreement.
- (5) Proponent of the “Cosmo Project”, the Group’s iron ore exploration tenement in South Australia.

MCC PLACING AGREEMENT

On 28 October 2010, we entered into the MCC Placing Agreement with MCC, under which MCC has agreed to subscribe for such number of Offer Shares at the Offer Price (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased for US\$200 million (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) as part of the International Offering. Assuming an Offer Price of HK\$4.48 (US\$0.58), the total number of Offer Shares that MCC would subscribe for would be 346,861,000, which is approximately 2.82% of the Shares outstanding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

On 28 May 2010, the FIRB issued a letter confirming that there are no objections under the Australian Government’s foreign investment policy to the proposed acquisition of US\$200 million subscription of our Offer Shares by MCC. See “Summary of the Constitution of Our Company and the Australian Corporations Act — Australian Foreign Investment Regime — Australian Federal Government Policy Relating to Foreign Government Entities”.

OUR HISTORY AND CORPORATE STRUCTURE

The subscription obligation of MCC is conditional only upon:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and becoming unconditional by no later than the date and time as specified in those agreements;
- (ii) none of the underwriting agreements mentioned in (i) above having been terminated;
- (iii) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, our Shares (including the Offer Shares that MCC would subscribe for under this MCC Placing Agreement) and such approval or permission having not been revoked;
- (iv) there being no laws enacted or promulgated, or court orders or injunctions in effect, which preclude or prohibit the closing of the subscription;
- (v) neither MCC nor its controlling shareholder, and none of the beneficial owners and associates (excluding any PRC government body as defined under the Listing Rules) of each of MCC and its controlling shareholder, applying for any other Offer Shares under the Global Offering, except where MCC or such associated person is acting as a nominee for its customer; and
- (vi) each of the EPCM Contract dated 29 January 2010, as supplemented by the supplemental agreement dated 28 October 2010, between China First Coal and MCC Overseas and the commission agreement dated 28 October 2010 between the same parties having become legally effective, valid and enforceable, and there being no breach by China First Coal of its obligations under such agreements.

MCC has agreed, during the period of 12 months following the Listing Date, not to:

- (i) offer, pledge, charge, sell, lend, transfer, mortgage, contract to sell, sell any options or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interests in the Offer Shares subscribed pursuant to the MCC Placing Agreement (and any shares or other securities of our Company which are derived therefrom pursuant to any rights issue, capitalisation issue or other form of capital reorganisation) or any securities convertible into or exercisable or exchangeable for, or that represent any rights to receive, such Shares;
- (ii) enter into any swaps or other arrangements that transfer to another, in whole or in part, any economic consequences of ownership of such Shares;
- (iii) enter into any transactions directly or indirectly with the same economic effect as any transactions described in (i) or (ii);
- (iv) agree or contract to, or publicly announce any intention to enter into, any transactions described in (i) to (ii); or
- (v) agree or contract to do any of the above in (i) to (iv) during this 12-month period and whether any such transactions described in (i), (ii) or (iii) is to be settled by delivery of such Shares or other securities, in cash or otherwise,

in each case other than transfers to another company which is and will remain wholly-owned by MCC and such transfer can only be made upon such wholly-owned company's agreement to be subject to the same restrictions imposed on MCC.

OUR HISTORY AND CORPORATE STRUCTURE

MCC has further agreed that, except with our prior written consent, the aggregate holding (direct or indirect) of MCC and its associates in our total issued share capital will be less than 10% at all times unless the policies and/or laws of the State Government of Queensland have been changed to allow any foreign company to hold 10% or more equity interest in our Company.

MCC will not be entitled to any special rights as a Shareholder.

CREC PLACING AGREEMENT

On 19 January 2011, we entered into the CREC Placing Agreements with CREC, under which CREC has agreed to subscribe for such number of Offer Shares at the Offer Price (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased for US\$200 million (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee as part of the International Offering). Assuming an Offer Price of HK\$4.48 (US\$0.58), the total number of Offer Shares that CREC would subscribe for would be 343,396,000, which is approximately 2.79% of the Shares outstanding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). CREC has lodged applications with the relevant governmental entities of the PRC and has confirmed receipt of such PRC governmental approvals.

The subscription obligation of CREC is conditional only upon:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and becoming unconditional by no later than the date and time as specified in those agreements;
- (ii) there being no laws enacted or promulgated, or court orders or injunctions in effect, which preclude or prohibit the closing of the subscription;
- (iii) the respective representations, warranties and confirmations of CREC and our Company are accurate and true in all material respects and not misleading; and
- (iv) the approval in writing of the CREC Placing Agreement and the actions contemplated by it by governmental entities of the PRC, including the National Development and Reform Commission, the State-owned Asset Supervision and Administration Commission and the Ministry of Commerce, and the resolution of the board of directors of CREC.

CREC has agreed, during the period of six months following the Listing Date, not to:

- (i) sell, lend, transfer, contract to sell, sell any options or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of the Offer Shares subscribed pursuant to the CREC Placing Agreement (and any shares or other securities of our Company which are derived therefrom pursuant to any rights issue, capitalisation issue or other form of capital reorganisation);
- (ii) enter into any swaps or other arrangements that transfer to another, in whole or in part, any economic consequences of ownership of such Shares;
- (iii) agree or contract to, or publicly announce any intention to enter into, any transactions described in (i) to (ii); or
- (iv) agree or contract to do any of the above in (i) to (iii) during this six-month period and whether any such transactions described in (i) or (ii) is to be settled by delivery of such Shares or other securities, in cash or otherwise,

OUR HISTORY AND CORPORATE STRUCTURE

in each case other than transfers to another company which is and will remain wholly-owned by CREC and such transfer can only be made upon such wholly-owned company's agreement to be subject to the same restrictions imposed on CREC.

CREC has further agreed that, except with our prior written consent, the aggregate holding (direct or indirect) of CREC and its associates in our total issued share capital will be less than 10% at all times.

CREC will not be entitled to any special rights as a Shareholder.

OUR BUSINESS

OVERVIEW

We are a resource development company principally focussed on developing thermal coal and iron ore projects in Australia. As a diversified resources company, our vision is to capitalise on the growing demand for resources primarily in the PRC through the cooperative development of large-scale resource projects with PRC-based companies.

Current Operations and Development

We are currently focussed on thermal coal and iron ore development projects in Australia. We intend to commence construction and mining activities of such projects as set out in this prospectus. Our current operations have been focussed on establishing strategic alliances with PRC state-owned enterprises, securing project funding, entering into large-scale construction contracts and negotiating long-term production offtake agreements.

We are cooperating with PRC state-owned enterprises by seeking PRC banks and companies to (i) provide debt funding for the development of our projects, (ii) assist in the construction and procurement of equipment for our mines, infrastructure and facilities, and (iii) buy our products. Details of the agreements and various arrangements we have with PRC-based entities for the construction and financing of, and offtake of production from, our thermal coal development project in Australia, which is referred to as the China First Coal Project, are described below in “— China First Coal Project”. We intend to seek similar cooperation with PRC-based entities for the development of our iron ore project in Australia, which is referred to as the China First Iron Ore Project, as described below in “— China First Iron Ore Project”. We have also executed placing agreements with MCC and CREC for each of them to subscribe for approximately US\$200 million of our Offer Shares as part of the International Offering.

Business Model and Proposed Future Operations

Certain information relating to the China First Coal Project and the China First Iron Ore Project is set out below:

- (i) the China First Coal Project is based on a contractual right (granted by Waratah Coal) to mine up to 1.4 billion tonnes of raw coal from coal deposits in Queensland containing JORC compliant mineral resources of approximately 3.7 billion tonnes (including ore reserves of 1.1 billion tonnes of coal); and
- (ii) the China First Iron Ore Project is based on a contractual right (granted by Mineralogy) to mine up to 10 billion tonnes of magnetite iron ore from iron ore deposits in Western Australia. Stage 1 of the China First Iron Ore Project is based on mining 1 billion of the 10 billion tonnes from deposits containing JORC compliant mineral resources of approximately 3.8 billion tonnes (including ore reserves of 1.1 billion tonnes of magnetite iron ore). We are currently developing a mine development plan for the China First Iron Ore Project, which must meet the requirements of the Iron Ore Mining Right Agreement and the Facilities Deed with Mineralogy as well as all applicable laws. While the Iron Ore Mining Right Agreement provides for the right to mine up to 10 billion tonnes, stage 1 of the China First Iron Ore Project is based on only the first 1 billion tonnes. Any development of additional stages of the project up to the contractual limit of 10 billion tonnes will require all necessary governmental approvals. Development of additional stages is also dependent on the further proving up of additional reserves, either from existing defined resources or further exploration activities.

OUR BUSINESS

	China First Coal Project	China First Iron Ore Project
Contractual right to mine ¹	Up to 1.4 billion tonnes of raw coal	Up to 10 billion tonnes of magnetite iron ore
Planned rate of production	40 Mtpa of thermal coal ²	12 Mtpa of iron products ^{3, 5, 6}
Planned project production life .	25 years	25 years ^{3, 4}
Planned commissioning and first commercial production commencement date ⁷	By 31 December 2014 ⁸	First half 2014 ³
Capital cost estimate ⁹	A\$8.0 billion (US\$7.3 billion)	A\$2.7 billion (US\$2.5 billion)

Notes:

- (1) Total extraction limits under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement. Upon reaching the total extraction limits, our extraction rights under these agreements terminate.
- (2) Annual production limit under the Coal Mining Right Agreement.
- (3) For stage 1 of the China First Iron Ore Project based on mining 1 billion tonnes out of the contractual right to mine up to 10 billion tonnes. See “— Details of Our Development Projects and Exploration Rights — China First Iron Ore Project” for further details on stage 1.
- (4) The production life for any additional stages of the China First Iron Ore Project subsequent to stage 1 is not restricted to 25 years from the date of commencement of commercial production for stage 1.
- (5) Annual production limit in respect of every 1 billion tonnes to be extracted under the Iron Ore Mining Right Agreement.
- (6) HBI pellets and concentrates.
- (7) Subject to receipt of all necessary governmental approvals, project funding and, with respect to the China First Iron Ore Project, appointment of an EPCM contractor by the target date set out in the timetable on page 148 of this prospectus. “First commercial production” means, with respect to the China First Coal Project, the point in time when raw coal is first processed into saleable thermal coal and able to be shipped from the port, which we currently expect to be three years from project release for procurement and construction (with up to another approximately three years being necessary to ramp up to full production of 40Mtpa of thermal coal); and, with respect to the China First Iron Ore Project, the point in time when magnetite iron ore is first processed into saleable iron ore concentrate product and able to be shipped from the port, which we currently expect to be 36 months from when we receive the net proceeds from the Global Offering (with up to another approximately two years being necessary to ramp up to full production of 12Mtpa of iron ore concentrate products).
- (8) Our current target date for first commercial production is based on our expectation that we will be able to procure that MCC Overseas and any other contractors construct the rail and associated infrastructure for the China First Coal Project within three years.
- (9) Estimated by ProMet Engineers, an independent technical expert, and translated into US\$ using an exchange rate of A\$1:US\$0.9078. See “Appendix VI — Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project — 1. China First Coal Project — 1.10 Project Costs — 1.10.1 Capital Costs” for further details.

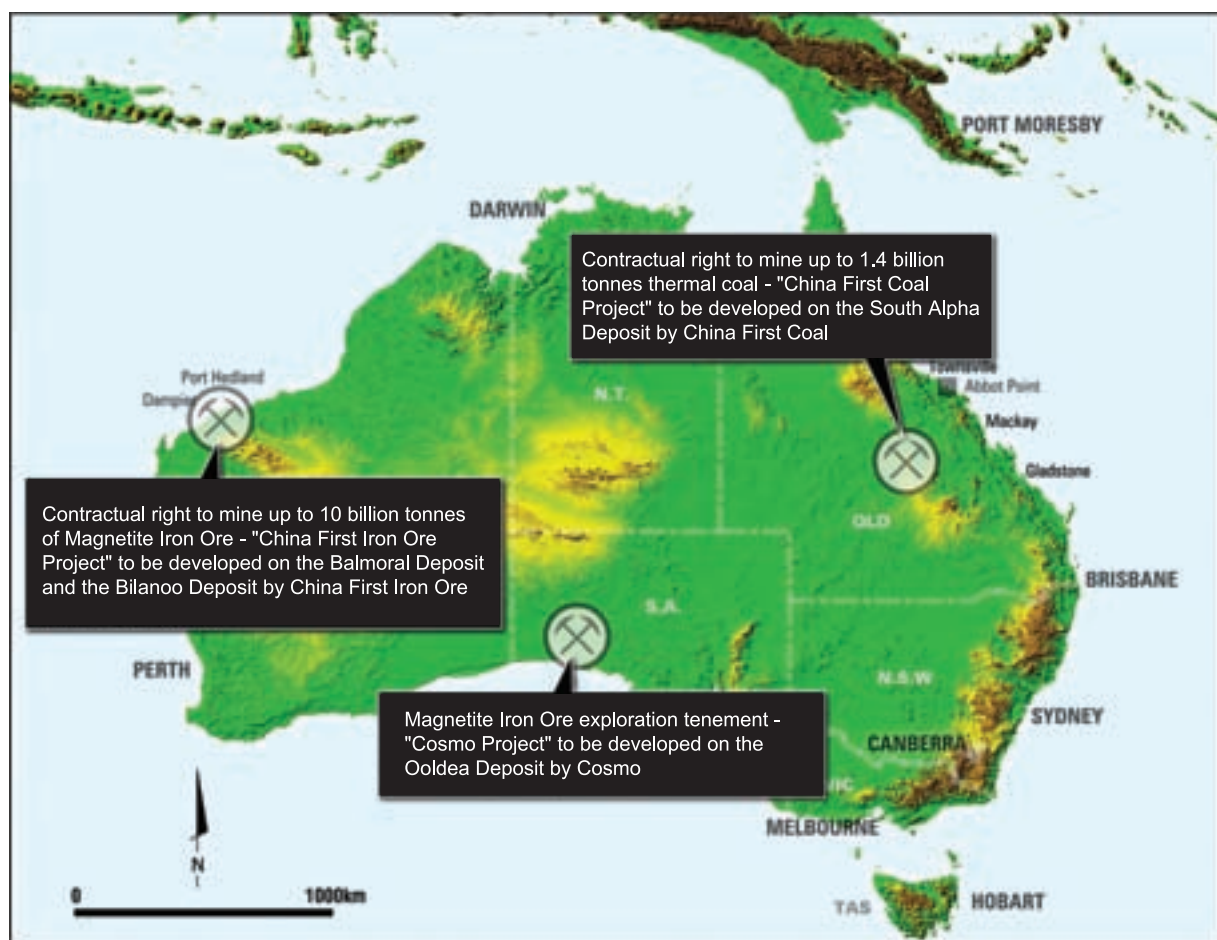
Our contractual rights to mine for the China First Coal Project and the China First Iron Ore Project have been granted to us by Waratah Coal and Mineralogy, the legal title holders of the tenements underlying our projects. Waratah Coal and Mineralogy are both 100% beneficially owned by our Controlling Shareholder and Chief Executive Officer, Professor Clive F. Palmer. The contractual right to mine granted to us by Waratah Coal is subject to Waratah Coal first being granted the relevant mining leases and China First Coal and Waratah Coal obtaining all government and other approvals. See “Risk Factors — Risks Relating to Our Business — We have not obtained a number of licences and approvals required for our projects and whether we obtain these licences and approvals on a timely basis or at all is dependent on factors beyond our control (including the

OUR BUSINESS

consent of relevant Government ministers and agencies). Further, the licences and approvals we have obtained are subject to ongoing conditions and/or renewal". Please see "Risk Factors — Risks Relating to Our Business — We are not the legal title holder of the mining tenements for the China First Coal Project and the China First Iron Ore Project and may lose our contractual right to mine because of the actions of Waratah Coal and Mineralogy, which are beyond our control" and "Risk Factors — Risks Relating to Our Business — Our contractual rights to mine granted by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement do not give us exclusive possession over the areas which form the subject of those contractual rights to mine" for further information.

In addition to our contractual rights to develop these two projects, our resource interests include an iron ore exploration tenement in South Australia (the Cosmo Project).

The map below illustrates the location of our proposed projects and exploration rights in Australia.



China First Coal Project

On 21 June 2010, we entered into the non-legally binding Cooperation Agreement with MCC, China Eximbank and China Power International Holding, wherein the parties have agreed to cooperate,

OUR BUSINESS

and conduct negotiations on an exclusive basis, for the development and financing of, and offtake of production from, our China First Coal Project. The Cooperation Agreement does not specify a period for its duration. Our cooperation with each of these parties is evidenced by the arrangements described below.

We have appointed MCC Overseas as engineering, procurement and construction management, or EPCM, contractor to develop the China First Coal Project with a stated project budget of approximately US\$8.013 billion. MCC Overseas must ensure that practical completion is achieved by the date for practical completion to the extent that it is within the power of MCC Overseas to do so. Under the EPCM Contract, the date of practical completion is stated to be 1 July 2014. As EPCM contractor, MCC Overseas is the principal contractor responsible for the design, engineering, planning, procurement, construction management, coordination, administration, pre-commissioning, commissioning and production start-up, including awarding and managing engineering, procurement and construction, or EPC, contracts, to various subcontractors to develop the various parts of the China First Coal Project, including:

- *Coal mines, coal handling system and coal processing plant.* We have received a non-legally binding letter of support from China Coal Technology & Engineering, with its subsidiary Sino-coal International, to participate in the development of the China First Coal Project as the contractor for mine development and associated infrastructure works. The letter of support does not specify the period for which it is valid.
- *Rail transportation system from mine site to port facilities.* We have entered into the non-legally binding CREC Framework Agreement with CREC for the appointment of CREC as the EPC contractor for the construction of the rail and associated infrastructure for the China First Coal Project. The framework agreement does not specify a period for its duration.
- *Coal handling and deep water port facilities.* We may enter into a non-legally binding memorandum of understanding with China Communications Construction to negotiate and finalise an EPC contract for the construction of the port facilities and associated infrastructure for the China First Coal Project.

Our arrangements with the subcontractors described above remain subject to the execution of legally binding definitive agreements with us directly or with MCC Overseas, as contemplated by the EPCM Contract. See “Risk Factors — Risks Relating to Our Business — Our EPCM Contract with MCC Overseas in respect of the China First Coal Project is subject to a number of conditions precedent and risks, and we are dependent on subcontractors submitting reasonable quotes to undertake works”.

We expect to fund 100% of the China First Coal Project through net proceeds from this Global Offering and debt financing. We have received a letter of intent from China Eximbank for a buyer’s credit facility for the lower of (i) 70% of the total project investment cost of the China First Coal Project or (ii) 85% of the total amount of the construction contract for the China First Coal Project. This letter of intent is currently valid until 31 October 2011 and sets out certain indicative terms for the proposed financing as well as certain conditions precedent to the grant of such credit facility. This letter of intent is not a legally binding financing commitment and the proposed financing is subject to the parties entering into formal loan agreement. See “— Details of Our Development Projects and Exploration Rights — China First Coal Project — Sources of Funding” for further details.

OUR BUSINESS

If any of the arrangements described above are not finalised with these parties or other comparable parties on a timely basis or at all, the China First Coal Project may be delayed or fail to be completed.

We anticipate selling all of the planned annual production from the China First Coal Project under the following long-term offtake arrangements:

- the Sino-Australian Coal Purchase and Supply Agreement with China Power International Holding, which provides for China Power International Holding (in each contract year for a supply period of 21 years from the date of first shipment) (i) to purchase and take, or pay for if not taken, 50% of the thermal coal produced during the period from the date of first shipment until the earlier of the date when the China First Coal Project reaches full production capacity of 40 Mtpa or 30 months from the date of first shipment and (ii) to purchase 20 Mtpa, or pay for a minimum of 18 Mtpa, thereafter; and
- the Vitol Coal Supply Agreement with Vitol, which provides for Vitol to purchase and take, or pay for if not taken, an aggregate quantity of thermal coal produced from the China First Coal Project that is equivalent to 20 Mtpa for a period of 20 years.

These offtake agreements are legally binding but are subject to various conditions, and if the conditions are not satisfied on a timely basis or at all, the China First Coal Project may not be able to sell its coal. See “Risk Factors — Risks Relating to Our Business — We may not be able to sell all or any of our coal or iron ore products at the price or quantity that we expect” and “— Details of Our Development Projects and Exploration Rights — China First Coal Project — Sales” for further details.

China First Iron Ore Project

We have not yet entered into an EPCM contract for the China First Iron Ore Project as we believe we can obtain better commercial terms after Listing, and we do not intend to enter into any offtake arrangements as our current intention is to sell our iron ore products on the spot market. We have, however, entered into the Iron Ore Facilities Deed with Mineralogy, pursuant to which Mineralogy will provide China First Iron Ore with access to the Cape Preston Area to enable us to develop and utilise our own or shared infrastructure and facilities for the transport of iron ore product. We will require Mineralogy’s consent prior to entering into any arrangements for the development of transport infrastructure and facilities.

We expect to fund stage 1 of the China First Iron Ore Project through net proceeds from this Global Offering and debt financing. Following Listing, we intend to seek one or more PRC-based entities to provide or arrange for debt financing for approximately 70% of the capital cost of stage 1 of the project. We have not yet entered into any financing arrangements for the China First Iron Ore Project and if we do, we will require the consent of Mineralogy in order to do so. Assuming we are able to enter into such arrangements, we may still require additional funds for the development of the China First Iron Ore Project, either because the available net proceeds of the Global Offering are less than 30% of the capital cost of the project or because the actual total capital cost is higher than estimated by ProMet Engineers. We intend to obtain such funds through additional capital raising,

OUR BUSINESS

consisting of either debt or equity or a combination of both. See “Future Plans and Use of Proceeds — Use of Proceeds” and “Risk Factors — Risks Relating to Our Business — We will require additional financing to implement our projects which we may not be able to obtain on commercially viable terms, or at all”.

Other Projects

We are developing the Cosmo Project, which is in a very early stage of exploration for iron ore. Cosmo, our wholly-owned subsidiary, has conducted some exploration on the areas covered by the exploration licences underlying the Ooldea Deposit, but insufficient exploration has been conducted to define JORC compliant mineral resource. At this stage, we intend to allocate a portion of the additional proceeds raised by the Global Offering in the event the Offer Price is set above the minimum Offer Price to the development of the Cosmo Project. For additional details of this project, see “— Details of Our Development Projects and Exploration Rights — Other Exploration Interests — Cosmo Project”.

COMPETITIVE STRENGTHS

We believe that we possess the following competitive strengths:

Cooperation with leading PRC-based companies and banks to develop and finance our projects and supply our products to the PRC market.

We intend to capitalise on demand in the PRC for coal and iron ore by entering into arrangements with PRC-based companies and banks pursuant to which we intend to develop and finance certain of our large-scale resource projects and arrange the offtake of products from our projects.

In this regard, we entered into the Cooperation Agreement with MCC, China Eximbank and China Power International Holding, wherein the parties expressed their intention to cooperate to develop the China First Coal Project, as well as the EPCM Contract with MCC Overseas to develop the China First Coal Project with a stated project budget of US\$8.013 billion.

We have also entered into the non-legally binding CREC Framework Agreement for the appointment of CREC as the EPC contractor for the project’s rail and associated infrastructure and may enter into a non-legally binding memorandum of understanding with China Communications Construction with respect to appointing China Communications Construction as the EPC contractor for the project’s port facilities and associated infrastructure.

We have entered into the Sino-Australian Coal Purchase and Supply Agreement with China Power International Holding, which provides for China Power International Holding to purchase and take, or pay for if not taken, certain quantities of thermal coal produced from the China First Coal Project for a period of 21 years.

We expect to finance approximately 70% of the China First Coal Project with debt financing from China Eximbank, or other PRC banks or sources facilitated by MCC. Subsequent to MCC’s application, we have received a non-legally binding letter of intent from the China Eximbank for a buyer’s credit facility. This letter is valid until 31 October 2011 and sets out certain indicative terms and conditions for the proposed financing, which is subject to the parties entering into a formal loan agreement.

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Our Board and certain members of our senior management team have significant experience in negotiating and working with PRC-based companies.

Members of our Board of Directors and certain members of our senior management team have significant experience in successfully negotiating and working with PRC-based companies. Our executive Director and Chief Executive Officer, Professor Clive F. Palmer, and certain key members of our senior management team have negotiated on behalf of Mineralogy with CITIC Pacific with respect to the development of its US\$3.5 billion Sino Iron ore project located adjacent to the China First Iron Ore Project on the George Palmer deposit and completed the agreement between Mineralogy and Sino Iron (which is owned by CITIC Pacific) for the sale of the contractual right to mine 2 billion tonnes of magnetite iron ore, with the option of an additional 4 billion tonnes. Professor Clive F. Palmer has also successfully negotiated, on behalf of our Company, the MCC Placing Agreement with MCC and the CREC Placing Agreement with CREC and, on behalf of China First Coal, the Sino-Australian Coal Purchase and Supply Agreement with China Power International Holding, the MCC Framework Agreement with MCC, the EPCM Contract with MCC Overseas and the CREC Framework Agreement with CREC.

Dr. Zhengrong Shi, our Deputy Chairman, is the founder and Chief Executive Officer of Suntech Power, which operates its manufacturing facilities in the PRC. Our non-executive Director Baohua Bai was President at Sinosteel Corporation and held senior management positions at China Metallurgical Import and Export Company and China International Iron and Steel Investment Company.

We believe the experience of our Directors and certain members of our senior management team will enable us to identify and develop relationships with PRC-based companies for the development and financing of our projects.

Letters of support from state governments in Australia for the development of our projects.

In 2002, the State Government of Western Australia agreed, pursuant to the State Agreement, to assist in the establishment of iron ore projects and the new port facilities to be constructed at Cape Preston, Western Australia. On 10 December 2008, the State Government of Western Australia approved amendments to the State Agreement to enable Mineralogy and its co-proponents (including China First Iron Ore) to produce, sell and export iron ore concentrates in addition to iron ore pellets and hot-briquetted iron. The State Agreement establishes a framework for ongoing relations and cooperation with the State Government of Western Australia. Other benefits include an automatic tenement renewal procedure, priority Crown Land access rights and a specified ministerial approval process.

On 28 November 2008, the State Government of Queensland declared the “Galilee Coal Project (Northern Export Facility)” (which includes the mine and infrastructure areas proposed for the China First Coal Project) a “significant project” requiring an environmental impact statement under the Queensland State Development and Public Works Organisation Act 1971, which provides for the appointment of a coordinator within the government who facilitates the processing of regulatory approvals. On 6 November 2009, the Premier of Queensland offered the State Government of Queensland’s in-principle support for the China First Coal Project, declaring it to be a project of

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“state significance” that “will be an investment in the future of a sustainable coal industry in Queensland”. The project also received letters of support in December 2009 from the Minister for Infrastructure and Planning for Queensland and the Minister for Natural Resources, Mines and Energy for Queensland.

These declarations and letters of support generally evidence that the proposed projects are of potential importance to the relevant State and that the project requires rigorous environmental assessment involving centralised whole-of-government coordination. They do not exempt the projects from the need to obtain all necessary development approvals under relevant Queensland and Western Australian legislation, or from otherwise complying with all relevant planning and environment laws.

We believe the development of our projects enjoys the support of the State Government of Western Australia and the State Government of Queensland.

See “Risk Factors — Risks Relating to Our Business — Letters of support received from the government are not a guarantee of government support or approval for our China First Coal Project”.

Contractual right to mine up to 1.4 billion tonnes of raw coal from large-scale coal deposits.

We have a contractual right granted by Waratah Coal under the Coal Mining Right Agreement to mine up to 1.4 billion tonnes of raw coal from the South Alpha Deposit, subject to Waratah Coal first obtaining the relevant mining leases and other required approvals. This right to mine entitles us to produce up to 40 Mtpa of thermal coal, being the annual production limit, for export during the term of the Coal Mining Right Agreement (which is anticipated to be 25 years based on an expected average product yield of 72%). Based on the Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project by ProMet Engineers, we believe that we can produce coal with a typical product calorific value of 6,350 kcal/kg. This is approximately 95% of the energy level of the benchmark pricing specification for Australian thermal coal.

The portions of the South Alpha Deposit over which we have the contractual right granted by Waratah Coal under the Coal Mining Right Agreement to mine up to 1.4 billion tonnes of raw coal currently host JORC compliant mineral resources of approximately 3.7 billion tonnes (including ore reserves of 1.1 billion tonnes of coal) with the deposits showing low levels of ash and sulphur thereby enhancing the yield during processing.

Contractual right to mine up to 10 billion tonnes of iron ore from large-scale magnetite iron ore deposits.

We have a contractual right granted to us by Mineralogy under the Iron Ore Mining Right Agreement to mine up to 10 billion tonnes of magnetite iron ore from specified areas covered by eight mining leases in the Balmoral Deposit and specified areas covered by an exploration licence in the Bilanoo Deposit, both located in the Pilbara region of Western Australia. Stage 1 of the China First Iron Ore Project is based on a contractual right granted by Mineralogy to us to mine up to 1 billion tonnes of magnetite iron ore, for which the annual production limit is 12 Mtpa, from deposits containing JORC compliant mineral resources of approximately 3.8 billion tonnes (including ore reserves of 1.1 billion tonnes of magnetite iron ore).

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Independent geologist, Hellman & Schofield, is of the opinion that the Balmoral and Bilanoo Deposits contain substantial quantities of magnetite iron ore that could be converted to mineral resources with further exploration. However, this exploration would require significant capital expenditure and as such is not part of initial plans for stage 1 of the China First Iron Ore Project.

The Balmoral and Bilanoo deposits are large-scale magnetite deposits capable of producing iron ore products containing high iron content and low levels of impurities such as alumina, silicon and phosphorus, which will enhance yield during production. ProMet Engineers, our independent technical expert, expects the grades of concentrates that can be produced from the China First Iron Ore Project to contain up to 71.0% iron for direct reduction concentrate and 69.5% iron for blast furnace concentrate. See “Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project” reproduced in Appendix VI to this prospectus.

Iron ore deposits located close to planned, shared infrastructure.

We expect to benefit from relatively low production costs due to our close proximity to port facilities (which are approximately 30 km from the China First Iron Ore Project), which are under construction at Cape Preston, and access to the mining town of Karratha (which is approximately 80 km from the China First Iron Ore Project), the Dampier-to-Bunbury gas pipeline and the nearby infrastructure for power and water currently being developed by CITIC Pacific for its Sino Iron project. The Iron Ore Facilities Deed specifies that we may, with Mineralogy’s consent, benefit from access to and share in the use of these facilities and infrastructure, however the precise terms of this access are, as yet, unknown, and we may not be granted access at all. See “Risk Factors — Risks Relating to Our Business — Our ability to develop, expand or use the necessary infrastructure and facilities required for the China First Iron Ore Project is dependent upon Mineralogy’s consent and other factors outside our control”.

Iron ore and coal deposits located relatively closer to the PRC than other major sources of supply.

We expect the location in Western Australia of the China First Iron Ore Project to provide a competitive advantage over our competitors with mines in Brazil, the other principal source of seaborne iron ore for the PRC market, due to the lower shipping costs based on our proximity to customers in the PRC as compared with Brazil.

We expect to benefit from the relatively close proximity of the China First Coal Project to the PRC which is experiencing growing demand for coal. The China First Coal Project’s export facility is planned to be located at Abbot Point near Bowen on the Central Queensland Coast. This will likely be the northernmost coal export port along the east coast of Australia and therefore will likely provide the lowest sea-freight cost per tonne in Australia to the PRC for purchasers of thermal coal. The proposed Abbot Point facility is two days fewer shipping time to the PRC than the port of Newcastle, New South Wales, for a Capesize vessel. In terms of seaborne traded coal from elsewhere in the world, the proposed Abbot Point facility is closer to the PRC than Canada and South Africa. Indonesia is the only major thermal coal exporting nation located closer to the PRC importers.

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STRATEGY

Our overall strategic objective is to exploit our competitive strengths to become an international diversified resources company and to capitalise on the demand for resources primarily in the PRC through the cooperative development of large-scale resource projects with PRC-based companies. We intend to do this through the implementation of the following strategies:

Position ourselves as an alternative to major resource companies as a source and producer of resources.

In light of the supply side consolidation in the iron ore and coal industries to a smaller number of major resources companies, we believe we will be able to offer an alternative source of supply to meet rising demand for resources in the PRC market once our projects reach production phase. We have a corporate ethos centered on long-term relationships and intend to focus on the PRC for the development of our resource projects, including seeking equity partners, joint developers, contractors, equipment and offtake arrangements from the PRC. In addition, our China First Coal Project and our China First Iron Ore Project are located in new major resource provinces. These projects are intended to incorporate major new infrastructure chains which we believe will be relatively free of congestion and separate from existing supply chains dominated by the major resource companies.

Cost-effectively develop our large-scale coal and iron ore projects.

We are committed to bringing our thermal coal and iron ore projects into production in a cost-effective and timely manner. We intend to collaborate with PRC-based companies who we believe offer competitive alternatives to local suppliers of labour and financing. This is evidenced by the EPCM Contract with MCC Overseas for the development of our China First Coal Project and expected debt financing of the project by China Eximbank, or other PRC banks or sources facilitated by MCC pursuant to the MCC Framework Agreement with the intention to lower our development and financing costs.

Continue to focus on developing resource projects for supply to the PRC market by leveraging our relationships and expertise.

We believe that while the PRC is a significant resource-producing country, demand for imports of certain resources such as thermal coal and iron ore will increase significantly. We intend to utilise our Directors and certain members of our senior management team's core skills, expertise and established relationships with PRC-based companies and our ability to identify potential high-quality large-scale resources suitable for development to build a reputation and further strengthen our relationships in the PRC.

Grow through successful acquisitions in line with our strategy.

Over the medium to long term, we intend to take advantage of consolidation in the resources industry to pursue acquisitions that complement our existing assets and that are in line with our strategy. We intend to pursue acquisitions of large resource deposits that we consider to be undervalued, including, but not limited to, those held by listed companies. We believe that we will be able to leverage our proposed large-scale operations to successfully acquire mineral resources assets that are attractive to the PRC market. We currently intend to fund any future acquisitions with internally generated funds.

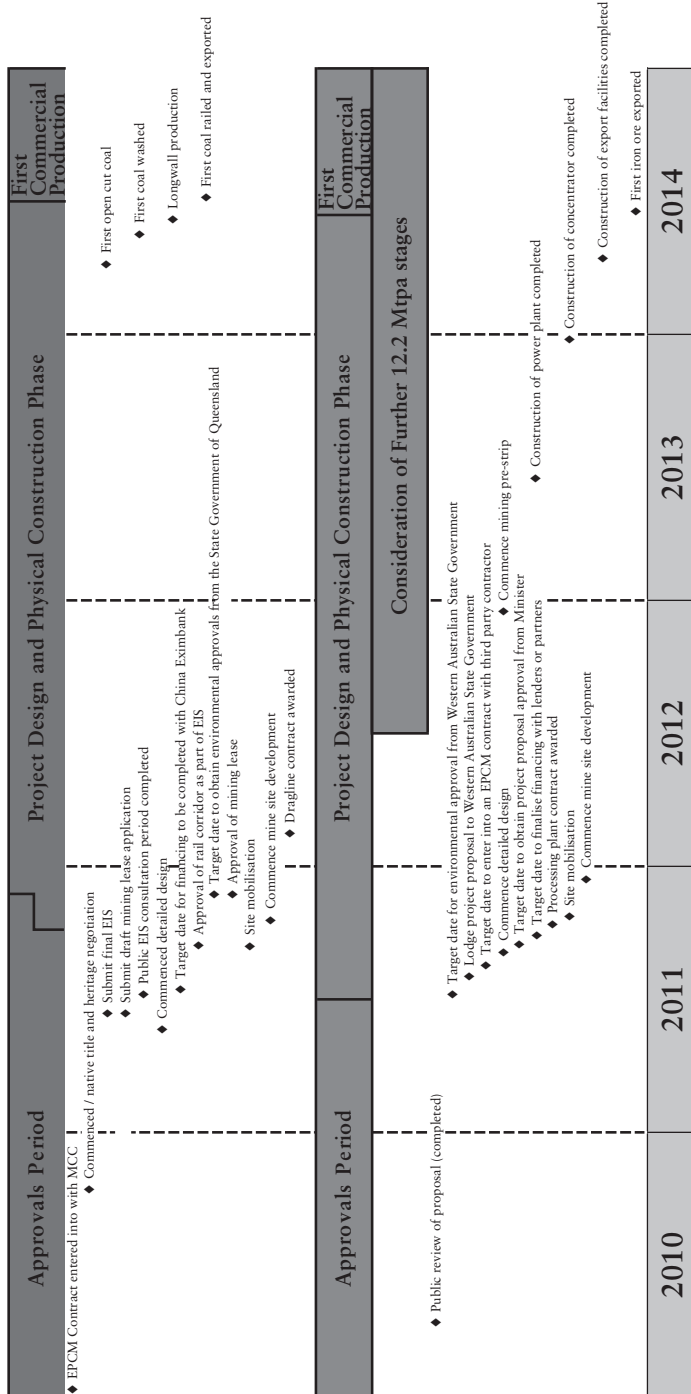
OUR BUSINESS

DETAILS OF OUR DEVELOPMENT PROJECTS AND EXPLORATION RIGHTS

Generally, resource exploitation comprises the following stages: exploration, development (including feasibility studies providing for, among others, preliminary design and construction plans, and sourcing and negotiation for construction and offtake arrangements), construction of the mine and, if appropriate, facilities and infrastructure, and finally mining or extraction of the resource. Of these stages, our Company is predominantly at development stage with the China First Coal Project and the China First Iron Ore Project.

As of the Latest Practicable Date, we have two key resource projects being developed, comprising the China First Coal Project and the China First Iron Ore Project. We also have one other exploration programme currently underway. Generally, we first undertake exploration activities with respect to any potential resource. If we determine that there is potential for development, we will engage consultants to carry out a feasibility study before proceeding to develop a resource project and construction activities.

The estimated timetable for the construction and completion of the China First Coal Project and stage 1 of the China First Iron Ore Project is set out on the next page.



China First Coal Project

China First Iron Ore Project

Notes:

- (1) The estimated timetable shown for the China First Coal Project is based on an expedited approvals process with the State Government of Queensland. If the China First Coal Project is not granted expedited approvals, the estimated timetable for the project will be extended by approximately three to six months.
- (2) This estimated timetable is prepared on the basis of certain assumptions on the part of the Company, and the dates and milestones shown are all target dates subject to external factors, representing an optimal path to production. For further information, please refer to the "Risk Factors" contained in this prospectus.
- (3) The estimated timetable shown for the China First Iron Ore Project is dependent upon the appointment of an EPCM contractor and receipt of project financing by the respective target dates set out in the above timetable.
- (4) The project design and physical construction phase includes design, equipment procurement and subsequent erection of facilities.

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China First Coal Project

We acquired China First Coal, the operating subsidiary for the China First Coal Project, from Waratah Coal (an entity controlled by our executive Director and Chief Executive Officer, Professor Clive F. Palmer) on 1 June 2009.

Waratah Coal holds exploration permits on the South Alpha Deposit and on 8 July 2009, pursuant to the Coal Mining Right Agreement, Waratah Coal granted China First Coal the contractual right to explore for and mine coal from specific areas covered by exploration permits EPC 1040 and EPC 1079 over the South Alpha Deposit. This contractual right to mine is subject to Waratah Coal first obtaining the relevant mining leases. Our mining rights permit us to take up to the amount of coal sufficient to produce 40 Mtpa of thermal coal, being the annual production limit, with a total extraction limit of 1.4 billion tonnes of raw coal. Subject to any earlier termination under the Coal Mining Right Agreement, our mining rights will continue until we have reached the total extraction limit. For further information, please see “Risk Factors — Risks Relating to Our Business — We are not the legal title holder of the mining tenements for the China First Coal Project and the China First Iron Ore Project and may lose our contractual right to mine because of the actions of Waratah Coal and Mineralogy, which are beyond our control” and “Risk Factors — Risks Relating to Our Business — Our contractual rights to mine granted by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement do not give us exclusive possession over the areas which form the subject of those contractual rights to mine”.

In order to develop and operate our China First Coal Project, Waratah Coal has also granted us non-exclusive rights to enter and use specific access routes and areas, and has agreed to apply for and obtain the appropriate mining leases, and other land access rights for the construction and operation of the mine, which have not been obtained. We are not aware of any difficulties that will prevent Waratah Coal from obtaining the mining leases for the China First Coal Project. For further details, see “— Details of Our Development Projects and Exploration Rights — China First Coal Project — Mining Leases and Approvals”. We have agreed to submit a development plan (including the preparation and development of the environmental impact statement) to Waratah Coal and the relevant government authorities as soon as possible for their approval. Waratah Coal may give us notice of its intention to terminate our mining rights if we do not submit a development plan before July 2018.

We intend to establish the China First Coal Project as an integrated project, including the construction of a rail system and port facilities, to develop a new coal mine in the specified areas covered by exploration permits EPC 1040 and EPC 1079 over the South Alpha Deposit. The China First Coal Project is expected to process 56 Mtpa of raw coal from the mines to produce 40 Mtpa of thermal coal.

We intend to process all coal mined by China First Coal from the area that has a washed coal content of at least 30% up to a maximum of 1.4 billion tonnes. Coal mined by China First Coal from the area that does not have a washed coal content of at least 30% must be delivered to Waratah Coal, free of charge. All thermal coal that we produce must be exported from Australia. In return for the rights granted by Waratah Coal, we will pay Waratah Coal a fixed fee per tonne royalty based on the quantity of coal first processed or exported without processing as thermal coal. In addition, we will pay on behalf of Waratah Coal and ourselves all the royalties payable by Waratah Coal to the

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State of Queensland, in accordance with the Mineral Resources Act 1989, in respect of the coal allocated to and mined by China First Coal. We have also agreed to make annual payments to be determined by Waratah Coal in its sole discretion into a trust account that will be used solely for paying any site remediation costs that may arise. For further details of the principal terms of the agreement, please see “Connected Persons and Connected Transactions — Continuing Connected Transactions”.

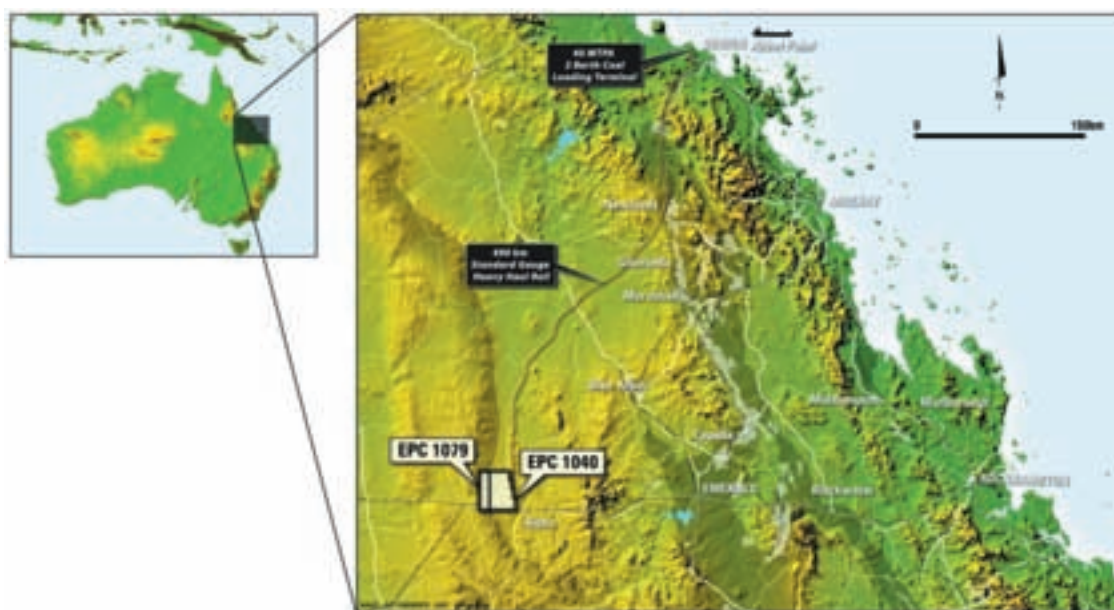
Coal Product

Based on initial coal quality testing, according to feasibility studies prepared for China First Coal by others and reviewed by ProMet Engineers (see Appendix VI), we expect the China First Coal Project to produce, after blending and processing, an average yield of 72% of thermal coal with a product calorific value of 6,350 kcal/kg, sulphur levels of 0.5%, ash levels of 10 to 11% and volatile matter levels of 34%. This is approximately 95% of the energy level of the benchmark pricing specification for Australian thermal coal.

Area

The area of the exploration tenements covered by the Coal Mining Right Agreement, which comprises the China First Coal Project, covers approximately 105,505.4 hectares in the Galilee Basin region of Queensland, Australia, approximately 160 km west of the town of Emerald.

The map below illustrates the location of the China First Coal Project.



Exploration permits EPC 1040 and EPC 1079 over the South Alpha Deposit in this area were granted to Waratah Coal under the Mineral Resources Act 1989 (Qld) on 22 June 2006 and on 2 November 2007, respectively, each for a term of five years. EPC 1040 is due to expire in June 2011; however, an application has been made for renewal. For more information on the general nature of exploration permits, see “Laws and Regulations Relating to the Industry — Australia — General Mining Law in Queensland”.

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Coal Reserves and Resources

The portions of the South Alpha Deposit covered by the tenements over which Waratah Coal holds exploration permits and which China First Coal has the contractual right to mine granted by Waratah Coal, currently contains JORC compliant ore reserves of 1.1 billion tonnes of coal and JORC compliant mineral resources of approximately 3.7 billion tonnes of coal (inclusive of reserves). The following table sets out the amount and category of these reserves and resources.

<u>JORC compliant coal reserves and resources</u>	<u>Category</u>	<u>Mt</u>
Ore reserves	Proven	—
	Probable	<u>1,105</u>
	Total	1,105
Mineral resources ¹	Measured	1,975
	Indicated	569
	Inferred	<u>1,140</u>
	Total	3,684

Source: Independent Geologist's Report by Xenith Consulting, Independent Reserves Statement by Coffey Mining, Independent Reserves Statement by Xenith Consulting

Note:

(1) Mineral resources include ore reserves.

For additional information on the geological characteristics of these deposits, refer to the Independent Geologist's Report by Xenith Consulting reproduced in Appendix IV-A.

Mine Operation, Logistics and Infrastructure

The following paragraphs describe our current plans for the China First Coal Project. We have not, however, entered into many of the required project agreements, nor has Waratah Coal obtained the governmental approvals necessary to construct and operate the China First Coal Project. As such, any actual development of the project may deviate from our plans described below, possibly significantly. See "Risk Factors — Risks Relating to Our Business — Our EPCM Contract with MCC Overseas in respect of the China First Coal Project is subject to a number of conditions precedent and risks and we are dependent on subcontractors submitting reasonable quotes to undertake works".

Excavating Coal

It is expected that the coal resources identified in the portions of the South Alpha Deposit covered by the exploration tenements held by Waratah Coal over which China First Coal has the contractual right to mine granted by Waratah Coal, are capable of being mined by a combination of open-cut and underground longwall mining methods. We intend to extract 56 Mtpa of raw coal from two open-cut and four underground longwall mining operations. Each open-cut mine is expected to produce 10 Mtpa and each underground longwall mine is expected to produce 9 Mtpa of raw coal. The mine life of all operations is projected to be approximately 25 years.

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Open-Cut Mines

China First Coal's expected mining area will be located primarily on cleared farmlands specialising in beef production and pasture crops. To access the coal seam, the land has to be cleared of any vegetation, which will be removed by bulldozers. Top soil will be transported directly to reclamation areas or stockpiled until required.

The overburden and interburden layers will be removed using draglines and fleets of truck, shovel and truck and excavators. Product coal will then be mined using hydraulic backhoe and rear dump trucks.

Underground Longwall Mines

It is intended that longwall machines will be utilised to mine underground coal once this aspect of the project commences. Typically, longwall machines mine large blocks of coal 7,000 metres long by 470 metres wide. The high powered shearer machine will mine a single slice of coal in a web one metre wide moving mechanically back and forth across a wide coal seam face. The loosened coal will then fall on to a line of armoured face conveyors that carries the coal to a high speed panel conveyor and subsequently on to a large capacity trunk conveyor belt for removal from the mine.

As the longwall mining equipment moves forward, overlying rock that is no longer supported by coal will be allowed to fall behind the operation in a controlled manner. Hydraulic roof supports will move forward with the machine.

We intend to use a combination of our internal and Australian mining contractors to carry out the mining operations.

Coal Handling and Preparation

Crushing and sizing of the raw coal will be carried out at each mine before the coal is transported by an overland conveyor system to a coal processing plant which we intend to build within 10 km of the various mine faces. We plan to develop four overland conveyors which will deliver the coal to stockpiles before they are transferred to a coal processing plant.

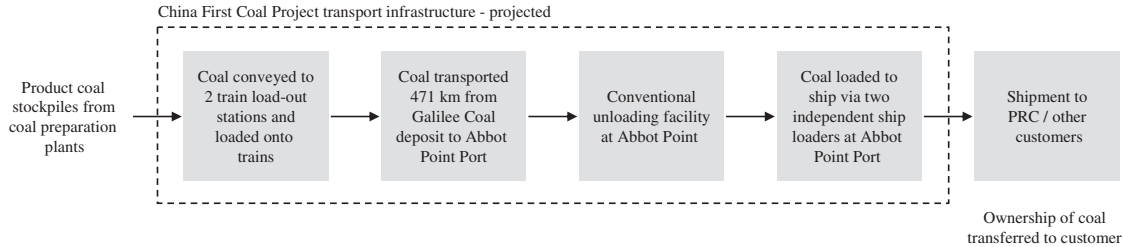
We plan to develop two coal processing plants, each of which is expected to produce 20 Mtpa of product coal. Each plant will have its own product coal stockpile capable of storing 400,000 tonnes from which product coal will be reclaimed and conveyed to two separate train loading bins for loading on to coal trains.

See "Appendix VI — Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project — 1. China First Coal Project — 1.10 Project Costs — 1.10.1 Capital Costs" for further details.

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Coal Transport Infrastructure

China First Coal Project infrastructure flow diagram — from mine site to customers



Rail System

We plan to transport the washed coal from the coal processing plants to the proposed Abbot Point port facility using a planned dedicated rail line and rolling stock. Subject to receiving the necessary environmental, regulatory, stakeholder and other requisite governmental approvals together with relevant land-owner consents and native title and aboriginal heritage agreements, we plan to build a new 471 km heavy haul standard gauge rail system with train capacities of 20,000 net tonnes. We plan to run six to seven trains per day which would provide sufficient capacity to transport our planned volume of 40 Mtpa of product coal to a stockyard at the proposed Abbot Point port facility. See “Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project” reproduced in Appendix VI to this prospectus for details of the proposed rail line and rolling stock.

Port Facilities

Subject to receiving the necessary environmental, regulatory, stakeholder and other requisite governmental approvals, we intend to build new port facilities for our exclusive use near the existing coal export terminal in the Abbot Point State Development Area located 25 km north of Bowen. The proposed facilities are intended to be built on land owned and operated by the Queensland Government Department of Infrastructure and Planning in conjunction with the Ports Corporation of Queensland. Construction will be subject to their approval.

The planned infrastructure will be designed to receive, store, reclaim and export 40 Mtpa of thermal coal, with a stockyard capable of holding 3.5% of annual throughput. Train unloading, transfer, stacking, reclaiming, overland conveyors and surge bin facilities are intended to be rated at 6,000 to 8,000 tonnes per hour. The jetty conveyors, wharf conveyors and ship loaders are intended to be rated at 8,000 tonnes per hour. We believe that water will be available at the port fence line. These capacities would be designed to be sufficient to allow us to meet our plans to ship 40 Mtpa of saleable thermal coal.

A conventional train unloading facility will be included which allows for continuous train movement of bottom dump wagons discharging to a below ground receival system. Reclaim from each stockpile will be via a bucket-wheel reclaimer, feeding to yard conveyors. The stockyard will be located approximately 11 km from the shore line and jetty.

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The port will be designed to have two independent ship loaders configured to handle both Capesize and Panamax vessels. Berthing will be designed to handle Capesize vessels up to 200,000 dwt at two new berths to be constructed.

Capital Requirements for Transport Infrastructure

According to ProMet Engineers' independent review of the feasibility study for the China First Coal Project, the capital cost for the rail and port infrastructure for the China First Coal Project is estimated to be approximately A\$3.6 billion (US\$3.3 billion, based on the exchange rate of A\$1:US\$0.9078 used in the Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project). See "Appendix VI — Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project — 1. China First Coal Project — 1.10 Project Costs — 1.10.1 Capital Costs" for further details.

Item	Total installed cost	Other costs	Total
	A\$mm	A\$mm	A\$ mm
Rail system	1,983	176	2,159
Port facilities	1,336	133	1,469
Total	<u>3,319</u>	<u>310</u>	<u>3,629</u>

Note:

(1) Certain U.S. dollar amounts included in the A\$ cost estimates above have been translated by ProMet Engineers at an exchange rate of A\$1:US\$0.9078.

Supporting Infrastructure

Other facilities and services will be required to support the construction of the processing plants, rail system and port facilities, as well as the day-to-day operations of the mines.

We intend to build accommodation camps for a permanent work force of approximately 1,500 people and general administration buildings. Main stores and buildings for the maintenance and overhaul of a fleet of various types of vehicles will also be constructed. In addition, an airport will be built to facilitate the movements of the workforce to and from the mines.

We intend to source power for the mines from the Lilly Vale substation, located approximately 200 km east of the proposed mining tenements. To provide the estimated 150 MW required by the mines, a dedicated 132 kV power line from the Lilly Vale substation is intended to be built following consultation with, and approval from, Powerlink, the power authority in the State of Queensland. Power for the port will be supplied by Ergon Energy to the boundary fence following agreement with Ergon Energy as to the commercial terms. A dedicated switchyard within the Abbot Point State Development Area is intended to then supply 45 MW of power to the train unloading facilities, stockyard, jetty and wharf areas. In addition, we will install back-up diesel generators to supplement the power supply to the mines and port facilities in the case of an emergency. As such, these emergency generators alone will not be able to supply sufficient electricity for the full operation of the mines and port.

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The mines and accommodation camps will also require a substantial water supply. Potential water sources include existing and new dams, pipe lines, water harvesting, mine dewatering and runoff catchments. We are considering building a dam on the Belyando River system, approximately 50 km north east of the proposed mining tenements, however this will require additional environmental approvals which have not yet been applied for and may not be obtained. Please refer to “Risk Factors — Risks Relating to Our Business — The development of our projects and the development of adequate and suitable infrastructure may be delayed, may exceed the expected budget or may not be developed at all”.

Project Estimated Cost and Development Plan

The Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project by ProMet Engineers, based on studies prepared for China First Coal by others (see Appendix VI), estimates the capital cost of the China First Coal Project to be approximately A\$8.0 billion (US\$7.3 billion, based on the exchange rate of A\$1:US\$0.9078 used in the Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project). See “Financial Information — Capital Expenditure” for a breakdown of these costs. This estimate reflects both Australian and international manufacturing costs of indicative equipment suppliers, as well as contract markets, as at 1 January 2010. ProMet Engineers concluded that the China First Coal Project can be considered to be technically and commercially viable for the following reasons:

- (a) the project will use proven conventional mining, crushing, beneficiation and product handling technologies;
- (b) based on the testwork on the deposits done to date being representative of the deposits as a whole, the designs selected are suitable for the production of product that meets the intended quality specifications;
- (c) the project enjoys proximity to key growing markets in China, India and Southeast Asia;
- (d) the project could be expanded in the future, as resources are further developed; and
- (e) Australia is a politically stable economy.

If any one or more of the above factors does not materialise, for example, the testwork done to date is not representative of the deposits as a whole or proven conventional technologies cannot be utilised for any portion of the project, we may not be able to implement the project as currently planned or at all. Please see the “Risks Factors” section for further details.

On 22 July 2009, China First Coal entered into the non-legally binding MCC Framework Agreement with MCC in relation to the construction and financing of and offtake of production from the China First Coal Project¹. The MCC Framework Agreement sets out the main project development workstreams, fees and a time for entry into a binding legal agreement for the project. China First Coal has since entered into the EPCM Contract with MCC Overseas (as described below) and, with

Note:

- (1) Since the execution of the MCC Framework Agreement, the offtake arrangements for the China First Coal Project have changed. China First Coal has entered into long-term offtake arrangements with China Power International Holding and Vitol. See “— Sales — Offtake Arrangement with China Power International Holding” and “— Sales — Offtake Arrangement with Vitol” for further information.

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MCC's assistance, has obtained a letter of intent from China Eximbank for a buyer credit facility and entered into the Sino-Australian Coal Purchase and Supply Agreement with China Power International Holding. Under the MCC Framework Agreement, China First Coal has paid a total of US\$3.0 million in three instalments in respect of the work done for the signing of a technical study agreement for PRC financing, the implementation of the technical study and project financing in relation to the China First Coal Project.

On 29 January 2010, China First Coal entered into the EPCM Contract with MCC Overseas for EPCM services to develop the China First Coal Project. Under the EPCM Contract, MCC Overseas is responsible for the design, engineering, planning, procurement, construction management, coordination, administration, pre-commissioning, commissioning and production start-up of the China First Coal Project. As contemplated by the EPCM Contract, we intend to award separate subcontracts for the project and these will be managed by MCC Overseas. MCC Overseas must ensure that practical completion is achieved by the date for practical completion to the extent that it is within the power of MCC Overseas to do so. The date of practical completion of the EPCM Contract is stated to be 1 July 2014. The project budget is stated to be US\$8.013 billion. The actual project cost estimate will be determined three months after all of the conditions precedent are satisfied and therefore may be different from the project budget. MCC Overseas is entitled to reimbursement for all costs and expenses incurred in fulfilling its obligation under the contract and a total fee payment for the project of US\$700 million (which includes upfront fees of US\$150 million payable within 30 days after completion of this Global Offering and US\$50 million payable within seven days after signing of a loan agreement with a PRC bank for financing of the project), subject to a US\$50 million bonus at the end of the project if there is a cost savings in excess of US\$50 million from the project budget.

The EPCM Contract is conditional upon, among others, receipt of approvals from the State Government of Queensland and the Commonwealth Government of Australia to allow the project to commence construction and proceed to the point of producing and exporting coal, execution of land access agreements with third parties, China First Coal having secured unconditional equity funding for 30% of the project, buyer's credit arrangement for up to 70% of the project costs with China Eximbank having been finalised and becoming unconditional and completion of this Global Offering, in each case by 31 March 2012 or such later date as agreed with MCC Overseas.

China First Coal is obliged to pay certain break fees if the contract is terminated for convenience or for any other matter. We chose MCC Overseas as the EPCM contractor because it is a leading engineering, construction and resource development company capable of large-scale manufacturing of metallurgical equipment.

We commenced the design phase of the China First Coal Project in April 2011. If we are able to expedite the governmental approvals process for the China First Coal Project, we will target commencement of the physical construction of the China First Coal Project in the third quarter of 2011, with commissioning and first commercial production expected in the third quarter of 2014. If we are unable to expedite the approvals for our project, we will target commencement of the physical construction of the China First Coal Project in the first quarter of 2012, with commissioning and first commercial production by 31 December 2014. Our current target dates for first commercial production are based on our expectation that we will be able to procure that MCC

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Overseas and any other contractors construct the rail and associated infrastructure for the China First Coal Project within three years. “First commercial production” means the point in time when raw coal is first processed into saleable thermal coal, which we currently expect to be three years from project release for procurement and construction (with up to another approximately three years being necessary to ramp up to full production of 40Mtpa of thermal coal).

Sources of Funding

MCC Overseas, as EPCM contractor for the China First Coal Project, applied on behalf of China First Coal for a buyer’s credit facility with China Eximbank to finance acquisitions of construction and engineering goods and services from the PRC to construct the China First Coal Project (including mine, rail and port). China Eximbank is wholly owned by the PRC government and under the direct leadership of the State Council. The bank has the same international credit ratings as the PRC’s sovereign ratings. China Eximbank promotes foreign trade and has been acting as a key channel of policy financing for both import and export of mechanical and electronic products, equipment and technology products and undertaking of offshore engineering and construction contracts and overseas investment projects by PRC companies. China Eximbank is a major on-lending bank of foreign government loans and the only operating bank for Chinese Government concessional loans.

Subsequent to MCC’s application, China First Coal received a letter of intent from China Eximbank for a buyer’s credit facility, possibly to be provided by China Eximbank or a bank syndication organised by China Eximbank, in either U.S. dollar or Renminbi, for the lower of (i) 70% of the total project investment cost of the China First Coal Project or (ii) 85% of the total amount of the construction contract for the China First Coal Project. The maximum term of the credit facility is 15 years, with the exact term to be determined by China Eximbank based on the construction period and the cash flow projections for the project.

The letter of intent is valid until 31 October 2011 and the indicative terms and conditions of the proposed financing may be reviewed or revised in the sole discretion of China Eximbank, taking into account prevailing market conditions. The provision of the credit facility to China First Coal is subject to satisfaction of the following conditions:

- successful equity raising by us for at least 30% of the estimated total investment amount of the China First Coal Project;
- each of the key contracts for the China First Coal Project (including, but not limited to, the EPCM Contract with MCC Overseas, the coal purchase and supply agreements with China Power International Holding and Vitol and respective EPC contracts with CREC, China Communications Construction and China Coal Technology & Engineering) being duly signed and in full force and effect;
- agreement on definitive documentation for the final terms and conditions of the proposed financing;
- approvals of the credit facility by the Credit Committee of China Eximbank (following satisfactory due diligence by China Eximbank) and the State Council of the People’s Republic of China; and
- approval (if required) of the credit facility from the Australian Government.

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Upon the successful completion of this Global Offering, all the signed commercial agreements relating to the China First Coal Project for EPCM, EPC and coal purchase must be submitted to China Eximbank along with the feasibility studies for the mine, rail and port. China Eximbank will hire a third-party technical company to review the feasibility studies in respect of the China First Coal Project. The internal assessment and approval process at China Eximbank will include a review of all the agreements and studies referred to above as well as a detailed negotiation with us of the terms of the financing documentation. In parallel, the contractors shall provide the commercial agreements to the State Council for approval. Upon approval by the State Council, the credit facility documents will be executed and, after satisfaction of various conditions precedent, funds will be distributed. China Eximbank has indicated that the approvals process, from submission of all commercial agreements to final approval by the State Council, can take anywhere from three to twelve months. See “Risk Factors — Risks Relating to Our Business — We will require additional financing to implement our projects which we may not be able to obtain on commercially viable terms, or at all” for further information.

Sales

We have entered into long-term offtake arrangements with China Power International Holding and Vitol. We are also currently in discussions with other companies to secure alternative offtake arrangements for our thermal coal should the offtake arrangements with Vitol not be agreed. To the extent we do not sell and supply all the thermal coal produced by the China First Coal Project under offtake arrangements, we intend to sell any remaining quantity on the spot market for thermal coal. See “Risk Factors — Risks Relating to Our Business — We may not be able to sell all or any of our coal or iron ore products at the price or quantity that we expect”.

Offtake Arrangement with Vitol

China First Coal entered into the Vitol Coal Supply Agreement with Vitol on 15 September 2010, as amended by a variation deed dated 9 March 2011. Under the terms of the Vitol Coal Supply Agreement, China First Coal has agreed to sell and supply to Vitol a quantity of thermal coal from the China First Coal Project that is 50% of all thermal coal sold and delivered by China First Coal in each contract year, up to 20 Mtpa, and Vitol has agreed to purchase and take, or pay for if not taken, all such thermal coal made available by China First Coal in each contract year less a 10% operational tolerance under this agreement during a 20-year supply period. The 20-year supply period will commence on the date of first shipment and may be extended, by agreement between Vitol and China First Coal, for a further five-year or longer period. After the end of such supply period, if the quantity made available to Vitol by China First Coal was less than 20 Mtpa for any contract year during the supply period, China First Coal has agreed to sell and supply for each year thereafter, and Vitol has agreed to purchase and take (or pay for if not taken), 50% of all thermal coal sold and delivered by China First Coal each year until the aggregate of such amount short of 20 Mtpa accrued during the supply period is made up.

The supply and purchase obligations under the Vitol Coal Supply Agreement are subject to the satisfaction, or waiver by the parties if they so agree, of the following conditions: (i) the establishment and operation of the China First Coal Project to supply coal as provided in the agreement; (ii) China First Coal obtaining all government approvals necessary for it to enter into, and perform its obligations under, the agreement; (iii) the conditions precedent to the Coal Mining

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Right Agreement having been satisfied or waived in accordance with that agreement; and (iv) the first supply of a commercial quantity of coal to Vitol on or before 31 December 2016. See “Risk Factors — Risks Relating to Our Business — We may not be able to sell all or any of our coal or iron ore products at the price or quantity that we expect”. The pricing for the coal supplied under the agreement is calculated as a base price (which will be agreed between the parties on an annual basis, having regard to, among other considerations, the relevant benchmark price, to reflect the prevailing market price for thermal coal) adjusted for actual coal quality (as measured by moisture, calorific value, sulphur content and ash content). The parties have agreed to consult further as to the existing terms of the agreement and to confirm the agreement and all of its terms, negotiate and agree amendments to the agreement by 30 August 2011 or terminate the agreement at any time during the period between 14 August 2011 and 30 August 2011. Under the agreement, neither party shall be liable to the other party, except in the case of wilful misconduct or fraud, for any loss of profit, loss of revenue, loss of production or loss of contracts or business opportunities. We are currently in discussions with other companies to secure alternative offtake arrangements for our thermal coal should the offtake arrangements with Vitol not be agreed.

In connection with the Vitol Coal Supply Agreement, China First Coal entered into a coal marketing and agency agreement with Fumel on 4 August 2010. Pursuant to this coal marketing and agency agreement, China First Coal appointed Fumel as its agent responsible for marketing activities with respect to Vitol or any related entity of Vitol and agreed to pay Fumel a marketing fee equal to 2% of the sales price actually paid to China First Coal by Vitol or any related entity of Vitol under the Vitol Coal Supply Agreement.

Offtake Arrangement with China Power International Holding

China First Coal entered into the Sino-Australian Coal Purchase and Supply Agreement with China Power International Holding on 1 November 2010, whereby, China First Coal has agreed to sell to China Power International Holding and China Power International Holding has agreed to purchase from China First Coal, in each contract year for a supply period of 21 years from the date of first shipment (i) 50% of the thermal coal produced from the date of first shipment to the earlier of the commencement of full production of 40 Mtpa or 30 months from the first shipment, and (ii) 20 Mtpa thereafter. The supply period may be extended for another five-year or longer period by mutual agreement of the parties.

If the first shipment has not occurred by 31 December 2016, China Power International Holding may terminate the agreement in full and shall be kept harmless by China First Coal for any direct loss, liability or damage it may incur, provided that the obligation of China First Coal for such loss, liability or damage shall not be more than US\$40 million. If the China First Coal Project is not being funded in whole or mostly in part by China Eximbank, any syndicate participating banks of China Eximbank or other PRC bank(s) acceptable to China Power International Holding, China Power International Holding may terminate this agreement on or before 1 January 2019. See “Risk Factors — Risks Relating to Our Business — We will require additional financing to implement our projects which we may not be able to obtain on commercially viable terms, or at all” and “Risk Factors — Risks Relating to Our Business — We may not be able to sell all or any of our coal or iron ore products at the price or quantity that we expect” for further details.

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If in any contract year the actual quantity of coal purchased by China Power International Holding is less than 50% of the thermal coal produced from the China First Coal Project or, after the earlier of the commencement of full production of 40 Mtpa or 30 months after the date of first shipment, less than 18 Mtpa, then China Power International Holding must pay for such shortfall quantity at a price equal to the average monthly price for that contract year. If China First Coal sells any or all of such shortfall quantity to any third party, then China Power International Holding's payment obligation for the shortfall is reduced by the amount of the proceeds of such resale (less any additional resale costs incurred by China First Coal).

If in any contract year the actual quantity of coal supplied by China First Coal is less than 50% of the thermal coal produced from China First Coal Project or, after the earlier of the commencement of full production of 40 Mtpa or 30 months after the date of first shipment, less than 18 Mtpa, then China First Coal may make up such shortfall quantity by even distribution, to the extent practicable, in the subsequent 18 months. If at the end of the 18 months, China First Coal fails to fully make up the shortfall quantity, then China Power International Holding must, within 180 days, give written notice to China First Coal that it wants the shortfall quantity and will be buying such quantity from a third party. If such notice is not given, there is no further obligation on China First Coal to supply the shortfall or pay any compensation to China Power International Holding. If such notice is given, then China First Coal must pay the difference between the reasonable costs incurred by China Power International Holding to purchase the shortfall quantity from a third party less the cost it would have incurred if it had purchased such quantity from China First Coal in the contract year of the shortfall.

The supply obligation of China First Coal under this agreement is subject to the satisfaction, or waiver by both parties if they so agree, of the following conditions:

- (i) China First Coal shall have obtained all necessary governmental approvals from government authorities of the PRC and/or Australia; and
- (ii) China First Coal shall have procured the completion of construction of the China First Coal Project.

The purchase obligation of China Power International Holding under this agreement is subject to the satisfaction, or its unilateral waiver, of the following conditions:

- (i) China First Coal shall have procured the completion of construction of the China First Coal Project; and
- (ii) the EPCM Contract between China First Coal and MCC Overseas for the development of the China First Coal Project being in full force and effect and having not been terminated for any reason other than due to a default of MCC Overseas under that agreement.

Either party may terminate this agreement by notice to the other if any of the conditions precedent to its obligation to supply or purchase, as the case may be, has not been satisfied or waived by 1 January 2019.

During the construction of the China First Coal Project, China First Coal is obligated to provide progress notices updating China Power International Holding on achievement of milestones such as the receipt by Waratah Coal of mining leases and approvals from the relevant government authorities. China First Coal must provide to China Power International Holding quarterly reports on information necessary to ascertain the estimated first shipment date.

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The price payable by China Power International Holding for thermal coal will be calculated according to the following formula:

$$\text{Price} = (\text{Base Price (excluding VAT)} + \text{Freight Cost} - \text{Cost of Shipping} - \text{Insurance Premium} - \text{Transit Cost} + \text{Coal Quality Adjustment}) \times 93\%$$

where:

Base Price is the Qinhuangdao monthly spot price (which is the average monthly spot rate for commercial coal of the same quality and calorific value shipped from Qinhuangdao to other parts of the PRC for the PRC's domestic market as published on the website of China Coal Market) of the immediately preceding month for the calorific value applicable to a shipment of thermal coal in the current month;

Freight Cost is the monthly average freight cost (excluding refundable tax) for transportation of coal from Qinhuangdao to Shanghai on the average vessel used as published by China Coal Market for the previous month;

Cost of Shipping is the ocean transport freight cost of the largest vessel for transporting thermal coal from China First Coal's port in Queensland to Shanghai port, or other coastal ports in the PRC not further north than Shanghai, that can meet the berthing, loading and unloading requirements of the coal terminals of both ports, or the type of vessel that is at least 100,000 tonne in the case of a destination other than Shanghai;

Insurance Premium is the actual insurance premium for the ocean transport of thermal coal from China First Coal's port to Shanghai port, or other coastal ports in the PRC not further north than Shanghai, paid by China Power International Holding;

Transit Cost is RMB34 per tonne; and

Coal Quality Adjustment is the net price adjustment due to variation in coal quality and is calculated as *calorific value adjustment* (which is applicable only if actual calorific value is at least 4,500) less *total ash adjustment* (which is applicable only if ash content exceeds 14%) less *total sulphur adjustment* (which is applicable only if sulphur content exceeds 0.7%). The formula for each adjustment term is set out in the agreement.

If the PRC government collects import duty on the import of coal, such amount is deducted from the above formula. For any month in a contract year, before the Qinhuangdao monthly spot price is available to determine the base price in the current month, the base price applied in the immediately preceding month is applied as the provisional base price in the current month. After such Qinhuangdao monthly spot price is available, the parties must apply the new base price to all shipments (if any) on which the provisional base price had been applied and any difference in the amount payable for such shipments as a result of this adjustment must be paid within five days.

If China Power International Holding's monthly profit from selling thermal coal to third-party customers, calculated based on the unitary monthly price formula described above, results in a profit

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margin of less than 3%, then China First Coal must pay to China Power International Holding an amount that is necessary to ensure that, when added to China Power International Holding's receipt of purchase money for thermal coal sold to third-party customers, China Power International Holding achieves a minimum profit margin of 3%. If, however, the relevant profit margin is greater than 7%, then China Power International Holding must pay to China First Coal 50% of the profits in excess of a profit margin of 7%.

Payment for thermal coal under this agreement must be in U.S. dollars and made by way of a revolving letter of credit, which must be issued and delivered to China First Coal at least 10 days prior to the commencement of the month in which the first shipment is to occur. The letter of credit must be provided by a major PRC bank or any other bank which has a representation in Australia where the letter of credit can be presented for negotiation so that payment is made to China First Coal in Australia.

In connection with the Sino-Australian Coal Purchase and Supply Agreement, China First Coal entered into a commission agreement with MCC Overseas and a coal marketing and agency agreement with Global Coal Trading on 28 October 2010.

Pursuant to the commission agreement with MCC Overseas, China First Coal agreed to pay MCC Overseas a commission of 2% of the sales price equivalent (FOB Incoterms 2000) paid by China Power International Holding and its assignee and/or any other customers who enter coal sales agreement with China First Coal by MCC Overseas' arrangement. The term of the agreement is 25 years from 31 October 2010 and subject to any extension agreed between the parties in writing.

Pursuant to the coal marketing and agency agreement with Global Coal Trading, China First Coal appointed Global Coal Trading for the term of the Sino-Australian Coal Purchase and Supply Agreement as its exclusive agent responsible for marketing activities with respect to China Power International Holding and any other companies to which China Power International Holding may assign all or part of its obligations to purchase thermal coal under the Sino-Australian Coal Purchase and Supply Agreement. Under this coal marketing and agency agreement, China First Coal must pay to Global Coal Trading a marketing fee equal to 2% of the sales price actually paid to China First Coal by China Power International Holding and any other companies to which China Power International Holding has assigned its obligations to purchase. The payment of fees under this agreement is conditional upon the signing of the Sino-Australian Coal Purchase and Supply Agreement and the commencement of production by China First Coal. If either condition is not satisfied or waived by 31 December 2010, or such other date as agreed between the parties, either party may terminate the agreement. However, the Sino-Australian Coal Purchase and Supply Agreement was executed on 1 November 2010 and the condition relating to commencement of production by China First Coal was waived by Global Coal Trading on 7 December 2010.

Mining Leases and Approvals

Before we can commence physical construction, Waratah Coal will need to be granted various approvals including the environmental authority under the Environmental Protection Act 1994, after which it will be able to seek approval for the grant of the mining leases for the China First Coal Project.

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Waratah Coal, as the tenement holder for the exploration permits underlying the China First Coal Project, commenced applications for environmental approvals with the State Government of Queensland in October 2008 and with the Commonwealth Government of Australia in February 2009 for the construction and operation of the China First Coal Project. The environmental approvals will cover various aspects of the establishment and operation of the China First Coal Project including mining operations and infrastructure, which includes roads, pipelines, transmission lines, transportation of coal by rail and port development. Waratah Coal proposes to submit a final environmental impact statement, or EIS, to the Coordinator-General for review in May 2011.

Following the submission of the EIS and its completion to the satisfaction of the Coordinator-General, the EIS will be released for comment by the public and advisory agencies, typically for a period of 30 to 60 days. The Coordinator-General may require us to prepare a supplementary report to the EIS to address matters raised in submissions on the EIS (which may be released for further public comment). The Coordinator-General will evaluate the environmental effects of our project and prepare a Coordinator-General's Report, evaluating the EIS, including the environmental effects of the project and any other related matters, and it will make recommendations about the project and state conditions that are to apply to the project (either under the State Development and Public Works Organisation Act 1971 or to apply under subsequent state approval processes). The Coordinator-General's Report will be utilised by Queensland Government agencies in granting approvals under Queensland State legislation.

The Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) Bilateral Agreement between Queensland and the Commonwealth has the purpose of avoiding duplication of assessment process for proposals that are "controlled actions" requiring assessment under Part 8 of the EPBC Act and which are undergoing an EIS process as described above. For projects that are accredited under the Bilateral Agreement, the EIS preparation and assessment process under the Commonwealth's EPBC is satisfied by following the State's EIS process as described above. The Commonwealth retains its separate approval powers under Part 9 of the EPBC Act. Under these arrangements, following receipt of the Coordinator-General's Report by the Commonwealth Government, there is a further period of 30 business days for a decision to be made regarding the grant of the approval to undertake a controlled action under the EPBC Act (which may be extended at the discretion of the Commonwealth Minister). The Commonwealth Government may also request information from Waratah Coal prior to giving or refusing environmental approval. If the Commonwealth Government approves our project, any aggrieved third party may seek judicial review.

After the Coordinator-General's Report has been issued, Waratah Coal will also need to apply for an environmental authority (mining activities) to carry on mining activities on a mining tenement. The application for the environmental authority (mining activities) must be published and provide for a public objection period of 20 business days. If there are no objections, the Queensland Department of Environment and Resource Management must issue the environmental authority (mining activities) within 10 business days of the end of the objection period. Otherwise, the department must refer any objections to the Land Court and a hearing date will be fixed. Once the Land Court provides a copy of its decision, the Queensland Department of Environment and Resource Management will decide whether or not to grant environmental approval.

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Other local and State government approvals will also be required under other State legislation. In most cases these cannot be granted until the issuing of the Coordinator-General's Report. The Coordinator-General's Report can specify the conditions that are to apply under the approvals that are granted pursuant to some of these processes. The process of obtaining such approvals would, however, be shorter than usual as in many cases the legislation provides that certain administrative steps do not apply as a result of a proponent complying with the EIS process.

The EIS process can suffer delay at any stage, which would impact the timing of our environmental approvals.

Pursuant to the Coal Mining Right Agreement, China First Coal's contractual right granted by Waratah Coal to explore for and mine coal for the China First Coal Project is subject to Waratah Coal obtaining the relevant mining leases. As the registered holder of the exploration permits for coal, Waratah Coal is entitled to apply for coal mining leases over these areas. Waratah Coal has commenced the process to convert the exploration permits into coal mining leases and expects to submit draft mining lease applications for review by the relevant Queensland authorities by May 2011.

We are targeting for the mining leases to be granted at or about the same time as the grant of the environmental authority (mining activities) for the China First Coal Project. Once the Coordinator-General's Report has been issued, the mining lease applications will be made and they must be published and provide for a 20 business days' public objection period, which will also apply to the application for the environmental authority (mining activities). If an objection is properly made, the application must be referred to the Land Court for hearing within 5 business days and a hearing date will be fixed. Once the Land Court provides a copy of its recommendation, the Minister for Mines and Energy will decide whether or not to recommend to the Governor in Council that the mining leases be granted. If the mining leases are granted, they will most likely be subject to conditions. If the conditions are inconsistent with those set out in the Coordinator-General's Report, the Coordinator-General's Report will prevail to the extent of any inconsistency. As with the EIS process, the process to convert exploration permits into mining leases may suffer delay.

There are also various other approvals required in the development and operation of the China First Coal Project once the environmental approvals and mining leases are obtained. To date, we have not obtained all the necessary government and other approvals or land tenure rights for the mine, rail corridor or port that we need to progress development. Waratah Coal has agreed in writing (pursuant to the terms of the Coal Mining Right Agreement) to grant China First Coal, to the extent permitted by law, the benefit of environmental authority (mining activities) approvals and any other rights and approvals that Waratah Coal may obtain as the tenement holder with respect to the rail and port.

Declared by the State Government of Queensland a "significant project" requiring an environmental impact statement under Part 4 of the State Development and Public Works Organisation Act 1971 (Qld), the China First Coal Project will benefit from the EIS process which, as described above, is coordinated by the Coordinator-General and is intended to provide whole-of-government management and facilitation of approvals and project development. In addition, the project has received in-principle support from the Premier of Queensland as well as other letters of support from the Minister for Infrastructure and Planning for Queensland and the Minister for Natural Resources,

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Mines and Energy for Queensland. The Commonwealth Government of Australia has also granted the project “major project facilitation” status, which provides a facilitation service that, where appropriate, endeavours to ensure that federal approval processes are coordinated with relevant state and territory government approval processes. These declarations and letters of support generally evidence that proposed projects are of potential significant value and that the project requires rigorous environmental assessment involving centralised whole-of-government coordination; they do not exempt the projects from the need to obtain all necessary development approvals under relevant Queensland legislation, or from otherwise complying with all relevant planning and environment laws.

We therefore believe we will obtain the necessary approvals on an expedited basis by the third quarter of 2011, or otherwise by the fourth quarter of 2011, in order to commence physical construction of the China First Coal Project in the third quarter of 2011 (with expedited approvals), or in the first quarter of 2012 (without expedited approvals). See “Risk Factors — Risks Relating to Our Business — Letters of support received from the government are not a guarantee of government support or approval for our China First Coal Project” for further information.

A diagram showing the planned process for the grant of the environmental approvals and mining leases for the China First Coal Project is set out on the next page.

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China First Coal Project planned approvals process — key steps^{1, 2}

Timing	Environmental Approvals	Mining Lease Application	Native Title	Cultural Heritage
Completed	<p>Initial Advice Statement submitted to Coordinator-General, 28 Oct 2008</p> <p>China First Coal Project (formally the Galilee Coal Project) declared a "significant project" by Queensland Government, 28 Nov 2008</p> <p>Commence Environmental Impact Statement (EIS) process, 1 Mar 2009</p> <p>Draft Terms of Reference issued for Public Display, 29 May 2009</p> <p>Final Terms of Reference issued by Coordinator-General, 11 Aug 2009</p> <p>China First Coal Project granted "major project facilitation" status by Commonwealth Government, 18 Nov 2009</p> <p>Draft EIS prepared by Waratah Coal</p> <p>Waratah Coal submitted draft EIS to Coordinator-General</p>		<p>Project information meeting between Waratah Coal and applicant group</p> <p>Public notification of commencement of Indigenous Land Use Agreement (ILUA)</p> <p>Negotiate terms and conditions of ILUA</p>	<p>Notification of Development of Cultural Heritage Management Plan (CHMP)</p> <p>Endorsement of Aboriginal parties</p> <p>Negotiations of CHMP</p>
2nd Quarter 2011	<p>Waratah Coal submits and finalises EIS after review by Coordinator-General</p> <p>Coordinator-General releases EIS for public and advisory agency comment</p> <p>Coordinator-General considers comments and prepares evaluation report</p> <p>Distribution of Coordinator-General's evaluation report to Waratah Coal Commonwealth and State Ministers and advisory agencies³</p>	<p>Waratah Coal submits draft Mining Lease Application for review</p> <p>Waratah Coal commences compensation negotiations with land owners</p>	Agreement in principle of ILUA	<p>Execution of CHMP</p> <p>Approval of CHMP by Department of Environment and Resource Management</p>
3rd Quarter 2011	Commonwealth Minister for Environment determines whether to approve in respect of matters of national environmental significance		Authorisation meeting and execution of ILUA	
4th Quarter 2011	Obtain environmental approvals from State of Queensland, significantly the Queensland "Environmental Authority (Mining Lease)"	<p>Submission of final Mining Lease Application by Waratah Coal</p> <p>Issuance of Environmental Authority (Mining Lease) to Waratah Coal and land owners advised</p>	<p>Application for registration of ILUA</p> <p>Registration of ILUA</p>	
1st Quarter 2012		<p>Waratah Coal files Statutory Declaration of Compliance with Mining Lease Authority requirement</p> <p>Land Court makes approval recommendations to State Minister</p> <p>State Minister accepts Mining Lease Application</p> <p>Compensation arrangements with land owners finalised</p> <p>Mining Lease granted by Governor in Council</p>		

Notes:

- (1) The planned time frames shown are subject to government cooperation, and variations in the China First Coal approvals process may occur. The above time frames are our current targeted time frames for the China First Coal Project.
- (2) Each of the approvals processes outlined are conducted through different government departments but are able to be carried out concurrently. Assuming there are no appeals or objections by third parties, the approvals processes outlined may be completed by the fourth quarter of 2011 or the first quarter of 2012.
- (3) The conditions to be attached to environmental approvals for the construction and operation of the China First Coal Project are final as set out in the Coordinator-General's Report. Following approval of the Coordinator-General's Report, a copy of the report is provided to the proponent, assessment managers for any application for development approval under the Sustainable Planning Act 2009, the Minister for Natural Resources, Mines and Energy for Queensland, other relevant state government authorities and advisory agencies and the Commonwealth Government of Australia.

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China First Iron Ore Project

Mineralogy (an entity controlled by our executive Director and Chief Executive Officer, Professor Clive F. Palmer) holds, pursuant to the State Agreement, all the mining leases for the Balmoral Deposit and the exploration licences for the Bilanoo Deposit. We acquired China First Iron Ore, the operating subsidiary for the China First Iron Ore Project, from Mineralogy on 18 September 2009. On 21 September 2009, pursuant to the Iron Ore Mining Right Agreement, Mineralogy granted China First Iron Ore the right to explore for and mine magnetite iron ore from specified areas covered by eight specific mining leases (M08/118 to M08/122 and M08/128 to M08/130) in the Balmoral Deposit and specified areas covered by an exploration licence in the Bilanoo Deposit (E08/118). We have the contractual right to mine up to a total extraction limit of 10 billion tonnes of magnetite iron ore with a corresponding total production limit of 120 Mtpa of iron ore concentrates, pellets and/or HBI. For our currently planned stage 1 of the project, the extraction limit is 1 billion tonnes of magnetite iron ore, with a corresponding 12 Mtpa annual production limit for iron ore products, comprised of HBI, pellets and concentrates. Subject to any earlier termination under the agreement, our mining rights will continue until we have taken the total extraction limit.

To develop and operate our China First Iron Ore Project, Mineralogy has also granted to us under the Iron Ore Mining Right Agreement non-exclusive rights to enter and use specific access routes and areas. We have agreed to submit a development plan to Mineralogy and the relevant government authorities as soon as possible for their approval. Mineralogy may give us notice of its intention to terminate our mining rights if we do not submit a development plan before 21 September 2018.

We intend to establish the China First Iron Ore Project as an open-pit mining project to develop the tenements in the Balmoral Deposit under the terms of the Iron Ore Mining Right Agreement. We may implement, on our own or together with third parties, the China First Iron Ore Project in up to 10 stages with stage 1 expected to produce 12 Mtpa of high-quality iron ore concentrates or a mix of products comprising of approximately 5.2 Mtpa of high-quality iron ore concentrates and 7.0 Mtpa of pellets.

We expect to process all magnetite iron ore mined by China First Iron Ore from the area that contains at least 17% magnetite iron. All pellets that we produce can be sold domestically in Australia or made available for export, whereas all hot briquetted iron produced must be exported. In return for the rights granted by Mineralogy, we will pay Mineralogy a royalty based on a formula taking into account the quantity of magnetite iron ore taken and products produced and FOB shipping cost. In addition, we will pay Mineralogy the royalties payable by Mineralogy to the State of Western Australia pursuant to the State Agreement in respect of the magnetite iron ore that we take. We have also agreed to make annual payments to be determined by Mineralogy in its sole discretion into a trust account that will be used solely for paying any site remediation costs that may arise. For further details of the principal terms of the agreement, please see “Connected Persons and Connected Transactions — Continuing Connected Transactions” and the “Risk Factors” section in this prospectus.

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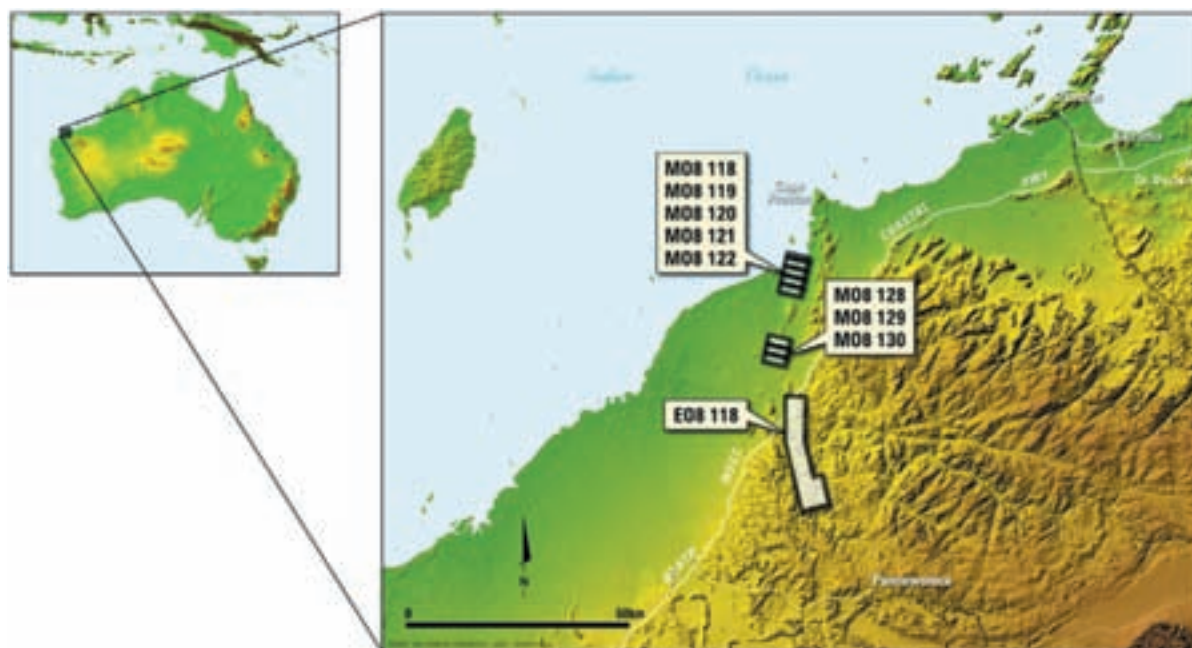
The remaining five tenements in the Balmoral Deposit are being used for the iron ore projects being developed by CITIC Pacific and Australasian Resources. CITIC Pacific's project is based on the right granted by Mineralogy on 31 March 2006 to mine up to 2 billion tonnes of magnetite iron ore with an option for an additional 4 billion tonnes. Australasian Resources' project is similarly based on a right granted by Mineralogy on 7 August 2006 to mine up to 1 billion tonnes of magnetite iron ore. Our executive Director and Chief Executive Officer, Professor Clive F. Palmer, beneficially owns approximately 66.37% of the issued shares in Australasian Resources, whose shares are listed on the Australian Securities Exchange.

Iron Ore Products

The Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project by ProMet Engineers, reproduced in Appendix VI, contemplates the production of 69.5% blast furnace grade iron ore concentrates. We expect to produce 12 Mtpa of high-quality iron ore concentrates or a mix of products comprising of approximately 5.2 Mtpa of high-quality iron ore concentrates and 7.0 Mtpa of pellets from stage 1 of the China First Iron Ore Project.

Area

The area of the tenements covered by the Iron Ore Mining Right Agreement, which comprises the China First Iron Ore Project, covers approximately 20,265 hectares in the Pilbara region, near the mouth of the Fortescue River, located 80 km south-west of Karratha, Western Australia. The map below illustrates the location of the tenements covered by the Iron Ore Mining Right Agreement.



The mining leases and exploration licence covered by the Iron Ore Mining Right Agreement were granted to Mineralogy under the Mining Act 1978 (WA) and are subject to the terms of the State Agreement. Mining leases M08/118 to M08/122 and M08/128 to M08/130 over a portion of the Balmoral Deposit, authorising the mining of iron ore from these areas, were granted on 23 June 1993 for an initial term of 21 years. Pursuant to the State Agreement, Mineralogy is entitled to an automatic extension of these mining leases for two further 21-year periods, provided Mineralogy

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applies for an extension no later than one month before the expiration of the original mining leases. Exploration licence E08/118 over a portion of the Bilanoo Deposit, authorising the exploration for iron ore, was granted on 20 February 1986 for an initial period of five years and has been subsequently renewed, now due to expire on 19 February 2012. Pursuant to the State Agreement, Mineralogy is entitled to annual extensions of this licence throughout the term of the State Agreement.

Mining leases M08/118 to M08/122 and M08/128 to M08/130 contain certain conditions to their use, including environmental conditions such as the need to obtain prior written consent from the Minister of Mines and Petroleum before mining in an area designated as flora and fauna reserve or other designated areas and the non-interference with geodetic survey stations. Certain mining leases also required that a bond be paid to ensure compliance with environmental conditions. We do not consider any of the conditions mentioned to be material to our business.

Exploration licence E08/118 contains certain conditions to its use, including, among others, the avoidance of mining operations within a prescribed radius of telecommunications installations, the confinement of mining operations to below a prescribed depth from the surface, the non-interference with geodetic survey stations, and the positioning of tailings dams, disposal areas and dumps so as to cause no threat to water course stability, groundwater and surface water quality. We do not consider any of the conditions mentioned to be material to our business.

For more information on the general nature of a tenement holder's rights, see "Laws and Regulations Relating to the Industry — Australia — General Mining Law in Western Australia".

Iron Ore Reserves and Resources

The portions of the Balmoral Deposit over which China First Iron Ore has contractual mining rights contain ore reserves of magnetite iron ore and JORC compliant mineral resources of approximately 3.8 billion tonnes of magnetite iron ore (including 1.1 billion tonnes of ore reserves). The following table sets forth the amount and category of these reserves and resources.

<u>JORC compliant iron ore reserves and resources</u>	<u>Category</u>	<u>Mt</u>
Ore reserves	Proven	—
	Probable	<u>1,131</u>
	Total	1,131
Mineral resources ¹	Measured	—
	Indicated	1,402
	Inferred	<u>2,357</u>
	Total	3,759

Source: *Independent Geologist's Report by Hellman & Schofield, Independent Reserves Statement by ORElogy*

Note:

(1) Mineral resources include ore reserves.

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For additional information on the geological characteristics of these deposits, refer to section 3.2 of the Independent Geologist’s Report by Hellman & Schofield reproduced in Appendix IV-B.

Mine Operation, Logistics and Infrastructure

The following paragraphs describe our current plans for the China First Iron Ore Project, the feasibility of which is supported by the Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project prepared by ProMet Engineers reproduced in Appendix VI to this prospectus. We have not, however, entered into any definitive agreements, or obtained the necessary approvals, for the development of the project and any actual development may deviate from our plans described below, possibly significantly.

Mining and Production Process

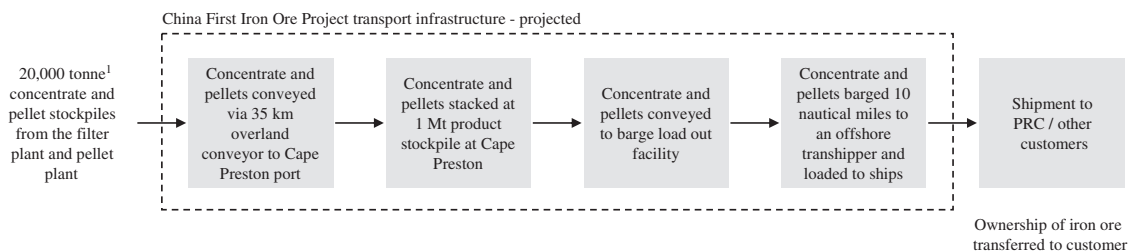
It is intended that the mine will operate using standard mining techniques. Crushing the run of mine ore will be carried out at the mine before the ore is transported by a conveyor system to a concentrator plant to be built close to the mine. The concentrator plant is expected to have an ore feed capacity of approximately 40 Mtpa and to produce 12 Mtpa of concentrates. We intend to extract approximately 72 Mtpa of iron ore and waste from an open-pit mine measuring 300 metres deep, using large hydraulic shovels and rear dump trucks.

Approximately 6.8 Mtpa of the concentrates will be conveyed to the pellet plant and combined with additives to produce 7.0 Mtpa of blast furnace pellets. The remaining concentrates will be stockpiled for transport to the port under construction by Sino Iron at Cape Preston for export as pellet feed concentrates.

See “Appendix VI — Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project — 2. China First Iron Ore Project — 2.2 Project Facilities — 2.2.8 Capital and Operating Costs — 2.2.8.2 Capital Costs” for further details.

Iron Ore Transport Infrastructure

China First Iron Ore Project infrastructure flow diagram — from mine site to customers



Note:

- (1) Does not indicate anticipated production capacity. Represents the anticipated stockpiles stored for transport from mine site to the Cape Preston port.

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Overland Conveyor and Stockyards

We plan to store concentrates and pellets from the filter and pellet plants in 20,000 tonne stockpiles and to transport the products to the port area by a planned 35 km cable belt overland conveyor with a capacity of 2,000 tonnes per hour. The conveyor would provide sufficient capacity to transport our planned volume of 12 Mtpa of iron ore concentrates and pellets.

Concentrate and pellets are expected to be transported alternatively for durations of approximately 10 hours and 14 hours, respectively, over each 24 hour period. One product will be stored at the stockyard located at the process plant while the other is conveyed to the port. These stockpiles will be served by stacker/reclaimers.

Concentrate and pellets will be stacked and reclaimed from the stockyard at the process plant, discharged onto a 35 km cable belt conveyor and stockpiled at the Cape Preston port in a stockyard capable of holding 1 million tonnes of iron ore product.

Port Facilities

A number of options are being considered for the port facilities. In the short term, given the relatively low tonnage exported, we propose to use transshipping at a marine facility being constructed by Sino Iron (which is owned by CITIC Pacific) at Cape Preston, subject to obtaining Mineralogy's approval under the terms of the Iron Ore Facilities Deed. However, Mineralogy's ownership rights to, and its right to grant us the use of, the port being constructed by Sino Iron and other shared infrastructure and facilities, is dependent upon the terms of the relevant facilities deed in place, or to be executed, between the relevant co-proponent under the State Agreement and Mineralogy, to which we are not a party. Under this proposed plan, China First Iron Ore will construct its own berthing space and barge loading facilities. Our transshipping plans would provide sufficient capacity for the transport and loading of our planned volume of 12 Mtpa of iron ore products. Mineralogy will own and, together with Altus Maritime Services, operate the port facilities which are being constructed by Sino Iron at Cape Preston, while Mineralogy will operate, on its own, other shared transport facilities under the Iron Ore Facilities Deed.

In accordance with the Iron Ore Facilities Deed, we may be required to contribute to the capital costs of the marine facility being constructed by Sino Iron (if the development proposal we submit to Mineralogy contemplates use of this facility, or if Mineralogy requires that we use this facility and contribute to the cost of this facility) as determined by Mineralogy in accordance with the methodology set out in the Iron Ore Facilities Deed. The contribution would be made into the sinking fund established by Mineralogy in accordance with the Iron Ore Facilities Deed. Mineralogy may alternatively require that we pay a per tonnage fee to Sino Iron as determined by Mineralogy for use of its port facility. In accordance with the Iron Ore Facilities Deed, Mineralogy will also determine the maximum amount of iron ore that can be exported by China First Iron Ore using the port facility constructed by Sino Iron.

The port currently contemplated to be constructed by Sino Iron would require that barges of 15,000 dwt be loaded and towed to a transhipper located approximately 10 nautical miles offshore.

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Panamax or Capesize vessels are capable of being loaded at a rate of approximately 75,000 tonnes per day. The Sino Iron port contemplates available capacity for a 12 Mtpa user. We may, after exploring our options, seek Mineralogy’s approval to use Sino Iron’s port for the transport and shipping of our planned volume of 12 Mtpa of iron ore products.

We have developed preliminary designs for a deepwater port to expand upon the port facilities currently being constructed by Sino Iron, capable of directly loading Capesize ships. A significant portion of the cost of this port will be the dredging of a channel for Capesize ships. On present assumptions, this option would only be comparable with transshipping if an aggregate throughput in excess of 20 Mtpa could be achieved from all projects served by the Cape Preston port.

Capital Requirements for Transport Infrastructure

ProMet Engineers estimates the capital cost of the port and overland conveyance infrastructure and associated stockpiles for the China First Iron Ore Project to be approximately A\$543 million (US\$493 million, based on the exchange rate of A\$1:US\$0.9078 used in the Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project). See “Appendix VI — Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project — 2. China First Iron Ore Project — 2.2 Project Facilities — 2.2.8 Capital and Operating Costs — 2.2.8.2 Capital Costs” for further details.

Item	Duty	Cost
		A\$ mm
Overland conveyor		157
Plant/Port stockyards		236
Port — deep water port contribution allowance	12 Mtpa	<u>150</u>
Total		<u><u>543</u></u>

Note:

- (1) Certain U.S. dollar amounts included in the A\$ cost estimates above have been translated by ProMet Engineers at an exchange rate of A\$1:US\$0.9078.

Supporting Infrastructure

Other facilities and services will be required to support the construction of the plant as well as the day-to-day operations of the mines.

Mineralogy has entered into the Iron Ore Facilities Deed with China First Iron Ore and, we understand from our Controlling Shareholder, a separate facilities deed with each other co-proponent under the State Agreement (except the State of Western Australia), including Sino Iron (which is owned by CITIC Pacific), pursuant to which Mineralogy will coordinate the development of shared infrastructure facilities in the Cape Preston Area. Any approval by Mineralogy of transport infrastructure and facilities proposed by China First Iron Ore to be developed in the Cape Preston Area, will be owned by Mineralogy and may be used by Mineralogy, or by third parties approved by Mineralogy, in accordance with the terms of the Iron Ore Facilities Deed. Our rights to use the infrastructure and facilities built by another party, and the obligations and costs relating to such use, will be determined by Mineralogy in its sole discretion. Mineralogy’s right to grant us the use of any such infrastructure and facilities, however, is dependent upon the terms of the relevant facilities deed in place, or to be executed, to which we are not a party. We intend to seek approval to utilise and/or

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expand upon some of the infrastructure facilities that are being developed by Sino Iron, in particular the port facilities and transportation and power infrastructure, in order to minimise duplication of infrastructure for the China First Iron Ore Project and reduce our overall costs of development. For further discussions on the risks associated with shared infrastructure and reliance on our Controlling Shareholder, see “Risk Factors — Risks Relating to Our Business — Our ability to develop, expand or use the necessary infrastructure and facilities required for the China First Iron Ore Project is dependent upon Mineralogy’s consent and other factors outside our control”.

We intend to build an accommodation village for up to 3,000 people, consisting of accommodation facilities, dining rooms, gymnasium, swimming pool and shops. General support facility buildings to be used as offices, workshops, laboratories and warehouses will also be constructed.

We expect to construct a 250 MW gas power plant at the process plant to generate power for the plant and other parts of the project. Power for the port may be purchased, subject to Mineralogy’s approval under the terms of the Iron Ore Facilities Deed, from Sino Iron which would avoid the need to duplicate transmission lines connecting the mining and processing areas to the port. In addition, we will install back-up diesel generators to supplement the power supply to the mines and port facilities for use only in the case of an emergency. As such these emergency generators alone will not be able to supply sufficient electricity for the full operation of the mines and port.

Water will be supplied through a desalination plant to be built by China First Iron Ore near the port at Cape Preston and will be supplemented from a bore field to be licensed to China First Iron Ore from Mineralogy.

Project Estimated Cost and Development Plan

The Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project prepared by ProMet Engineers, reproduced in Appendix VI, estimates the capital cost of stage 1 of the China First Iron Ore Project to be approximately A\$2.7 billion (US\$2.5 billion, based on the exchange rate of A\$1:US\$0.9078 used in the Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project). See “Financial Information — Capital Expenditure” for a breakdown of these costs. ProMet Engineers concluded that the China First Iron Ore Project can be considered to be technically and commercially viable for the following reasons:

- (a) the project uses proven conventional mining, crushing, beneficiation and product handling technologies;
- (b) testwork on the deposits, although still ongoing, has shown that the designs selected will be suitable for the production of product that meets the intended quality specifications;
- (c) testwork indicates production of high-grade concentrates and pellets, with low impurities;
- (d) the project is located close to major infrastructure in the Pilbara region and adjacent to the planned port at Cape Preston;
- (e) the project enjoys close proximity to key growing markets in China, India and Southeast Asia;
- (f) the project could be expanded to export between 24 and 36 million tonnes of product per year; and
- (g) Australia is a politically stable economy.

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If any one or more of the above factors does not materialise or proves inaccurate, for example, previous testwork proves to be unreliable as a basis for design or product quality or proven conventional technologies cannot be utilised for any portion of the project, we may not be able to implement the project as currently planned. See the section entitled “Risk Factors” for further information.

We plan to adjust the specifications and scope of the China First Iron Ore Project from those set out in the Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project by ProMet Engineers in order to optimise results and reduce costs. While the estimated costs of the project in the independent expert’s report are based on Australian standard costs, we believe that we may be able to reduce these costs by outsourcing the management and construction of the project to PRC companies and sharing certain facilities and infrastructure with the CITIC Pacific’s neighbouring Sino Iron project.

We intend to appoint MCC (or a subsidiary of MCC) as the EPCM contractor for the China First Iron Ore Project, subject to reaching agreement with MCC (or a subsidiary of MCC) on the terms of the EPCM contract. MCC is the construction partner for CITIC Pacific’s neighbouring Sino Iron project.

We expect the design phase of stage 1 of the China First Iron Ore Project to commence in the third quarter of 2011, following appointment of the EPCM contractor. Assuming MCC (or a subsidiary of MCC) is appointed as the EPCM contractor, we intend to commence physical construction of stage 1 of the project in the third quarter of 2011, with commissioning and first commercial production expected in the first half of 2014. The decision as to whether to proceed with other stages of the China First Iron Ore Project is subject to a number of factors including financing and market conditions. We may try to involve our PRC partners or other PRC parties in these other stages. If we are able to successfully engage any of those parties, we will need to negotiate and agree on the ownership structure of China First Iron Ore or other subsidiary or joint venture to be established to develop and operate such other stages. See the section entitled “Risk Factors” for further information. “First commercial production” means, with respect to the China First Iron Ore Project, the point in time when magnetite iron ore is first processed into saleable iron ore concentrate product and able to be shipped from the port, which we currently expect to be 36 months from when we receive the net proceeds from the Global Offering (with up to another approximately two years being necessary to ramp up to full production of 12Mtpa of iron ore concentrate products).

Sources of Funding

We intend to seek assistance from one or more PRC-based companies to finance, construct and develop infrastructure for the China First Iron Ore Project. We have no such arrangements in place yet, but we believe such arrangements are attainable based on our executive Directors’ experience in securing PRC investments for Mineralogy and us, such as the Sino Iron project being pursued by CITIC Pacific, the MCC Placing Agreement with MCC, the CREC Placing Agreement with CREC and, in respect of our China First Coal Project, the EPCM Contract with MCC Overseas, the letter of intent from China Eximbank for a buyer’s credit facility and the Sino-Australian Coal Purchase and Supply Agreement with China Power International Holding. In particular, we intend to enter into arrangements whereby PRC-based entities will provide or arrange for debt financing for approximately 70% of the capital cost of stage 1 of the China First Iron Ore Project. We have not

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yet entered into any such financing arrangements for this project and therefore such plans are subject to change. It is our intention that any such financing would be under standard commercial terms negotiated with PRC banks on an arm's length basis. We expect to use approximately US\$700 million of the net proceeds from this Global Offering to finance the capital cost of stage 1 of the China First Iron Ore Project. We intend to fund further exploration of the Balmoral Deposit and the Bilanoo Deposit, in order to identify additional mineral resources for other stages of our project, from future revenue. Even if we are able to enter into such arrangements for 70% debt financing, we may still require additional funds for the development of the China First Iron Ore Project, which we would seek to fund through additional capital raising, consisting of either debt or equity or a combination of both. We have not yet determined the structuring of any future capital raising. For additional information relating to further dilution of Shares in our Company, please see "Risk Factors — Risks Relating to the Global Offering — As the Offer Price is higher than the net tangible book value per Share, you will incur immediate and substantial dilution and may experience further dilution in the future".

Sales

We intend to export our iron ore products primarily to PRC markets and have identified certain potential PRC-based customers. We do not intend to enter into any offtake arrangements as our current intention is to sell our iron ore products on the spot market.

Mining Leases and Approvals

In order to mine iron ore in Western Australia, mining leases granted under the Mining Act 1978 (WA) must be authorised for iron ore. In June 1993, Mineralogy was granted several mining leases which have been so authorised. Pursuant to the Iron Ore Mining Right Agreement, Mineralogy has granted to China First Iron Ore all of the rights and interests over the mining leases, allowing us to exercise all the rights and interests of Mineralogy as the holder of the tenements to construct and commission processing facilities, produce iron ore products and operate and maintain processing facilities. Pursuant to the Iron Ore Facilities Deed, Mineralogy has granted to China First Iron Ore a right to enter upon and use specified access routes and areas for purposes necessary or incidental to the development and operation of the China First Iron Ore Project. Before we can commence such construction and operation activities, we will need to first obtain all necessary approvals, one of the key approvals being the State environmental approval.

The environmental approval process for the China First Iron Ore Project (which is part of the approval process for the Mineralogy Expansion Proposal) is at a relatively advanced stage. Mineralogy as the tenement holder for the portion of the Balmoral Deposit underlying our China First Iron Ore Project commenced applications for environmental approvals with the State Government of Western Australia and the Commonwealth Government of Australia in June 2009 and July 2009, respectively, for the construction and operation of the China First Iron Ore Project, including mine, overland conveyer. The Commonwealth Government determined on 18 August 2009 that the Mineralogy Expansion Proposal is not a project that has the potential to cause significant impact on matters of national environmental significance and therefore does not require Commonwealth environmental approval.

State environmental approval is, however, required and the Mineralogy Expansion Proposal has undergone a public environmental review process, which ended on 16 November 2009. Mineralogy

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must now respond to the Western Australian Environmental Protection Authority, or EPA, regarding further information the EPA has requested based on the public environmental review. There is no time limit for this response to the EPA. The EPA, after receiving and being satisfied with the further information, will prepare a report and recommendations for the Western Australian Minister for Environment, known as an EPA Report. While there is no time limit for the EPA to prepare its report, this step will typically take up to 30 to 45 business days. Once the report is issued, Mineralogy or the public may appeal to the Minister for Environment regarding the content of the EPA Report within 14 days. The Minister for Environment will decide the appeals, if any, and then determine, in consultation with other decision-making authorities, whether the project may be implemented and on what conditions. Only Mineralogy may appeal the conditions. While there is no time limit for the Minister to make a decision, this step typically takes up to three months.

China First Iron Ore as a party and co-proponent to the State Agreement may benefit from the State making representations at our request to the Commonwealth Government of Australia for the grant to our Company of licences and consents from the Commonwealth Government of Australia. We also benefit from certain concessions granted by the State Government of Western Australia in relation to some of the usual obligations attaching to mining tenements. For additional information on the terms of the State Agreement, see “Laws and Regulations Relating to the Industry — Australia State Agreement”.

Following receipt of State environmental approval, which we expect by the third quarter of 2011 on an expedited basis or otherwise in the fourth quarter of 2011, we intend to lodge a project proposal for the China First Iron Ore Project with Mineralogy and the Minister for State Development pursuant to the State Agreement. Under the State Agreement, the Minister for State Development must notify the project proponents of its decision to approve their project proposal, defer its decision or require certain conditions for approval within two months of submission of the project proposal.

If the project proposal for the China First Iron Ore Project is approved by the Minister for State Development, which we expect in the third quarter of 2011, China First Iron Ore will be in a position to implement the approved proposal once an EPCM contractor is appointed and financing is arranged. Pursuant to the State Agreement, the State, on application by China First Iron Ore, must grant (or arrange the grant of) any leases and, where applicable, licences, easements and rights of way (relating to land tenure) for all or any of the purposes consistent with the approved proposal. See “Laws and Regulations Relating to the Industry — State Agreement — Ministerial Approvals”.

Other Exploration Interests

Cosmo Project

In addition to China First Iron Ore’s contractual right under the Iron Ore Mining Right Agreement to further exploration of certain areas of the Balmoral Deposit and the Bilanoo Deposit (see “— China First Iron Ore Project”), one of our subsidiaries, Cosmo, holds exploration licence EL 4565 for an area of 534 square kilometres in the Nullarbor Regional Reserve in the Ooldea area containing a magnetite iron ore deposit in South Australia (referred to as the Ooldea Deposit). The proposed development of this site by Cosmo, which is referred to as the Cosmo Project, is only in a very early stage of exploration. Exploration licence EL 4565, authorising the exploration of all

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minerals except extractive minerals or precious stones, was granted under the Mining Act 1971 (SA) to Cosmo on 20 September 2010 for an initial term of two years. For more information on the general nature of exploration licences, see “Laws and Regulations Relating to the Industry — Australia — General Mining Law in South Australia”. Cosmo has conducted some exploration on this tenement since acquiring it in 2001, but insufficient exploration has been conducted to define JORC compliant mineral resources. For additional information on the geological characteristics of this deposit, see the Independent Geologist’s Report by Hellman & Schofield reproduced in Appendix IV-B. At this stage, we intend to allocate a portion of the additional proceeds raised by the Global Offering in the event the Offer Price is set above the minimum Offer Price and/or in the event the Over-allotment Option is exercised to the development of the Cosmo Project.

RAW AND AUXILIARY MATERIALS

We expect our coal and iron ore products will be processed solely from the coal and iron ore that is recovered from the China First Coal Project and the China First Iron Ore Project. We therefore do not expect having to obtain or purchase coal or iron ore from third parties.

The production processes at the China First Coal Project and the China First Iron Ore Project will, however, consume numerous auxiliary materials, including explosives, ground engaging tools, fuels, lubricants, power, water and replacement parts, once production begins. These materials are typically available from various suppliers at market prices. We expect to contract with such third-party suppliers for any of these materials required for the China First Coal Project and the China First Iron Ore Project.

THIRD-PARTY CONTRACTORS

As is typical for many mining and exploration companies, we intend to use subcontractors for various services associated with exploration, including conduct of geophysical surveys, drilling and assaying. One of the key benefits of using subcontracting arrangements is that it reduces our need for capital investment in equipment and human resources. We expect to select our subcontractors through a tendering process to ensure all contracts are entered into on competitive terms. The tendering process for major contracts will be run by an independent tendering company.

We will maintain strict supervisory control over our contractors and require that they maintain a high standard of safety and environmental protection. We will maintain control over the contractors by appointing delegated supervisors and by conducting regular safety and progress meetings with the contractors.

LICENCES, PERMITS AND APPROVALS

We will require various licences, permits, authorisations and approvals before construction of infrastructure and associated facilities on the mining tenements for the China First Coal Project and the China First Iron Ore Project can commence. There are well established project approval regimes in Australia which govern the construction of infrastructure and associated facilities upon mining tenements. We will be required to comply with all relevant approval regimes prior to commencing any construction on mining tenements in Australia.

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There are established project and governmental approval regimes for resource projects which are to be undertaken in Australia. The timing and nature of any approvals which we will eventually require will, however, depend upon the final nature and scope of the projects proposed.

Blake Dawson, our Company's legal counsel on Australian law, have advised us that there are well established project and government approval regimes which would apply to the projects contemplated in the prospectus and that they have not identified any legal impediments which would take the projects outside of these approval regimes or their respective approval timelines, nor have they identified any legal impediments arising due to the identity and nationality of our Directors and Shareholders which would prevent or disqualify us from undertaking the proposed development activities.

In the event that we encounter any specific issues relating to any particular licence, permit or approval, we believe that we can continue to develop our other businesses and operations because our resource projects cover a variety of sectors (namely, coal and iron ore) and are not concentrated in one location. See “— Details of Our Development Projects and Exploration Rights — China First Coal Project — Mining Leases and Approvals” and “— Details of Our Development Projects and Exploration Rights — China First Iron Ore Project — Mining Leases and Approvals” for further details.

COMPETITION

The mineral exploration and development industry is characterised by intense competition. We compete with numerous other resource exploration and development companies for the discovery and acquisition of new mineral reserves. We also compete with other such companies for the equipment, supplies, technical expertise and labour to find, develop and operate resource development projects and for financing and joint venture partners.

Our ability to acquire additional reserves in the future will depend not only on our ability to develop and operate our current projects, but also on our ability to identify and acquire suitable producing prospects for development or exploration.

TECHNICAL REPORTS

This prospectus contains reports of various technical experts. Appendix IV contains resource reports prepared by independent geologists, Xenith Consulting as to coal and Hellman & Schofield as to iron ore. The geologists' reports relate to resource classification and estimates, as well as quality, of the coal and iron ore for which we have the contractual right to mine granted to us by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement. Appendix V contains reserve statements prepared by independent mining engineers, Xenith Consulting as to open-cut coal, Coffey Mining as to underground coal and ORElogy as to iron ore. These reports evaluate the resources identified for coal and iron ore and set out the respective amounts of reserves for each in accordance with the JORC Code, and rely on certain information in the respective geologist's reports. Reproduced in Appendix VI, the independent expert's report on the feasibility studies for coal and iron ore was prepared by ProMet Engineers, an independent technical expert. This report evaluates the technical and commercial viability of the China First Coal Project and the China First Iron Ore Project to comply with the requirements of Chapter 18 of the

OUR BUSINESS

Listing Rules and was prepared in accordance with the rules and regulations of the VALMIN Code. The reports were based on assumptions that might differ from our exploration and development plans or may require revision in light of actual production experience, operating costs, world mineral and other factors.

The technical advisers were engaged based on their technical expertise, their respective industry standings, the personal experience of the respective principal authors, and their experience in advising similar mineral companies and in preparing reports for public companies. We and the Sole Sponsor have considered the capability and the resumés of the principal authors of the technical experts' reports and concluded that the technical experts and the principal authors have recognised technical qualifications and are members of relevant professional bodies. The Sole Sponsor has reviewed each of the technical experts' reports and has also interviewed the technical experts. Based on such due diligence, the Sole Sponsor is satisfied that each of the technical experts is appropriately qualified, experienced and sufficiently resourced to prepare its report.

Our Directors confirm that no material changes have occurred since the abovementioned technical reports have been issued by the experts, respectively.

HEDGING ACTIVITIES

We have not entered and do not intend to enter into any hedging contracts.

INSURANCE

We maintain public liability insurance for our China First Coal Project. We intend to obtain appropriate insurance for our planned development and exploration activities.

INTELLECTUAL PROPERTY

We have registered certain trademarks in Hong Kong and Australia. We have also registered certain domain names. See "Statutory and General Information — Intellectual Property Rights" for further details.

PROPERTY

Our representative office is located at Level 19, Two International Finance Centre, 8 Finance Street, Central, Hong Kong which is occupied by us (an office premises leased by Mineralogy) for no consideration.

Following Listing, our Company intends to locate new office premises in Hong Kong for its headquarters and will cease to use the existing office premises leased by Mineralogy.

As of the Latest Practicable Date, we did not own or lease any other properties.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, none of the members of our Group is a party to any legal proceedings, which, if adversely determined, would materially and adversely affect our Group, and no proceedings are known by any member of our Group to be contemplated by government authorities or third parties, which, if adversely determined, would materially and adversely affect our Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

OVERVIEW

Mineralogy currently holds 100% of our Shares. Mineralogy is controlled by Professor Clive F. Palmer, our executive Director and Chief Executive Officer, who beneficially owns 100% of the shares in Mineralogy. Professor Clive F. Palmer has irrevocably exercised his right to convert all of the Convertible Notes into 6,600,000,000 Shares, such conversion to be effective upon Listing. Upon completion of the Global Offering, Mineralogy will hold less than 0.001% of the issued share capital of our Company and Professor Clive F. Palmer will hold approximately 53.59% of the issued share capital of our Company (approximately 50.10% if the Over-allotment Option is exercised in full). On this basis, Professor Clive F. Palmer will continue to be the Controlling Shareholder of our Company immediately after the completion of the Global Offering. See “Our History and Corporate Structure” for details.

CONTROLLING SHAREHOLDER’S BUSINESS

Professor Clive F. Palmer has interests in various companies including Mineralogy which is 100% beneficially owned by him. Mineralogy has a number of wholly-owned subsidiaries including Waratah Coal. Professor Clive F. Palmer also beneficially owns approximately 66.37% of the issued shares in ASX-listed Australasian Resources. A number of the Mineralogy group companies and Australasian Resources have various resource exploration interests.

Mineralogy

Mineralogy is a proprietary limited company that was registered in Queensland, Australia on 18 June 1985. Its principal business is undertaking exploration for coal and iron ore and other minerals. Mineralogy and its subsidiaries also have other resource and non-resource interests that are not connected with our business.

The mining leases granted to Mineralogy for iron ore are M08/118 to M08/130 and M08/264 to M08/266. Among the mining leases M08/118 to M08/130 under the Mineralogy Tenements, Mineralogy has granted the contractual right to mine iron ore to China First Iron Ore under the Iron Ore Mining Agreement in respect of mining leases M08/118 to M08/122 and M08/128 to M08/130. Prior to the granting of the contractual right to mine to China First Iron Ore, we understand from our Controlling Shareholder that Mineralogy also granted rights to mine iron ore to its subsidiary companies in 2001 in respect of mining leases M08/123 to M08/125 and in respect of mining leases M08/126 and M08/127.

We have been informed by Mineralogy that it does not intend to grant any rights to mine (contractual, or otherwise) in respect of mining leases M08/264 to M08/266, which are located adjacent to Mineralogy’s other mining tenements covering the Balmoral Deposit, as these mining leases do not contain economically mineable resources and are expected to be utilised for purposes incidental to CITIC Pacific’s Sino Iron project.

Mineralogy also holds other tenements which include general purpose leases, miscellaneous licences and exploration licences. We understand from our Controlling Shareholder that these other tenements and certain mining rights have already been granted to Sino Iron (a subsidiary of CITIC Pacific), Korean Steel Pty Ltd (a company unrelated to our Group) and International Minerals (a subsidiary of Australasian Resources) under separate agreements with Mineralogy. We are entitled

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

to seek approval from Mineralogy for access to areas and facilities outside of our mining area which are subject to these other tenements and/or mining leases to facilitate the development of the China First Iron Ore Project, pursuant to the Iron Ore Mining Right Agreement and the Iron Ore Facilities Deed.

Mineralogy has not transferred any of its mining tenements to CITIC Pacific, Korean Steel Pty Ltd, International Minerals or any other party.

Professor Clive F. Palmer and Geoffrey Smith are current directors of Mineralogy, and they will both continue as directors of Mineralogy after Listing. Professor Clive F. Palmer is our executive Director and Chief Executive Officer and Geoffrey Smith will be our General Manager (Legal) upon Listing.

Waratah Coal

Waratah Coal is principally engaged in the exploration for coal. Waratah Coal granted the right to mine coal to China First Coal in respect of specified areas covered by exploration permits EPC1040 and EPC1079. We understand from our Controlling Shareholder that the specified areas covered by these exploration permits, which are the subject of the China First Coal Project, are the most developed tenements held by Waratah Coal in terms of identified resources, number of holes drilled, expenditure incurred, approvals obtained and are within the only tenements with JORC compliant ore reserves.

We understand from our Controlling Shareholder that the other tenements held by Waratah Coal in the Galilee Basin and elsewhere are at a very preliminary stage. Further it is our understanding that it is too early to have confidence that an economically feasible coal mining project may eventuate from any of these other tenements.

China First Coal may, in due course, be required to seek Waratah Coal's approval for access to areas outside of the China First Coal mine area in order to facilitate the development of the China First Coal Project.

Anna Palmer is a current director of Waratah Coal, and she will continue as a director of Waratah Coal after Listing. Anna Palmer is our Joint Company Secretary.

Australasian Resources and its subsidiaries

The business of Australasian Resources and its subsidiaries involves resource development and exploration (e.g., iron ore, nickel and uranium). We understand from our Controlling Shareholder that Mineralogy granted a right to mine iron ore to International Minerals, a subsidiary of Australasian Resources, in respect of an area within Mineralogy's mining leases M08/126 to M08/127 which, along with the China First Iron Ore Project, is also located within the Cape Preston Area.

Australasian Resources and its subsidiaries have other resource and non-resource interests that are not similar to our business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Two of the current directors of Australasian Resources are Domenic Martino and Vimal Sharma. Domenic Martino is also our Chairman and independent non-executive Director. Domenic Martino, as the independent Chairman and non-executive director of Australasian Resources, does not participate in the day-to-day management of Australasian Resources and acts independently as the Chairman for the purposes of directors' meetings and other responsibilities. Vimal Sharma will be our Assistant Manager (Iron Ore) upon Listing.

TRANSACTIONS WITH THE CONTROLLING SHAREHOLDER

Upon Listing, transactions between (i) Waratah Coal or Mineralogy and (ii) the Group, including the Coal Mining Right Agreement, the Iron Ore Mining Right Agreement and the Iron Ore Facilities Deed, will constitute connected transactions of our Company pursuant to the Listing Rules. See "Connected Persons and Connected Transactions".

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors are satisfied that our Company is able to conduct its business independently of the other companies controlled by our Controlling Shareholder following Listing.

Corporate Governance

We believe that we have good corporate governance measures and adequate arrangements to manage possible conflicts of interests and safeguard the interests of our Shareholders in regard to our dealings with other companies controlled by our Controlling Shareholder. Our Directors will ensure compliance with the applicable laws and regulations (including the Listing Rules) in the case of any potential or actual conflicts of interests between us and our Controlling Shareholder/companies controlled by our Controlling Shareholder. In addition, we believe that our four independent non-executive Directors will enable us to further enhance our corporate governance practices.

Assets

Other than those held by Mineralogy and Waratah Coal, we do not rely on any assets of the other companies controlled by our Controlling Shareholder. Our contractual rights to mine granted by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement are contingent upon the continued good standing of the Waratah Coal Tenements held by Waratah Coal and the Mineralogy Tenements held by Mineralogy, as well as Waratah Coal being granted the mining leases required for the development of the China First Coal Project. However, our contractual rights to mine under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement cannot otherwise be terminated without cause prior to expiry of their respective terms by Waratah Coal or Mineralogy. Please see "Risk Factors — Risks Relating to Our Business — We are not the legal title holder of the mining tenements for the China First Coal Project and the China First Iron Ore Project and may lose our contractual right to mine because of the actions of Waratah Coal and Mineralogy, which are beyond our control" and "Risk Factors — Risks Relating to Our Business — Our contractual rights to mine granted by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement do not give us exclusive possession over the areas which form the subject of those contractual rights to mine" for further information.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Independent Business Operations

Notwithstanding the material nature of the obligations to Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement, we believe that, from the time of Listing, we will have sufficient operational capacity in terms of capital and employees to operate our businesses independently of Waratah Coal and Mineralogy. The principal services we will utilise are generally available pursuant to the Iron Ore Facilities Deed and we are not dependent on either Waratah Coal or Mineralogy or their associates for the services used in our operations although unilateral approval and consent of Mineralogy is required for the development of transport and infrastructure facilities by China First Iron Ore at the China First Iron Ore Project. While the senior management of our Company, save for Raymond Tam, are all currently employed by our affiliates, all senior management, except Derek Payne and Anna Palmer as our Joint Company Secretaries, will be transferred to our Group upon Listing.

The various infrastructure and facilities on the land on which the China First Iron Ore Project is being developed will be constructed by independent operators. We understand from our Controlling Shareholder that Mineralogy's role, as the tenement owner and overall Cape Preston Area project proponent, is to supervise the allocation of the facilities among the various independent operators or parties, not to provide such facilities. Under the Iron Ore Facilities Deed, Mineralogy does not have the right to unilaterally terminate the deed without cause.

Based upon the above, we believe we are capable of carrying on our business independently of the companies controlled by our Controlling Shareholder, notwithstanding Waratah Coal and Mineralogy being the tenement holders for the China First Coal Project and the China First Iron Ore Project.

Financial Independence

Our Company's initial source of funds was secured by way of the issue of A\$5,000,000 Convertible Notes to our Chief Executive Officer, Professor Clive F. Palmer on 16 March 2009, and since then Mineralogy has also provided financial support to us by way of related party loans. Following Listing, we will not have any outstanding loans granted by Professor Clive F. Palmer or other companies controlled by him as Professor Clive F. Palmer has irrevocably exercised his right to convert all of the outstanding Convertible Notes, such conversion to be effective upon Listing, and we will use a portion of the proceeds from the Global Offering to repay our related party loans from Mineralogy immediately after Listing. After Listing, Mineralogy will not provide financial support to us. We will utilize the proceeds from the Global Offering to implement our development plans, and we believe we are capable of obtaining further financing from third parties without reliance on our Controlling Shareholder or the other companies controlled by him. Our Company has its own internal control and financing systems independent from the other companies controlled by our Controlling Shareholder.

Management Independence

All major management decisions will be made by our Board of Directors as a whole. Our Board of Directors has eight members, consisting of two executive Directors, four independent non-executive Directors and two non-executive Directors. Our Chief Executive Officer and Director, Professor Clive F. Palmer, is also a director of Mineralogy. Our Chairman and independent non-executive Director, Domenic Martino, is the independent Chairman and non-executive director of Australasian Resources.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Our four independent non-executive Directors, together with our two non-executive Directors, will control the majority of the votes of our Board of Directors, particularly in the event Professor Clive F. Palmer and Domenic Martino need to abstain from voting on any contract or arrangement or proposal in which they or any of their associates are materially interested. These management of conflicts procedures have also been reflected in the Company's Constitution. Upon Listing, except for Professor Clive F. Palmer, Anna Palmer and Geoffrey Smith, none of our senior management will have a role in Mineralogy or any company owned by our Controlling Shareholder other than our Group. Accordingly, management decisions by our senior management or Board of Directors will effectively be made independent of Mineralogy or any other company owned by our Controlling Shareholder.

We believe that Professor Clive F. Palmer, who will continue to be a director of Mineralogy upon Listing, will be able to devote sufficient time to our Group. Professor Clive F. Palmer intends to devote the majority of his time to our Group. He will be remunerated by our Company for work carried out for the benefit of our Group and separately by Mineralogy or its subsidiaries for the work carried out for the benefit of Mineralogy or its subsidiaries, as the case may be.

In addition, upon Listing, apart from Anna Palmer and Geoffrey Smith who will continue as a director of Waratah Coal and Mineralogy, respectively, none of our senior management will be employees of or paid by other companies owned by our Controlling Shareholder. Other than Professor Clive F. Palmer, Anna Palmer and Geoffrey Smith, none of our employees will be employed or paid by other companies owned by our Controlling Shareholder, and we do not intend to share any employees with such other companies in the future. None of the employees of such other companies will be paid by our Group.

The decision-making mechanism of our Board of Directors as set out in our Constitution also includes provisions to avoid conflicts of interest by providing, among other things, that a Director is required to disclose his interest and, subject to specified exceptions, shall not be counted in the quorum or be entitled to vote on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or any of his associates has a material interest.

Further, following Listing, our Board of Directors will be required to comply with provisions under the Listing Rules and certain matters, such as connected transactions, are required to be reviewed by the independent non-executive Directors. Our Directors are of the view that the current proportion of two non-executive Directors and four independent non-executive Directors on the Board should enhance the Company's corporate governance standards.

Based on the above, the Directors are satisfied that the Board as a whole together with the senior management team is able to manage the Group independently of our Controlling Shareholder.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

COMPETITION WITH THE COMPANIES CONTROLLED BY OUR CONTROLLING SHAREHOLDER

Unlike Mineralogy, we are not solely an exploration company. We are a development company which is more advanced in terms of stages of development than an exploration company is intended to be. Our activities do not consist solely of exploration.

Our two key projects, namely the China First Iron Ore Project and the China First Coal Project, have completed the exploration phase, as evidenced by the fact that JORC compliant ore reserves have been confirmed for both projects. The feasibility studies for these two projects have been completed. These feasibility studies are extensive, and they confirm that both the mining and processing operations are economically viable.

Mineralogy's principal business focus is on mineral and oil and gas exploration. Once economically exploitable projects are identified, it is Mineralogy's intention to grant rights to mine to companies with the capacity to arrange suitable financing and successfully develop these projects.

While some other associates of our Controlling Shareholder may also undertake exploration activities, such exploration activities, other than those undertaken by Australasian Resources and International Minerals, have not yet established any JORC compliant ore reserves. While certain "resources", as opposed to "reserves", may have been identified pursuant to these activities, further explorations or assessments will be required to ascertain whether there are "reserves" which are suitable for development. Other than International Minerals, none of the other associates of our Controlling Shareholder owns the right to any coal and iron ore reserves.

Mineralogy, Waratah Coal, Australasian Resources and Gladstone Pacific Nickel

It is our understanding from our Controlling Shareholder that Waratah Coal and Mineralogy have retained ownership of the Waratah Coal Tenements and the Mineralogy Tenements from which we have been granted the rights under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement described above. Each of China First Coal's and China First Iron Ore's contractual rights are enforceable against Waratah Coal and Mineralogy, respectively, subject to the terms of the respective mining right agreements. There is no unilateral right to terminate the Iron Ore Mining Right Agreement and the Coal Mining Right Agreement without cause. In the event either Mineralogy or Waratah Coal unilaterally terminates the Iron Ore Mining Right Agreement or the Coal Mining Right Agreement without cause, it will constitute a breach under the relevant agreement, and we may apply to court for an injunction, sue for specific performance or claim damages against Mineralogy or Waratah Coal for its breach under such agreement. The terms of these agreements, including early termination rights, are summarised in "Connected Persons and Connected Transactions — Continuing Connected Transactions". Please see "Risk Factors — Risks Relating to Our Business — We are not the legal title holder of the mining tenements for the China First Coal Project and the China First Iron Ore Project and may lose our contractual right to mine because of the actions of Waratah Coal and Mineralogy, which are beyond our control" and "Risk Factors — Risks Relating to Our Business — Our contractual rights to mine granted by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement do not give us exclusive possession over the areas which form the subject of those contractual rights to mine" for further information. See also "Documents Delivered to the Registrar of Companies and Available for Inspection" for copies of these agreements.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

We understand from our Controlling Shareholder that Mineralogy has also granted rights to Sino Iron, a subsidiary company of CITIC Pacific, to extract 2 billion tonnes of magnetite iron ore and options to CITIC Pacific to acquire companies with rights over an additional 4 billion tonnes of magnetite iron ore from Mineralogy's mining leases M08/123 to M08/125, which are part of the Mineralogy Tenements. For the avoidance of doubt, our Controlling Shareholder has confirmed that he does not have any direct or indirect shareholding interest in CITIC Pacific whose shares are listed on the Stock Exchange.

In addition, it is our understanding from our Controlling Shareholder that Mineralogy has also granted rights to International Minerals, a subsidiary of Australasian Resources, to extract 1 billion tonnes of magnetite iron ore from Mineralogy's mining leases M08/126 and M08/127, which are part of the Mineralogy Tenements and are located in the Pilbara region of Western Australia. Apart from this project by International Minerals, which is at the development stage, we understand from our Controlling Shareholder that the other projects undertaken by Australasian Resources are exploration projects.

Professor Clive F. Palmer beneficially owns approximately 66.37% of the issued shares in ASX-listed Australasian Resources. We do not have any shareholding interest in Australasian Resources.

Apart from the business of International Minerals, Australasian Resources does not have any interest in any coal or iron ore reserves. Australasian Resources could not be injected into our Group because Australasian Resources is a public listed company and such an injection, whether structured as an asset acquisition or a share acquisition, would have required independent shareholders' approval, which is outside the control of Professor Clive F. Palmer.

Professor Clive F. Palmer beneficially owns approximately 50.04% of the issued shares in Gladstone Pacific Nickel. We do not have any shareholding interest in Gladstone Pacific Nickel. According to publicly available information, the principal business of Gladstone Pacific Nickel relates primarily to nickel. As we do not have any interests in nickel, there is no actual competition between our Group and Gladstone Pacific Nickel.

Mineralogy and Waratah Coal each also has other resource interests separate from us. See “— Controlling Shareholder's Business — Mineralogy” and “— Controlling Shareholder's Business — Waratah Coal”. Mineralogy and Waratah Coal hold no other interests over any coal or iron ore deposits which have JORC compliant ore reserves.

With respect to the China First Coal Project and the China First Iron Ore Project, we have contractual rights to mine up to 1.4 billion tonnes of raw coal and up to 10 billion tonnes of magnetite iron ore. Pursuant to the Iron Ore Mining Right Agreement, China First Iron Ore has the exclusive right to mine magnetite iron ore from the designated mining area. Subject to Waratah Coal first having obtained the relevant mining leases, under the terms of the Coal Mining Right Agreement, China First Coal will have a sublease with Waratah Coal pursuant to which China First Coal will have the exclusive right to mine coal from the designated mining area.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Given the intended large-scale of the production capabilities of these projects, it is estimated that the China First Coal Project and stage 1 of the China First Iron Ore Project will each take up to 25 years to fully exploit resources attributable to it at full production capacity. Even if Mineralogy and/or Waratah Coal were to grant further rights to other parties in the future, we do not believe that this would lead to any competition adversely affecting our business operations or financial position.

As Mineralogy's principal business focus is on exploration, we believe that Mineralogy will only be able to compete with us if it changes its business focus, establishes JORC compliant ore reserves, obtains mining leases over its exploration licences and commences development after securing adequate financing.

We believe Waratah Coal will only be able to compete with us if it identifies coal reserves and undertakes the work required to define an economic prospect. Since Mineralogy acquired Waratah Coal, we understand that almost all of the exploration undertaken, approvals obtained and expenditure incurred in relation to Waratah Coal's tenements have been incurred with respect to the China First Coal Project mining area.

Other than with respect to coal and iron ore, we do not currently intend to carry out any other exploration or mining activities after Listing.

Please see "Risk Factors — Risks Relating to Our Business — We are not the legal title holder of the mining tenements for the China First Coal Project and the China First Iron Ore Project and may lose our contractual right to mine because of the actions of Waratah Coal and Mineralogy, which are beyond our control" and "Risk Factors — Risks Relating to Our Business — Our contractual rights to mine granted by Waratah Coal and Mineralogy under the Coal Mining Right Agreement and the Iron Ore Mining Right Agreement do not give us exclusive possession over the areas which form the subject of those contractual rights to mine" for further information.

Non-Compete Undertaking

We will not be entering into a non-compete undertaking with our Controlling Shareholder as it would raise various issues under Australian law, in particular, the Competition and Consumer Act 2010 (Cth) and the corresponding "Competition Codes". These issues include making or giving effect to an arrangement containing a cartel provision, which is an indictable criminal offence and a civil prohibition.

Further, there is no actual competition between our Group and the various businesses owned by our Controlling Shareholder. Other than the interests of Professor Clive F. Palmer described above, no other Director owns a business that competes or is likely to compete with our Group.

In relation to any potential competition which may arise in the future, as Australasian Resources is a public company, neither it nor International Minerals can execute any non-compete undertaking without independent shareholders' approval without being in breach of the ASX Listing Rules and potentially being in breach of the Competition and Consumer Act 2010 (Cth). Similarly, Professor Clive F. Palmer himself cannot enter into any non-compete undertaking or grant any right of first refusal as this would potentially be against the Competition and Consumer Act 2010 (Cth).

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Notification Right

In the event Professor Clive F. Palmer and/or his associates encounter any new opportunities in exploration or mining in the resources industry that are relevant to our business after Listing, Professor Clive F. Palmer will notify us of such opportunities. All the disinterested Directors (including our four independent non-executive Directors) will review and decide whether or not to express an interest in such opportunities. If we do express our interest in an opportunity, taking into account our financial resources, technical capability and expertise and other relevant factors, such as the scale and resources required for development of any potential new project at the relevant time, Professor Clive F. Palmer and/or his associates will treat us equally with any other third parties, and the parties will enter into negotiations in good faith with a view to reaching agreement with regard to the acquisition of the right to exploit such reserve on mutually satisfactory terms.

Potential Conflicts of Interest

Our Controlling Shareholder and Chief Executive Officer and Director, Professor Clive F. Palmer, will continue to serve as a director of Mineralogy after Listing.

The only overlapping director between Australasian Resources and our Group is Domenic Martino, who is the independent Chairman and non-executive director of Australasian Resources. Although Professor Clive F. Palmer holds a controlling interest in Australasian Resources, he is not a director of Australasian Resources. Our Company operates independently of Australasian Resources. We have our own Board of Directors, management, senior officers and suppliers.

Under the Corporations Act, in a conflict of interest situation, and subject to certain exceptions, a director is required to notify the board of directors of his/her material personal interest and, unless the other directors agree otherwise, to abstain from voting and must not be present for the vote on such matters. In addition, a director is required to notify the board of directors of any other duty and/or interest that may conflict with his/her duties as a director. Under the Listing Rules, a shareholder and his associates are required to abstain from voting to approve a transaction at the shareholders' meeting when such shareholder and his associates have a material interest in that transaction.

All our Directors have access to specialist consultants and other professional advisers for advice as and when they require. In addition, our Chairman and independent non-executive Director, Domenic Martino, and our independent non-executive Director, John Elmore, each has significant experience in the resource industry. Although Domenic Martino is a director of Australasian Resources, his role as the independent Chairman and non-executive director of Australasian Resources is non-executive in nature. Further, Baohua Bai, a non-executive Director of our Company who is independent from our Controlling Shareholder and his associates, has significant experience in the worldwide iron ore business. Before his retirement, Baohua Bai held various senior management positions with Sinosteel Corporation, including as president, vice chairman, general manager, professor engineer and legal representative. We therefore believe our Company will have sufficient Directors with the relevant industry experience and who will not be subject to conflicts of interest to guide our Board of Directors should a conflicts situation arise.

CONNECTED PERSONS AND CONNECTED TRANSACTIONS

Mineralogy, a company controlled as to more than 30% of the voting rights by Professor Clive F. Palmer, is an associate of Professor Clive F. Palmer under the Listing Rules. Professor Clive F. Palmer has irrevocably exercised his right to convert all of the Convertible Notes into 6,600,000,000 Shares, such conversion to be effective upon Listing. Immediately after the completion of the Global Offering, Professor Clive F. Palmer will hold directly approximately 53.59% of the issued share capital of our Company (approximately 50.10% if the Over-allotment Option is exercised in full). Waratah Coal is a subsidiary of Mineralogy. As Professor Clive F. Palmer will be a substantial Shareholder and an executive Director of our Company and will retain control of more than 30% of the voting rights of our Company upon Listing, Professor Clive F. Palmer and, therefore, Mineralogy and Waratah Coal are connected persons of our Company for the purpose of the Listing Rules.

SUMMARY OF CONNECTED TRANSACTIONS

Nature of transaction	Type of connected transaction	Applicable Listing Rules	Waivers or exemptions
Coal Mining Right Agreement	Continuing connected transaction	14A.35	Announcement and independent shareholder approval requirement
Iron Ore Mining Right Agreement . . .	Continuing connected transaction	14A.35	Announcement and independent shareholder approval requirement
Iron Ore Facilities Deed	Continuing connected transaction	14A.35	Announcement and independent shareholder approval requirement

CONTINUING CONNECTED TRANSACTIONS

We have entered into the above-mentioned agreements with Mineralogy and Waratah Coal. We expect that the transactions under these agreements will continue after Listing and will therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules. These agreements relate to arrangements between Waratah Coal, Mineralogy and ourselves that are required to facilitate the development of the China First Coal Project and the China First Iron Ore Project, which are our key projects. Details of these agreements are provided below. (Based on the public announcement made by CITIC Pacific, the Company understands that the major terms of the Iron Ore Mining Right Agreement and the Iron Ore Facilities Deed are comparable to those in a similar transaction entered into between Mineralogy and CITIC Pacific in 2006. In addition, based on the public announcement made by Australasian Resources, the Company also understands from our Controlling Shareholder that the major terms of the Iron Ore Facilities Deed are comparable to those in a similar transaction entered into between Mineralogy and Australasian Resources in 2006.)

CONNECTED PERSONS AND CONNECTED TRANSACTIONS

Coal Mining Right Agreement between Waratah Coal and China First Coal dated 8 July 2009, as supplemented and amended by the letters to China First Coal from Waratah Coal dated 2 September 2009 and 4 May 2010 and the Mining Right Amendment (Coal) Deed between China First Coal, Waratah Coal and our Controlling Shareholder dated 1 December 2010 and confirmed by a deed of confirmation between China First Coal and Waratah Coal dated 20 December 2010

Pursuant to the Coal Mining Right Agreement, Waratah Coal has granted China First Coal the contractual right to explore for and mine coal from specific areas in the South Alpha Deposit, subject to Waratah Coal obtaining the related mining leases. We have the right to take up to the amount of coal sufficient to produce up to 40 Mtpa of thermal coal, with a total extraction limit of 1.4 billion tonnes of raw coal. Subject to any early termination under the agreement (the grounds for which are as described below) or as a result of the operation of the general principles of Australian law, our mining rights will continue until such time as China First Coal has taken its total extraction limit.

We have agreed to process all coal mined by us from the area, excluding low grade materials, and to ensure that all thermal coal that we produce is exported from Australia. We have agreed to deliver any low grade material mined from the area to Waratah Coal free of charge. Low grade material includes coal which has a washed coal content of less than 30% or coal that is not used or is rejected in the process of producing thermal coal.

In return for the contractual rights granted by Waratah Coal, we will pay Waratah Coal a royalty of A\$0.30 per tonne of coal when first processed or exported without processing as thermal coal. The rate of royalty component is reviewed on a quarterly basis. On each review, the increase in the rate of the royalty will be a percentage equal to the movement of the Consumer Price Index (All Groups Weighted Average of Eight Capital Cities) as published by the Australian Bureau of Statistics between the date of review and the date of the previous review. Consumer Price Index is used as it is operated by the Australian Bureau of Statistics. It is a sliding scale based on the sale prices of a wide range of goods and services, that is, if sale prices decline, the scale will be adjusted downwards, and if sale prices increase, the scale will be adjusted upwards, and we do not expect any increase or decrease to exceed 10%. The base date of the Consumer Price Index used for the purpose of the Coal Mining Right Agreement is 8 July 2009. The royalty is payable on a quarterly basis and must be paid no later than the 14th day of each quarter based on the quantity of coal first processed or exported without processing as thermal coal during the previous quarter.

In addition, we will pay on behalf of Waratah Coal and ourselves all the royalties payable by Waratah Coal to the State of Queensland pursuant to the Mineral Resources Act 1989 (Qld) in respect of the coal mined by China First Coal. The amount of royalty payable to the State of Queensland is set out in the Mineral Resources Regulations 2003 (Qld) and these royalties are set in accordance with market conditions, subject to review and change by Parliament and the Minister of the Department of Mines and Energy. See “Laws and Regulations Relating to the Industry — Australia — General Mining Law in Queensland — Queensland State Government Royalty”. We will make payments to Waratah Coal no later than 14 days after coal is mined from the area and, in any case, no later than 30 days prior to each due date for payment by Waratah Coal to the State of Queensland.

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In order to develop and operate our China First Coal Project, Waratah Coal has also granted us non-exclusive rights to enter and use specific access routes and areas. We have agreed to submit a development plan to Waratah Coal as soon as practicable for its approval. We intend to submit the development plan by the third quarter of 2011. In order to finalise the development plan, we need to obtain the required approvals from the relevant government authorities, and Waratah Coal as the tenement holder has reached an advanced stage in the preparation of applications for environmental and other government approvals. Waratah Coal may give us notice of its intention to terminate our mining rights if we do not submit a development plan to Waratah Coal and the relevant government authorities for approval before 8 July 2018. If we do not submit a development plan within three months after the giving of such notice, or such other period as Waratah Coal may agree, then Waratah Coal may terminate our mining rights. Following approval of our development plan, Waratah Coal may give us notice of its intention to terminate our mining rights if we do not then commence development operations before 8 July 2020. If within three months after the giving of such notice, or such other period as Waratah Coal may agree, we do not commence development operations, Waratah Coal may terminate our mining rights. Prior to the commencement of development activities in the mine area, China First Coal may at any time surrender its rights under the agreement by giving a minimum of 10 days' notice to Waratah Coal.

Waratah Coal will apply for, and use all reasonable endeavours to obtain, the renewal or extension of the Waratah Coal Tenements but is not required to act on or accept conditions that it reasonably considers contrary to its commercial interest. If Waratah Coal is unable to obtain a renewal of any Waratah Coal Tenement and such tenement expires, our mining rights will automatically terminate in respect of the area covered by the expired tenement. Pursuant to the Mining Right Amendment (Coal) Deed entered into between China First Coal, Waratah Coal and the Controlling Shareholder dated 1 December 2010, Waratah Coal undertakes that (for so long as the Controlling Shareholder controls Waratah Coal), it will not assign, encumber or otherwise transfer all or any part of its interest in any of the Waratah Coal Tenements unless it first procures that the assignee, encumbrancee or transferee of such tenement assumes all of the obligations of Waratah Coal under the Coal Mining Right Agreement.

If certain insolvency events occur with respect to China First Coal, Waratah Coal may terminate our mining rights by giving seven days' written notice to China First Coal. These insolvency events are those that relate to the actual or impending winding-up, dissolution or bankruptcy of China First Coal, including, but not limited to, the appointment of a receiver or an administrator to the assets of China First Coal, an application to the court for a winding-up order, a scheme of arrangement or reorganization or administration proposal involving creditors, and steps taken by China First Coal to protect itself against creditors.

China First Coal will be responsible for obtaining all government and environmental approvals required for the China First Coal Project. Waratah Coal is required to assist China First Coal in obtaining such approvals. Waratah Coal may transfer to us any environmental approvals that it has obtained in respect of the China First Coal Project. In return, we have agreed to do anything reasonably necessary to effect the transfer and to indemnify Waratah Coal for any costs and expenses incurred because of Waratah Coal's position as proponent or co-proponent of the China First Coal Project. We will indemnify Waratah Coal against various claims including those in respect of personal injury or death and property damage and have agreed to maintain public liability

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insurance, which will be extended to cover Waratah Coal and ourselves. We have also agreed to make annual payments to be determined by Waratah Coal into a trust account that will be used solely for paying any site remediation costs that may arise. Pursuant to the Mining Right Amendment (Coal) Deed, Waratah Coal undertakes, and the Controlling Shareholder (for so long as the Controlling Shareholder controls Waratah Coal) undertakes to procure Waratah Coal, to: (i) do all things necessary to enable the registration by China First Coal of the Coal Mining Right Agreement against EPC 1040 and EPC 1079 and not to object to, or do anything else which might adversely affect, such registration; (ii) as soon as practicable after Waratah Coal obtains a mining lease or mining leases over an area with reserves sufficient to generate the 1.4 billion tonnes of raw coal which China First Coal has the right to mine under the Coal Mining Right Agreement within the mining area, do all things necessary to enable registration by China First Coal of the sublease granted to it by Waratah Coal under the Coal Mining Right Agreement against such mining leases; and (iii) not to object to, and/or do anything else which might adversely affect, such registration and consent to, and cooperate with, the lodgement of a consent caveat over such mining leases in favour of China First Coal. Consent caveats were lodged and registered over EPC 1040 and EPC 1079 on 10 March 2011.

On the basis that approximately 56 Mtpa of raw coal would need to be extracted in order to produce 40 Mtpa of thermal coal and our projection of the royalty payable to Waratah Coal as adjusted to reflect any increase to the Consumer Price Index from 8 July 2009, we estimate the aggregate maximum royalty payable by us to Waratah Coal to be approximately A\$25 million for each of the three financial years commencing from the date on which raw coal is first processed into saleable thermal coal (including the financial year in which such reference date occurs). We will review this proposed annual cap every three financial years. The annual cap does not include the royalties payable by us on behalf of Waratah Coal to the State of Queensland as such royalties are only “direct pass through” and should not therefore be treated as a connected transaction.

Iron Ore Mining Right Agreement between Mineralogy and China First Iron Ore dated 21 September 2009, as supplemented and amended by the letters to China First Iron Ore from Mineralogy dated 21 September 2009 and 14 January 2011, the variation deed dated 13 October 2009 and the Mining Right Agreement (Iron Ore) Amendment Deed between China First Iron Ore, Mineralogy and our Controlling Shareholder dated 1 December 2010 and confirmed by a deed of confirmation between China First Iron Ore and Mineralogy dated 20 December 2010

Pursuant to the Iron Ore Mining Right Agreement, Mineralogy has granted China First Iron Ore the right to explore for and mine magnetite iron ore from specific areas covered by eight mining leases in the Balmoral Deposit and an exploration licence in the Bilanoo Deposit. We have the contractual right to mine up to a total extraction limit of 10 billion tonnes of magnetite iron ore, with a corresponding total production limit of 120 Mtpa of iron ore concentrates, pellets and/or HBI.

For our currently planned stage 1 of the project, the extraction limit is 1 billion tonnes of magnetite iron ore, with a corresponding 12 Mtpa annual production limit for iron ore products, comprised of HBI, pellets and concentrates. Subject to any early termination under the agreement (the grounds for which are as described below) or as a result of the operation of the general principles of Australian law, our contractual mining rights will continue until such time as China First Iron Ore

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has taken the total extraction limit. Mineralogy may not grant other parties the right to mine magnetite iron ore within our mining areas without our written consent. Mineralogy, however, maintains its right to search for and extract all other minerals within our mining areas, and we have agreed to provide details of all minerals of economic significance that we discover.

We have agreed to process all magnetite ore mined by us from the area that contains at least 17% magnetite iron. All pellets that we produce must be exported from or sold in Australia, and all HBI that we produce must be exported from Australia.

In return for the rights granted by Mineralogy, we will pay Mineralogy a royalty based on the quantity of magnetite iron ore taken and products produced. The royalty will be calculated according to the following formula:

$$\text{Mineralogy Royalty} = \text{Royalty Component A} + \text{Royalty Component B}$$

where:

Royalty Component A at the date of the Iron Ore Mining Right Agreement was A\$0.30 per tonne of ore mined by China First Iron Ore from the area that contains at least 17% magnetite iron or any low-grade material containing less than 17% magnetite iron used by China First Iron Ore to produce iron ore concentrates of at least 65% iron. The rate of Royalty Component A is reviewed on a quarterly basis. On each review, the increase in the rate of the Royalty Component A will be a percentage equal to the movement of the Consumer Price Index (All Groups Weighted Average of Eight Capital Cities) as published by the Australian Bureau of Statistics between the date of review and the date of the previous review. In the case of the first review, the base date of the Consumer Price Index is 21 September 2009.

Royalty Component B is the amount of the additional royalty payable for the quarter and is calculated according to the following formula:

$$\text{Royalty Component B} = (\text{PR} \times 1/2 \times \text{Product} \times \text{PP}) + (\text{CR} \times 1/2 \times \text{Product} \times \text{CP})$$

where:

Product is the total aggregate tonnes of product (derived from iron ore) produced by China First Iron Ore in that quarter for sale or supply, regardless of the type of product;

PP is the prevailing published annual FOB price (expressed in U.S. dollars per dmtu) for pellets established by the largest supplier or seller of pellets in Brazil for export multiplied by 68.1;

CP is the prevailing published annual FOB price (expressed in U.S. dollars per dmtu) for Mount Newman fines for export multiplied by 68.1 and then further multiplied by 1.05;

PR is, where the *PP* is:

- (a) less than US\$55, 6%;
- (b) greater than or equal to US\$55 but less than US\$65, 8%;

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- (c) greater than or equal to US\$65 but less than US\$70, 9%; or
- (d) US\$70 or greater, 10%; and

CR is, where the CP is:

- (a) less than US\$35, 6%;
- (b) greater than or equal to US\$35 but less than US\$40, 8%;
- (c) greater than or equal to US\$40 but less than US\$45, 9%; or
- (d) US\$45 or greater, 10%.

Mineralogy has waived our obligation to pay Royalty Component B in respect of the first 5 billion tonnes of magnetite iron ore which China First Iron Ore is entitled to extract under the Iron Ore Mining Right Agreement. The rationale behind Royalty Component B for the royalties payable is to share more profits with Mineralogy in the event we make more earnings.

The royalty is payable to Mineralogy on a quarterly basis and must be paid no later than the 14th day of each quarter based on the quantity of magnetite ore taken and products produced during the previous quarter.

In addition, we will pay Mineralogy the royalties payable by Mineralogy to the State of Western Australia pursuant to the State Agreement in respect of the magnetite iron ore that we take. The amount of royalty payable to the State of Western Australia is set out in the Mining Regulations 1981 (WA) which is according to market conditions, subject to review and change by Parliament and the Minister. See “Laws and Regulations Relating to the Industry — Australia — General Mining Law in Western Australia — Western Australian State Government Royalty”. We will make payments to Mineralogy no later than 14 days after iron ore is taken by China First Iron Ore and, in any case, no later than 30 days prior to each due date for payment by Mineralogy to the State of Western Australia. We have also agreed to pay all of Mineralogy’s costs in administering the Iron Ore Mining Right Agreement and to make annual payments to be determined by Mineralogy into a trust account that will be used solely for paying any site remediation costs that may arise.

In order to develop and operate our China First Iron Ore Project, Mineralogy has also granted us non-exclusive rights to enter and use specific access routes and areas within the Balmoral Deposit and the Bilanoo Deposit. Pursuant to the Mining Right Agreement (Iron Ore) Amendment Deed entered into between China First Iron Ore, Mineralogy and the Controlling Shareholder dated 1 December 2010, Mineralogy undertakes, and the Controlling Shareholder (for so long as the Controlling Shareholder controls Mineralogy) agrees to procure Mineralogy, to: (i) grant China First Iron Ore full access to all of the areas covered by exploration licence EL08/118 held by Mineralogy in order for China First Iron Ore to do all things reasonably necessary (at the cost of China First Iron Ore) to enable China First Iron Ore to establish sufficient reserves to support an application for one or more mining leases in respect of all or any part of such area; (ii) if sufficient reserves referred to in (i) above are established to the reasonable satisfaction of China First Iron Ore and these reserves are required to enable China First Iron Ore to extract up to the total extraction limit under the Iron Ore Mining Right Agreement, do all things reasonably necessary to obtain a new mining lease over that part of the area covered by exploration licence EL08/118 containing such reserves; and (iii) not to object to, and do all things necessary to support, a caveat to be lodged by China First Iron Ore over all or any of the new mining leases. Furthermore, upon written request by China First Iron Ore,

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Mineralogy undertakes to provide details of the relevant mine area, project area and site licence area to China First Iron Ore. We have agreed to submit a development plan to Mineralogy as soon as practicable for its approval. We intend to submit the development plan by the third quarter of 2011. In order to finalise the development plan, we need to obtain the required approvals from the relevant government authorities, and Mineralogy as the tenement holder has already lodged applications for environmental and other government approvals. Mineralogy may give us notice of its intention to terminate our mining rights and the site licence if we do not submit a development plan to Mineralogy and the relevant government authorities for approval (as required) before 21 September 2018. If we do not submit a development plan that is acceptable to Mineralogy and the relevant government authorities within three months after the giving of such notice, or such other period as Mineralogy may determine in its sole discretion, Mineralogy may terminate our mining rights and the site licence. Mineralogy may give us notice of its intention to terminate our mining rights if we do not then commence mining operations or construction of processing facilities before 21 September 2020. If within three months after the giving of such notice, or such other period as Mineralogy may determine in its sole discretion, we do not commence mining operations or construction of processing facilities in accordance with the approved development plan, Mineralogy may terminate our mining rights and the site licence. Prior to the commencement of development activities in the mine area or the site licence area, China First Iron Ore may at any time surrender its rights under the agreement by giving a minimum of 10 days' notice to Mineralogy.

Mineralogy will apply for, and use all reasonable endeavours to obtain, the renewal or extension of each of the Mineralogy Tenements. If Mineralogy is unable to obtain a renewal of any Mineralogy Tenement and such tenement expires, our mining rights and the site licence will automatically terminate in respect of the area covered by the expired tenement. Pursuant to the Mining Right Agreement (Iron Ore) Amendment Deed, Mineralogy undertakes that (for so long as the Controlling Shareholder controls Mineralogy) it will not seek to assign, encumber or otherwise transfer all or any part of its interest in any of the Mineralogy Tenements unless it first procures that the assignee, encumbrancee or transferee of such tenement assumes all of the obligations of Mineralogy under the Iron Ore Mining Right Agreement.

If certain insolvency events occur with respect to China First Iron Ore, Mineralogy may terminate our mining rights by giving seven days' written notice to China First Iron Ore. These insolvency events are those that relate to the actual or impending winding-up, dissolution or bankruptcy of China First Iron Ore, including, but not limited to, the appointment of a receiver or an administrator to the assets of China First Iron Ore, an application to the court for a winding-up order, a scheme of arrangement or reorganisation or administration proposal involving creditors, and steps taken by China First Iron Ore to protect itself against creditors.

We will be responsible for obtaining all government and environmental approvals required for the China First Iron Ore Project. Mineralogy may transfer to us any environmental approvals that it has obtained in respect of the China First Iron Ore Project. In return, we have agreed to do anything reasonably necessary to effect the transfer and to indemnify Mineralogy for any damages, personal injury, costs and expenses incurred because of Mineralogy's position as proponent or co-proponent of the China First Iron Ore Project. We will indemnify Mineralogy against various claims including those in respect of personal injury and property damage and have agreed to maintain public liability insurance, which will be extended to cover Mineralogy and ourselves.

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On the basis that approximately 40 Mtpa of magnetite iron ore would need to be extracted in order to produce 12 Mtpa of iron ore products for stage 1 of the project (to mine 1 billion tonnes of iron ore) and our projection of Royalty Component A payable to Mineralogy as adjusted to reflect any increase to the Consumer Price Index, we estimate the aggregate maximum royalty payable by us to Mineralogy to be approximately A\$15 million for each of the three financial years commencing from the date of production (including the financial year in which the commencement occurs). We will review this proposed annual cap every three financial years. The annual cap does not include the royalties payable by us on behalf of Mineralogy to the State of Western Australia as such royalties are only “direct pass through” and should not be treated as a connected transaction.

Iron Ore Facilities Deed between Mineralogy and China First Iron Ore dated 26 October 2001, as amended by the variation deed dated 21 September 2009 and the Facilities Deed Amendment Deed between China First Iron Ore, Mineralogy and our Controlling Shareholder dated 1 December 2010 and confirmed by a deed of confirmation between China First Iron Ore and Mineralogy dated 20 December 2010

Pursuant to the Iron Ore Facilities Deed, Mineralogy granted China First Iron Ore access to the Cape Preston Area covered by the exploration licence E08/636 granted to Mineralogy under the Mining Act 1978 (WA) to enable us to develop and utilise our own or shared infrastructure and facilities for the transport of iron ore concentrates, pellets, HBI and/or any other iron ore product, subject to an aggregate maximum amount of iron ore that can be exported by China First Iron Ore using such infrastructure and facilities as determined by Mineralogy in accordance with the Iron Ore Facilities Deed. Examples of the planned facilities being developed by parties to separate facilities deeds with Mineralogy include overland conveyor, desalination plants, power transmission lines, power plants, pipelines, jetties, ship loaders and other appropriate infrastructure and facilities. Mineralogy is obliged to allow us access to sufficient land in the Cape Preston Area to develop the infrastructure and facilities that are approved by Mineralogy or to utilise infrastructure and facilities being developed by other parties in the Cape Preston Area as approved by Mineralogy.

Any proposal by China First Iron Ore to develop infrastructure or facilities in the Cape Preston Area must be approved by Mineralogy. Mineralogy may, instead of approving the proposal of China First Iron Ore, require China First Iron Ore to use existing or other proposed infrastructure and facilities, contribute to the development of existing or proposed infrastructure and facilities, or reimburse third parties that have developed existing infrastructure and facilities. Mineralogy may require that third parties use infrastructure and facilities developed by China First Iron Ore, which Mineralogy will own, operate, maintain and upgrade and for this purpose may establish an administrative fund and a sinking fund.

Pursuant to the Facilities Deed Amendment Deed entered into between China First Iron Ore, Mineralogy and the Controlling Shareholder dated 1 December 2010, Mineralogy undertakes, and the Controlling Shareholder (for so long as the Controlling Shareholder controls Mineralogy) agrees to procure Mineralogy, not to object to and to do all things necessary to permit China First Iron Ore to lodge a caveat in respect of the tenements upon which the infrastructure and facilities are to be constructed by China First Iron Ore pursuant to the Iron Ore Facilities Deed. Furthermore, Mineralogy undertakes that it will not assign, encumber or otherwise transfer any of its rights or obligations under the Iron Ore Facilities Deed and the Facilities Deed Amendment Deed and all or any part of its interest in any of the relevant tenements.

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We shall pay:

- (a) all rent, application fees and all other costs and outgoings incurred by Mineralogy in respect of titles and tenements which Mineralogy sets aside for the purposes of developing such infrastructure and facilities;
- (b) an access fee of US\$15 million to Mineralogy each year commencing upon obtaining debt finance for the China First Iron Ore Project; our obligation to pay the access fee ceases once we have paid a total of US\$45 million as access fees to Mineralogy;
- (c) contributions to Mineralogy's administrative and sinking funds based on budgets prepared by Mineralogy, plus a 5% margin; and
- (d) all operational and maintenance costs of the infrastructure and facilities in direct proportion to China First Iron Ore's use of them as determined by Mineralogy.

Our contribution to the administrative fund established by Mineralogy under the Iron Ore Facilities Deed is determined based on the following formula:

$$AC = (1.05 \times BAC) \times (AV / TV)$$

where:

AC is China First Iron Ore's contribution to the administrative fund for the relevant year.

BAC is the administrative costs determined in the budget for the relevant year, being all costs incurred by Mineralogy, which are not costs for shared infrastructure and facilities (the "Administrative Costs"), such as insurance premiums, insurance broker fees, management fees and costs payable to third parties, accountant fees, costs and disbursements of Mineralogy.

AV is the volume of China First Iron Ore's products nominated by China First Iron Ore to be shipped through the port to be located at Cape Preston for the relevant year.

TV is the aggregate volume of China First Iron Ore products and all products allocated to other users of the shared infrastructure and facility for the relevant year.

Mineralogy may use the administrative fund only to: (i) pay Administrative Costs and the day-to-day expenses of operating, maintaining and repairing shared infrastructure and facilities; (ii) reimbursing China First Iron Ore and third parties for operational, maintenance and repair work they have carried out to shared infrastructure and facilities, which is approved by Mineralogy; and (iii) any other matter needed to establish, maintain and operate shared infrastructure and facilities for China First Iron Ore, Mineralogy and/or third parties.

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Our contribution to the sinking fund will be calculated as follows:

- (a) if Mineralogy requires China First Iron Ore to contribute to the joint development of new shared infrastructure and facilities, China First Iron Ore shall contribute proportionally to the capital costs of such new shared infrastructure and facilities based on the volume of China First Iron Ore's product as a proportion of the total volume of all products to be transported or shipped each production year by all joint developers or existing users of such infrastructure and facilities; and
- (b) for the use of existing shared infrastructure and facilities, China First Iron Ore shall reimburse the parties who established such shared infrastructure and facilities that portion of all infrastructure costs of such shared infrastructure and facilities which corresponds to the volume of product nominated by China First Iron Ore as a proportion of the total volume of all products nominated or shipped by all users of such existing shared infrastructure and facilities. However, if the existing shared infrastructure and facilities have to be developed further for use by China First Iron Ore, China First Iron Ore shall bear the full cost of such development.

Mineralogy may use the sinking fund to: (i) pay for capital works to and replacement of shared infrastructure and facilities; (ii) reimburse China First Iron Ore, Mineralogy and third parties for approved capital works and replacements they carry out to shared infrastructure and facilities; and (iii) meet any other costs associated with shared infrastructure and facilities, including emergency repairs, operations and/or maintenance.

In the event Mineralogy requires that the facilities to be developed by China First Iron Ore be enlarged or expanded to meet Mineralogy's requirements or those of a third party, we will not be required to contribute any capital or sum for such enlargement or expansion unless it would also be for our use. China First Iron Ore shall be required to contribute to the operation and maintenance of such infrastructure and facilities, including the replacement of any items or upgrading of such infrastructure and facilities which Mineralogy may reasonably determine from time to time.

Mineralogy entered into an agreement with Altus Maritime Services (formerly known as Andhika Shipmanagement Pte Ltd) on 20 August 1998 by which Altus Maritime Services, a company unrelated to our Group, was appointed to act as manager of the port facilities to be constructed at Cape Preston. We intend to utilise the Cape Preston port to export products from the China First Iron Ore Project. Under the agreement with Altus Maritime Services, Mineralogy is obliged to pay Altus Maritime Services that portion of the US\$2.6 million per annum fee that China First Iron Ore's contribution to the port's operating costs bear to the total operating costs of the port in the most recent production year or a lesser amount determined by Mineralogy, commencing from the date of 'first commercial supply' from the port. Under the Iron Ore Facilities Deed, we must pay to Altus Maritime Services our portion of such port fees.

The port fees are based on the percentage of throughput. The area that will be used by China First Iron Ore will depend on the development plan to be submitted by us, whether we intend to use the infrastructure and facilities developed by third parties, whether such infrastructure and facilities have excess capacity available and whether we obtain the necessary consents to utilise such third party infrastructure and facilities.

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Subject to any early termination under the Iron Ore Facilities Deed, the deed shall terminate automatically at midnight on the date on which China First Iron Ore exports the last shipment of magnetite iron ore after reaching the 10 billion tonnes total extraction limit pursuant to the Iron Ore Mining Right Agreement and completes any other obligations under the Iron Ore Mining Right Agreement, the State Agreement or the terms of any other approvals related to the project.

The Iron Ore Facilities Deed shall terminate automatically upon the early termination of any Mineralogy Tenements required for China First Iron Ore's operations or any renewal thereof.

If certain insolvency events occur with respect to China First Iron Ore, Mineralogy may terminate our rights under the Iron Ore Facilities Deed. These insolvency events are those that relate to the actual or impending winding-up, dissolution or bankruptcy of China First Iron Ore, including the appointment of a receiver or an administrator to the assets of China First Iron Ore, an application to the court for a winding-up order, a scheme of arrangement or reorganisation or administration proposal involving creditors, and steps taken by China First Iron Ore to protect itself against creditors.

After discussion with Mineralogy, and taking into account the abovementioned port fee as well as our projected contributions to Mineralogy's administrative and sinking funds and our projected use of facilities covered under the Iron Ore Facilities Deed, we estimate the aggregate maximum payment to Mineralogy pursuant to the Iron Ore Facilities Deed will be approximately US\$310 million for each of the three financial years ending 30 June 2011, 2012 and 2013. We envisage that the US\$250 million for port construction described below will be an one-off payment only, made to the sinking fund at such time, within the three financial years ending 30 June 2013, as China First Iron Ore nominates the volume for iron ore product to be shipped using the Cape Preston port. This US\$250 million contribution to the sinking fund would apply only if, after exploring all options available, China First Iron Ore and Mineralogy agree on the terms of such use.

The breakdown of the estimated annual cap of US\$310 million is set out below:

- (i) US\$15 million access fee to Mineralogy (China First Iron Ore's obligation to pay the access fee ceases once it has paid a total of US\$45 million as access fees to Mineralogy);
- (ii) (A) US\$250 million (inclusive of the 5% margin) contribution for port construction by Sino Iron, such contribution to be made into the sinking fund;

(B) US\$15 million (inclusive of the 5% margin) contribution to be made into the administrative fund;

in each case, established by Mineralogy in accordance with the Iron Ore Facilities Deed based on budgets prepared by Mineralogy which in turn, to the best of our Directors' information, knowledge and belief, are based on, and after consideration of, expert reports prepared by independent third parties and other project agreements; and

- (iii) US\$30 million operational and maintenance cost estimated by China First Iron Ore after having considered the independent expert reports relating to the China First Iron Ore Project and reproduced in the appendices IV-B, V-C and VI to this prospectus.

CONNECTED PERSONS AND CONNECTED TRANSACTIONS

We will review this proposed annual cap every three financial years. We did not make any payments to Mineralogy during the last three financial years ended 30 June 2010.

Reasons for the Continuing Connected Transactions

The Coal Mining Right Agreement

The Coal Mining Right Agreement is the cornerstone of our coal project. The Coal Mining Right Agreement is required to enable us to undertake the China First Coal Project because Waratah Coal is the owner of the relevant exploration permits granted for coal over the specified areas of the South Alpha Deposit from which, upon the grant of the mining leases to Waratah Coal, we intend to mine the coal. It is necessary for us to be granted the contractual right to extract the coal from the areas currently covered by Waratah Coal's exploration permits for coal as we would otherwise have no interest in, and be unable to conduct mining operations over, those areas. The Coal Mining Right Agreement sets out the terms upon which Waratah Coal has agreed to grant China First Coal these essential contractual rights.

The Iron Ore Mining Right Agreement

The Iron Ore Mining Right Agreement is the cornerstone of our iron ore interests. The Iron Ore Mining Right Agreement is required to enable us to undertake the China First Iron Ore Project because Mineralogy is the owner of the relevant mining leases and exploration permits over the specified areas in the Balmoral Deposit and the Bilanoo Deposit from which China First Iron Ore intends to mine the magnetite iron ore. It is necessary for us to be granted the contractual right to extract the ore from the areas covered by Mineralogy's mining leases as we would otherwise have no interest in, and be unable to conduct mining operations over, those areas. The Iron Ore Mining Right Agreement sets out the terms upon which Mineralogy has agreed to grant China First Iron Ore these essential contractual rights.

The Iron Ore Facilities Deed

This deed, together with the Iron Ore Mining Right Agreement, provide for the development, use and sharing by China First Iron Ore of essential infrastructure and facilities required for us to undertake the China First Iron Ore Project. These infrastructure and facilities will be located on land in the Cape Preston Area to which Mineralogy holds access rights. The Iron Ore Facilities Deed sets out the terms upon which Mineralogy will grant China First Iron Ore these essential access rights and Mineralogy's consent for China First Iron Ore to use infrastructure and facilities constructed by third parties. Mineralogy's right to grant us the use of third party infrastructure and facilities, however, is dependent upon the terms of the relevant facilities deed in place, or to be executed, between the relevant co-proponent and Mineralogy, to which we are not a party. Based on our Directors' preliminary assessment, China First Iron Ore's contribution to the infrastructure and facilities in the Cape Preston Area is likely to be capitalised as an intangible asset when incurred and amortised throughout the period when China First Iron Ore is granted the right to access and use the infrastructure and facilities on the basis that any infrastructure and facilities constructed will be owned by Mineralogy. For further information, please see "Risk Factors — Risks Relating to Our Business — Our ability to develop, expand or use the necessary infrastructure and facilities required for the China First Iron Ore Project is dependent upon Mineralogy's consent and other factors outside our control".

CONNECTED PERSONS AND CONNECTED TRANSACTIONS

Reasons for the Duration of the Agreements

The Coal Mining Right Agreement relates to arrangements between Waratah Coal and China First Coal that are required to facilitate the development of the China First Coal Project. Each of the Iron Ore Mining Right Agreement and the Iron Ore Facilities Deed relates to arrangements between Mineralogy and China First Iron Ore that are required to facilitate our development of the China First Iron Ore Project. These are our key projects and will involve the development and conduct of large-scale mining operations. Both the China First Coal Project and the China First Iron Ore Project are long-term development projects. We are targeting commencement of first commercial production at the China First Coal Project by 31 December 2014 (based on our expectation that we will be able to procure that MCC Overseas and any other contractors construct the rail and associated infrastructure within three years) and at the China First Iron Ore Project in the first half of 2014. The operational life of the mines for each of these two projects is projected to be approximately 25 years, such that operations will last from approximately 2014 to approximately 2039. The Iron Ore Mining Right Agreement and the Coal Mining Right Agreement do not have a definitive term; instead, each agreement will continue until the total extraction limit is reached. Based on our planned production schedules, it is expected that the term of these agreements will be at least 25 years unless there is an early termination event as provided for in the agreements. “First commercial production” means, with respect to the China First Coal Project, the point in time when raw coal is first processed into saleable thermal coal and able to be shipped from the port, which we currently expect to be three years from project release for procurement and construction (with up to another approximately three years being necessary to ramp up to full production of 40Mtpa of thermal coal); and, with respect to the China First Iron Ore Project, the point in time when magnetite iron ore is first processed into saleable iron ore concentrate product and able to be shipped from the port, which we currently expect to be 36 months from when we receive the net proceeds from the Global Offering (with up to another approximately two years being necessary to ramp up to full production of 12Mtpa of iron ore concentrate products).

The development of these mining operations will involve construction of mines and numerous infrastructure and facilities (which may include rail, desalination plants, power transmission lines, power plants, pipelines, jetties and ship loaders). China First Iron Ore has been granted access to the Cape Preston Area under the Iron Ore Facilities Deed so that, subject to the preparation and approval of a development plan, China First Iron Ore is able to develop and utilise our own or shared infrastructure and facilities with third parties for our iron ore mining operations. We intend to make a significant investment of our capital and resources in order to establish and develop the mines and to construct large-scale infrastructure and facilities for the mining operations pursuant to the arrangements under the Iron Ore Facilities Deed. Pursuant to the Iron Ore Facilities Deed, Mineralogy will own the facilities and will therefore be responsible for any maintenance required in relation to those facilities. As the infrastructure and facilities under the Iron Ore Facilities Deed will be required throughout the operational life of the China First Iron Ore Project, we expect this Deed to have the same duration as the Iron Ore Mining Right Agreement which is projected to be approximately 25 years.

Accordingly, we are of the view that the Non-exempt Agreements will be required to be of full force and effect for a duration longer than three years and confirm that it is normal business practice for contracts of this type to be of such longer duration.

CONNECTED PERSONS AND CONNECTED TRANSACTIONS

The Sole Sponsor agrees with the rationale set out above and confirms that it is normal business practice for each of the Non-exempt Agreements to continue for a period beyond three years.

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions are entered into in the ordinary and usual course of our Group's business and on normal commercial terms, are fair and reasonable and are in the interest of our Shareholders as a whole.

Potential Future Continuing Connected Transactions

Waratah Coal, as the tenement holder for the exploration permits underlying the China First Coal Project, has reached an advanced stage in the preparation of applications for environmental approvals with the State Government of Queensland and the Commonwealth Government of Australia for the construction and operation of the China First Coal Project, including the mine, rail and port infrastructure. In order for us to be able to construct, operate and control the rail and port infrastructure, Waratah Coal has agreed in writing to grant China First Coal, to the extent permitted by law, the benefit of the environmental authority (mining activities) and any other rights and approvals that Waratah Coal may obtain as the tenement holder with respect to the rail and port. This contractual assignment will occur once the relevant approvals are obtained. We will comply with the relevant provisions in the Listing Rules governing connected transactions for this agreement and any other agreements or arrangements entered into after Listing.

As of the Latest Practicable Date, we are not aware of any other potential continuing connected transactions to be entered into by us that are material to our business save for those disclosed in the paragraph above.

WAIVERS

The transactions under each of the Coal Mining Right Agreement, the Iron Ore Mining Right Agreement and the Iron Ore Facilities Deed constitute non-exempt continuing connected transactions of our Company under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

Our Company has, pursuant to Rule 14A.42(3) of the Listing Rules, applied to the Stock Exchange for a waiver from strict compliance with the announcement and independent shareholders' approval requirements for the transactions under the Coal Mining Right Agreement, the Iron Ore Mining Right Agreement and the Iron Ore Facilities Deed. The estimated maximum amount set out above for each of the Non-exempt Agreements is equal to the proposed annual cap set out in such waiver.

In relation to the China First Coal Project, given that (i) the amount of royalties payable by us under the Coal Mining Right Agreement will be dependent on, among other things, the actual amount of coal to be extracted and the actual scale of the mining projects to be undertaken by China First Coal, and the movement of the CPI from the date of the Coal Mining Right Agreement and (ii) the royalty payments are not due under the Coal Mining Right Agreement until raw coal is first processed into saleable thermal coal (which is currently expected to be by 31 December 2014), the annual cap for the Coal Mining Right Agreement shall commence from such date on which raw coal is first

CONNECTED PERSONS AND CONNECTED TRANSACTIONS

processed into saleable thermal coal (the “reference date”). The proposed annual cap of royalties payable to Mineralogy under the Coal Mining Right Agreement is A\$25 million for each of the three financial years commencing from such reference date (including the financial year in which the reference date occurs).

In relation to the China First Iron Ore Project, given that (i) the amount of royalties payable by us under the Iron Ore Mining Right Agreement will be dependent on, among other things, the actual amount of magnetite iron ore to be mined and the actual scale of the mining projects to be undertaken by China First Iron Ore, and the movement of the CPI from the date of the Coal Mining Right Agreement and (ii) the royalty payments are not due under the Iron Ore Mining Right Agreement until production which is expected to commence in the first half of 2014, the annual cap for the Iron Ore Mining Right Agreement shall commence from the date of production (the “date of production”). The proposed annual cap of royalties payable to Mineralogy in respect of the Iron Ore Mining Right Agreement is A\$15 million for each of the three financial years commencing from the date of production (including the financial year in which the date of production occurs).

In order to gain access to and to develop the infrastructure and facilities required for the China First Iron Ore Project, China First Iron Ore is required to commence construction of, or share, various infrastructure and facilities. As such, the proposed annual cap of payments to be made to Mineralogy in respect of the Iron Ore Facilities Deed is approximately US\$310 million broken down into certain project components for each of the three financial years ending 30 June 2013.

Our Directors consider the annual caps set for the Non-exempt Agreements to be fair and reasonable.

Our Directors confirm that we will comply with Rules 14A.35(1), 14A.37, 14A.38(1) to (3), 14A.39 and 14A.40 of the Listing Rules, and will disclose in its annual reports the actual amount paid under each of the Non-exempt Agreements in respect of each financial year.

The Company will re-comply with the relevant requirements of Chapter 14A of the Listing Rules (including setting annual caps, issuing announcement and/or obtaining independent shareholders’ approvals) before the end of the relevant three-financial-year period applicable to each of the Non-exempt Agreements. We will also re-comply with Chapter 14A of the Listing Rules in a timely manner should there be any material change in the terms of the continuing connected transactions.

SOLE SPONSOR’S VIEW

The Sole Sponsor is of the view that these transactions for which waivers are sought have been entered into in the ordinary and usual course of our business on normal commercial terms and are fair and reasonable and in the interests of the shareholders of our Company as a whole.

The Sole Sponsor is also of the view that the annual caps set for the Non-exempt Agreements are fair and reasonable.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

GENERAL

Our Board of Directors consists of eight Directors, four of whom are independent non-executive Directors and two of whom are non-executive Directors.

Professor Clive F. Palmer and Anna Palmer have been appointed as our authorised representatives under Rules 3.05 of the Listing Rules. Baljeet Singh, our legal counsel who will reside in Hong Kong after Listing, and Raymond Tam, our chief financial officer who is based in Hong Kong, are appointed as our alternate authorised representatives. Our authorised representatives and alternate authorised representatives will act as the principal communication channels with the Stock Exchange and will make themselves available whenever necessary to deal with inquiries from the Stock Exchange. When the Stock Exchange contacts either of our authorised representatives, he/she will be able to contact all members of our Board of Directors (including our independent non-executive Directors) immediately, ensuring an effective communications channel with the Stock Exchange.

In addition to appointing the authorised representatives, we have also retained the services of Somerley as our compliance adviser who, in addition to the authorised representatives of our Company, will act as the principal channel of communication with the Stock Exchange from the Listing Date until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year following Listing.

Certain of our Directors also serve on one or more Board committees. Our four independent non-executive Directors have not been involved in daily management functions of the Company since they joined the Board.

DIRECTORS AND SENIOR MANAGEMENT

We believe that our Directors and senior management, together, have the necessary experience, expertise and relationships to develop our coal and iron ore mining projects to commercial production. See “Our Business — Competitive Strengths — Our Board and certain members of our senior management team have significant experience in negotiating and working with PRC-based companies”.

The table below sets out certain information regarding our Directors and, at the time of Listing, the senior management of our Company. Our Company’s senior management are appointed by our Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Appointment date/Date joined¹</u>
Executive Directors			
Professor Clive F. Palmer . . .	56	Director	6 March 2009
		Chief Executive Officer	6 March 2009
		Chairman of our Remuneration Committee	29 July 2009

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Appointment date/Date joined ¹
Clive Mensink	42	Director	13 August 2010
		General Manager (Iron Ore Development)	—
Non-executive Directors			
Heting Shen	57	Director	20 December 2010
Baohua Bai.	69	Director	4 May 2009
Independent Non-executive Directors			
Domenic Martino.	55	Chairman	6 March 2009
		Director	6 March 2009
		Chairman of our Audit Committee	29 July 2009
Dr. Zhengrong Shi	48	Deputy Chairman and Director	4 May 2009
Alexander Downer	59	Director	4 May 2009
John Elmore.	52	Director	3 September 2010
Senior Management			
Yi Ning	38	Deputy Managing Director	—
Raymond Tam	34	Chief Financial Officer	12 April 2010
Vimal Sharma	53	Assistant Manager (Iron Ore)	—
Tony Bahre	57	General Manager (Contracts, Procurement and Logistics)	—
Timothy Stevens.	52	Head of Environment and Development	—
Nui Harris	47	General Manager (Coal Development)	—
Henning Coetzee	46	Senior Geologist (Iron Ore & Coal)	—
Derek Payne.	60	Joint Company Secretary	6 March 2009
		General Manager (Finance)	—
Anna Palmer	36	Joint Company Secretary	5 October 2009
Geoffrey Smith.	56	General Manager (Legal)	—
Baljeet Singh	32	Legal Counsel	—

Note:

- (1) Except for Derek Payne and Anna Palmer as Joint Company Secretaries and Raymond Tam as Chief Financial Officer, all senior management will be transferred to our Company upon Listing at the direction of our Chief Executive Officer.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

Professor Clive F. Palmer, aged 56, has served as an executive Director and our Chief Executive Officer since 6 March 2009 and the Chairman of our Remuneration Committee since 29 July 2009. Professor Palmer has been active in the iron ore industry for over 25 years and is the founder and Chairman of Mineralogy since 1985. He has been Chairman of Queensland Nickel Pty Ltd since July 2009 and is also a director of China First Coal, China First Iron Ore and Cosmo. He was previously Chairman and non-executive director of Gladstone Pacific Nickel and Chairman and director of Waratah Coal. Professor Palmer has also been responsible for the exploration and feasibility studies of numerous iron ore projects in Western Australia since the 1980s. Professor Palmer attended the University of Queensland from 1973 to 1975.

Professor Palmer has over 25 years of experience in the Australian resource industry. In the early 1980s, he was Chief Executive of Mount Flora Mines Pty Ltd, a copper explorer in Queensland. He also took over the Queensland operations of US company Tenneco Oil and Minerals and was responsible as its Chief Executive Officer for the exploration and development of the Tenneco portfolio of properties in Queensland in the mid 1980s. In 1985, he incorporated Mineralogy which acquired the Australian assets of Hanna Mining of the United States. In the 1990s, Professor Palmer was in charge of the operations of the Copperhead joint venture between the Sons of Gwalia mining group and Mineralogy group companies and he also directed major feasibility studies for iron ore and infrastructure development in Australia. He negotiated an agreement with the State of Western Australia on behalf of Mineralogy and its subsidiary companies in 2001. In 2006, Professor Palmer led negotiations for the development by Mineralogy with CITIC Pacific of the mining rights to 2 billion tonnes of iron ore and an option for further development of 4 billion tonnes.

Professor Palmer's experience in the oil and gas industry includes the successful negotiation of a A\$5.0 billion gas supply memorandum of understanding with North West Shelf Gas Partners including BHP Billiton Petroleum (North West Shelf) Pty Ltd, Chevron Australia Pty Limited, Japan Australia LNG (MIMI) Pty Limited, Shell Development (Australia) Pty Limited, Woodside Energy Limited and BP Developments Australia Pty Limited in 2000.

Professor Palmer represented Australia at the APEC conference held in Sydney in 2007. He is also a board member and a member of the President's Council of the John F. Kennedy Library in Boston, Massachusetts in the United States. Professor Palmer is also the owner of Gold Coast United FC, a privately-owned football club that joined the national A-League in Australia in 2009, and is a director of the Greg Norman Golf Foundation.

Professor Palmer was an Adjunct Professor of the Faculty of Business and Law at Deakin University in Melbourne, Australia with an appointment running from 2009 to February 2011 and a previous appointment from 2002 to 2006. Professor Palmer is currently an Adjunct Professor of Management within the School of Business at Bond University in Gold Coast, Australia with an appointment running from June 2008. Please see the definition of "Professor" for further details of this qualification.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Clive Mensink, aged 42, has served on our Board of Directors as an executive Director since 13 August 2010. Mr. Mensink is our General Manager (Iron Ore Development). He was previously a director of International Minerals, Gladstone Pacific Nickel, ASX-listed Australasian Resources, Mineralogy, Waratah Coal and Gold Coast United Pty Ltd (for which he remains CEO). Mr. Mensink is the nephew of our executive Director and Chief Executive Officer, Professor Clive F. Palmer.

Mr. Mensink was the Director of Project Development at Mineralogy from 1998 to 2007. He has over 15 years of experience in the iron ore and resource industry in Western Australia and Queensland. Mr. Mensink served as General Manager Exploration for Mineralogy from 1993 to 1998. Mr. Mensink has played a key role in the evaluation and planning of the Sino Iron project and the China First Iron Ore Project. His responsibilities at Mineralogy included project management of numerous exploration programmes (including supervising exploration budget and feasibility studies), supervising and arranging drilling activities and logistical requirements and evaluating geological and business models.

Mr. Mensink has played a key role in numerous business delegations representing Mineralogy in the PRC and in the development of the Balmoral South iron ore project for Australasian Resources, with an estimated capital cost of US\$2 billion.

Prior to joining Mineralogy, Mr. Mensink worked for Australian Commercial and Development Limited from 1988 to 1993 as a Business Development Officer.

Heting Shen, aged 57, has served on our Board of Directors as a non-executive Director since 20 December 2010. Mr. Shen has over 15 years of experience in construction and establishment of resource projects in the PRC and overseas. Mr. Shen has also served as the President and an executive director of MCC and Secretary of the Communist Party Committee and Vice Chairman of China Metallurgical Group Corporation since November 2008. Mr. Shen earned a postgraduate degree in World Economics from the Party School of the Central Committee of the Communist Party of China in January 2004 and an undergraduate degree in Business Enterprise Management from Tianjin University of Commerce in July 1987.

As President of MCC and in other positions within MCC, Mr. Shen has been responsible for and participated in the construction of major resource projects in the PRC and overseas over the past 15 years. Previously, Mr. Shen served at China Metallurgical Group Corporation as a director, General Manager, Legal Representative and Vice Secretary of the Communist Party Committee from July 2007 to September 2008 and a director and General Manager from November 2004 to August 2007. Prior to his positions at China Metallurgical Group Corporation, Mr. Shen was with China 22nd Metallurgical Construction Corporation Limited as General Manager from March 1997 to November 2004 and with the Furnace Construction Company of China 22nd Metallurgical Construction Corporation Limited in various roles including Assistant Manager, Vice Manager and Manager from January 1991 to March 1997.

Baohua Bai, aged 69, has served on our Board of Directors as a non-executive Director since 4 May 2009 and as a member of our Audit Committee since 29 July 2009. Mr Bai has over 20 years of iron ore mining experience and substantial experience in managing mining operations for iron ore. Mr.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Bai also serves as an independent director for China Nickel Resources Holdings Company Limited, a company listed on the Stock Exchange which focuses exclusively on the manufacture of special steel, bearing steel and spring steel in the PRC, and for Delong Holdings Limited, a company listed on the Singapore Stock Exchange and engaged in the manufacture and sale of hot-rolled steel coils in the PRC and other activities, including investing in mineral resource-related projects in Australia. Mr. Bai earned a Bachelor of Engineering degree in Metal Working from the University of Science and Technology Beijing in China in August 1965.

Based in China, Mr. Bai has 44 years of experience in the metallurgy field in the resource industry. Between December 1993 until his retirement in December 2003, Mr. Bai held various senior management positions with Sinosteel Corporation, including President, Vice Chairman, General Manager, Professor Engineer and Legal Representative. From December 1984 to October 1993, Mr. Bai was General Manager and Legal Representative in China Metallurgical Import and Export Company and Senior Engineer in China International Iron and Steel Investment Company.

From 1987 to 2003, Mr. Bai participated and led the cooperation in the Channar Iron Ore Project between Sinosteel Channar Pty Limited, a wholly owned subsidiary of Sinosteel Australia Pty Limited, and Hamersley Iron Pty Limited (a subsidiary of Rio Tinto).

From 1996 to 2003, Mr. Bai participated and led the cooperation in Dilokong Chrome Mine between China and South Africa.

Domenic Martino, aged 55, has served on our Board of Directors as an independent non-executive Director since 6 March 2009 and as our Chairman since 8 October 2010. Mr. Martino has been a member of our Audit Committee and Remuneration Committee since 29 July 2009 and is Chairman of the Audit Committee. He has over five years experience in the iron ore industry as a non-executive director and independent Chairman of ASX-listed Australasian Resources, an ASX-listed emerging iron ore producer in the Pilbara region of Western Australia, with strong ties to the PRC. He is also a non-executive director of ASX-listed Synergy Plus Limited (formerly known as ComputerCORP Limited), a non-executive director of ASX-listed Clean Global Energy Limited, a non-executive director of International Minerals (an iron ore company), a Chairman of Gladstone Pacific Nickel (a listed resource company) and a director of ORH Limited, Pan Asia Corporation Limited and COKAL Ltd (formerly known as Altera Resources Ltd.). As Mr. Martino is a non-executive director of Australasian Resources, he is not involved in the day-to-day management of Australasian Resources and his role in this company is equivalent to that of an independent non-executive director of a Hong Kong listed company. However, the title “independent non-executive director” is not a common designation for ASX-listed companies.

Mr. Martino earned a Bachelor of Business degree from Curtin University of Technology in Australia in 1976. Mr. Martino is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Australian Society of Certified Practising Accountants and a Fellow of the Australian Institute of Company Directors.

Mr. Martino has extensive experience in the oil and gas industry. At Sydney Gas Limited, an ASX-listed company, he was the Chairman and founding director from 1998 to 2003 and Executive Chairman from 2003 to 2005. Mr. Martino oversaw the reconfiguration of Sydney Gas Limited from an exploration company to a production company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Martino was also the Executive Chairman and founding director of Blue Energy Limited, an ASX-listed company, from September 2005 to October 2006. In addition to his involvement in the formation, strategic planning and capital raising activities of Blue Energy, Mr. Martino was instrumental in the acquisition and development of Blue Energy's various conventional oil, natural gas and coalbed methane resources in Queensland, South Australia and Papua New Guinea.

Since May 2010, Mr. Martino has served as the Executive Chairman and director of Indon CBM Ltd, an Australian registered unlisted public company formed to participate jointly with PT Pertamina (Persero), the Indonesian state-owned oil and gas company, in various proposed coalbed methane joint study and pilot projects in South Sumatra, Indonesia and other coalbed methane prospects in Kalimantan, Indonesia. In addition, from 2004 to 2005, Mr. Martino was a Consultant at Baraka Petroleum Ltd, an ASX-listed company with oil and gas exploration assets in Mauritania and Mali, West Africa, and was involved in its formation, capital raising and investor relations activities.

Mr. Martino was formerly a Partner of Deloitte Touche Tohmatsu and its predecessor firms from 1981 to 2003, serving as its Chief Executive Officer in Australia from 2001 to 2003 and Managing Partner of its New South Wales operations from 1998 to 2001. He was also a recipient of the Centenary Medal in 2003 for his service to Australian Society through Business and the Arts.

Dr. Zhengrong Shi, aged 48, has served on our Board of Directors as an independent non-executive Director since 4 May 2009 and is our Deputy Chairman. He earned a Doctor of Philosophy degree from the University of New South Wales in Australia in February 1992, a Master of Science degree from Shanghai Institute of Optics & Fine Mechanics, Academia Sinica in China in 1986 and a Bachelor of Science degree from Changchun University of Science and Technology in China in 1983.

Dr. Shi is the founder, Chairman and Chief Executive Officer of Suntech Power, a solar energy company listed on the New York Stock Exchange with manufacturing facilities in China. Dr. Shi was named Asia Businessman of the Year by Fortune Magazine in 2009 and one of Time Magazine's "Heroes of the Environment" in 2007. Prior to assuming the posts of Chairman and Chief Executive Officer, Dr. Shi served as Managing Director of Suntech Power from 2001 to 2004.

Prior to founding Suntech Power, Dr. Shi was employed by Pacific Solar Pty Limited, an Australian company engaged in the commercialisation of next-generation thin film technology, as Deputy Research Director from 1996 to 2001 and as Research Manager from 1995 to 1996. From 1992 to 1995, he was Research Associate and Managing Project Scientist of the Thin Film Solar Cells Research Group in the Centre for Photovoltaic Devices and Systems at the University of New South Wales in Australia.

Alexander Downer, aged 59, has served on our Board of Directors as an independent non-executive Director since 4 May 2009 and as a member of our Remuneration Committee since 29 July 2009. Mr. Downer earned a Bachelor of Arts degree in Politics and Economics from Newcastle University, Newcastle upon Tyne in the United Kingdom in June 1974 and a Doctorate of Civil Laws (honoris causa) in June 2001. He also received an honorary Doctorate of Philosophy from Bar Ilan University in Israel in June 2007.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Downer was Australia's Minister for Foreign Affairs from March 1996 until November 2007. Mr. Downer has been serving in a part time position as the United Nations special envoy to Cyprus since July 2008. Highlights of Mr. Downer's tenure as Foreign Minister of the Commonwealth of Australia include a leadership role in the Bougainville Peace Process, the negotiation of the East Timor Gap Treaty, securing prosperity for East Timor and opportunities for Australian industry, and playing a pivotal role in establishing the Asia-Pacific Partnership on Clean Development and Climate and the Global Initiative on Forests and Climate. In addition, Mr. Downer served as Shadow Minister in a number of portfolios: Treasurer (1993-1994), Defence (1992-1993), Trade and Trade Negotiations (1990-1992), Housing and Small Business (1988-1989) and Arts, Heritage and the Environment (1987). He was the leader of the federal Opposition and the leader of the Liberal Party from May 1994 to January 1995. Mr. Downer held the parliamentary seat of Mayo continuously from 1984 until his retirement from Parliament in July 2008.

John Elmore, aged 52, has served on our Board of Directors as an independent non-executive Director since 3 September 2010 and as a member of our Audit Committee since 13 March 2011. Mr. Elmore previously served on the boards of Minnesota Steel Industries, Ryerson International, IMF Steel, Tata Ryerson, International Minerals, Shanghai Ryerson, Macsteel International Far East, among others. He earned a Bachelor degree in Natural Resources from the University of Michigan in the United States in May 1980.

Mr. Elmore has over 30 years of experience in the iron ore and steel industries. He has held senior management positions in both publicly traded companies as well as private enterprises internationally, including as Director of Jindal Steel and Power Limited ("JSPL") in New Delhi (India) from 2009 to present.

Previously, he was President and Chief Executive Officer of Minnesota Steel Industries in Minneapolis (United States) from March 2005 to December 2007. From October 2000 to September 2004, Mr. Elmore was the Chief Executive Officer of Austeel Pty Ltd in Newcastle (Australia). Mr. Elmore was also Managing Director of I.M.F. Steel International Limited in Hong Kong from January 1996 to September 2000 where he was responsible for the international trading activities for Inland Steel Industries (USA) including the sourcing of raw materials from the PRC. He was also the Managing Director (Trading) of Macsteel International Far East in Hong Kong from January 1998 to October 1999.

Each of our Directors confirms with respect to him that (i) he has not held any directorships, current or past, since 1 July 2007 up to the Latest Practicable Date in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas, except as disclosed in his biographical details set out above; (ii) he is not related to any other Director, senior management or substantial or controlling shareholders of the Company, except as disclosed in this prospectus; (iii) there is no information to be disclosed for him pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; (iv) there are no other matters that need to be brought to the attention of the holders of securities of the Company; and (v) all the requirements under Rule 13.51(2) of the Listing Rules have been fulfilled.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Senior Management

Save for Raymond Tam, all of our senior management are currently employed by our affiliates, including Mineralogy and Waratah Coal, and attend to our affairs. Upon Listing, our senior management have agreed to transfer from such employment at our affiliates to our Company, as detailed below, upon the direction of our Chief Executive Officer. There are no formal arrangements with any of these companies in this respect.

Yi Ning, aged 38, is currently Chief Representative for China at Mineralogy and, upon Listing, will become our Company's Deputy Managing Director. Mr. Ning earned a Master of Applied Science degree in Mechanical Engineering from Carleton University in Canada in November 2004 and both Master of Science degree and a Bachelor of Science degree in Metallurgical Engineering from the University of Science and Technology Beijing in China in March 1997 and July 1994, respectively.

Mr. Ning has over 12 years of experience in the mining industry. Since joining Mineralogy in January 2005, Mr. Ning has played a key role in marketing Mineralogy's iron ore projects to the PRC, including the promotion of CITIC Pacific's Sino Iron project, and the China First Coal Project to MCC. Prior to joining Mineralogy, Mr. Ning was a Sales Manager with Beijing Sunstone International Industry & Trading Group from September 2004 to December 2004 and a Technical/Industrial Design Engineer with Beijing Central Engineering and Research Incorporation of Iron and Steel Industry from April 1997 to April 2000.

Mr. Ning was also involved in projects co-designing FUCUS equipment in Germany and steel-making plants and tonne ladle-furnaces in the PRC.

Raymond Tam, aged 34, has been our Chief Financial Officer since April 2010. Mr. Tam earned an Executive Master of Business Administration degree from the University of Western Ontario in Canada in October 2005, a Master of Practising Accounting degree from the Monash University in Australia in April 2001 and a Bachelor of Civil & Resources Engineering (First Class Honours) degree from the University of Auckland in New Zealand. Mr. Tam is a CFA, FRM charterholder and has been a Certified Accountant of CPA Australia since June 2002 and also a member of the Hong Kong Institute of Certified Public Accountants since July 2010.

Mr. Tam has over 10 years of experience in corporate and investment banking. Prior to joining our Company, Mr. Tam was a senior Vice President of Investment Banking at JPMorgan Chase Bank from August 2006 to April 2010 and a Vice President in the Conglomerates Division Hong Kong Corporate Banking at Citibank from April 2006 to August 2006, and held various positions with HSBC in the Corporate, Investment Banking & Markets department from May 1999 to April 2006.

The CPA awarded Mr. Tam with several distinctions in 2001, including the CPA Program Excellence Award in Treasury, for which Mr. Tam obtained the second highest mark worldwide. He was also winner of the CPA Program Excellence Award in Reporting & Professional Practice, obtaining the third highest mark worldwide, and the CPA Program Excellence Award in Assurance Services & Auditing, having obtained the fifth highest mark worldwide.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Tony Bahre, aged 57, is currently Contracts, Procurement & Logistics Manager at Waratah Coal and, upon Listing, will become our Company's General Manager (Contracts, Procurement and Logistics).

Mr. Bahre has over 29 years of experience in the supply industry, covering all levels of the supply structure and including 14 years of experience in the coal industry. Since joining Waratah Coal in September 2008, Mr. Bahre has been assisting in evaluation of project development proposals and outcomes and infrastructure planning and development, and has been responsible for managing and implementing systems as required for the company's growth and projects.

Prior to joining Waratah Coal, Mr. Bahre was involved in two major project startups requiring implementation of a supply chain from the ground up which included logistics, supplier and warehouse networks necessary to support a project mine through to a fully functional operational underground coal mine. He worked for Carborough Downs Coal as a Contracts & Purchasing Superintendent from March 2006 to September 2008, for Oaky North Underground as a Maintenance Planner/Scheduler from August 2002 to March 2006 and a Purchasing Officer/Supply Co-coordinator from February 1997 to August 2002, and for Oaky Creek Coal Pty Ltd as a Purchasing Officer from August 1995 to February 1997.

Vimal Sharma, aged 53, is currently Managing Director (Western Australia) at Mineralogy and, upon Listing, will become our Company's Assistant Manager (Iron Ore). He is a director of ASX-listed Australasian Resources and International Minerals. Mr. Sharma earned a Bachelor of Arts degree in Economics and Political Science from the University of Delhi in India in 1979. Mr. Sharma's other academic qualifications include a Certificate in Business Consultancy from the University of Philippines awarded in 1983. He has been a member of the Australian Institute of Management since 1992.

Mr. Sharma has over ten years of experience in the Australian mining industry and over 15 years of experience in senior management positions. Since joining Mineralogy in 1999, Mr. Sharma has been responsible for managing Mineralogy's Western Australian operations including its iron ore exploration and development operations. Mr. Sharma played a key role in the management of the feasibility study for the iron ore project that was later acquired by CITIC Pacific in 2006. His responsibilities at Mineralogy include identifying project opportunities, developing business proposals and marketing to potential investors. Mr. Sharma also manages and coordinates pre-feasibility and feasibility work, oversees many of Mineralogy's iron ore drilling programs and manages project submissions to the Government of Western Australia for approval under the State Agreement. Mr. Sharma participated and worked on the approval process for the Austeel iron ore project and is currently helping to oversee the development and approvals for CITIC Pacific's Sino Iron project and International Minerals' iron ore project. In addition, Mr. Sharma assisted in the negotiations for a variation to the State Agreement Act to facilitate the development of iron ore mines and the processing and export of iron ore products from the Pilbara region of Western Australia.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Timothy Stevens, aged 52, is currently Manager, Healthy Safety Environment at Mineralogy and, upon Listing, will become our Company's Head of Environment and Development. Mr. Stevens earned a Bachelor of Business (with Honours) degree in Agriculture from Curtin University of Technology, Western Australia and subsequently gained Certificate IV in Frontline Management Development Program from the Australian Institute of Management.

Mr. Steven's background is in the environmental science field with over 13 years of experience in the mining industry. Since joining Mineralogy in March 2010, Mr. Stevens has been involved with management of health, safety and environmental principles at Mineralogy's Western Australian iron ore operations.

Prior to joining Mineralogy, Mr. Stevens worked for Murrin Murrin Operations for more than 11 years in various capacities, most recently as Environmental Manager at the Murrin Murrin nickel cobalt project in Western Australia, during which time he was responsible for key aspects of the Murrin Murrin operational plan. Mr. Stevens' previous posts at Murrin Murrin's cobalt nickel project included Acting Health Safety Environment Manager (from December 2006 to August 2007), Environmental Superintendent (from August 2005 to December 2006) and Principal Environmental Scientist (from May 2005 to August 2005).

During his time at Murrin Murrin, Mr. Stevens was involved in several significant projects including large scale pre-feasibility studies, safety and environmental impact and risk assessments, HSE policy development and implementation, development and implementation of environmental and safety management plans and systems and industrial hygiene and biological monitoring programs. Mr. Stevens played a significant role in introducing the Concave slope concept for mining rehabilitation at Murrin Murrin, incorporating rainfall simulation, erosion modeling and landform designs, and setting key performance indicators ("KPI") for sign-off by the Department of Mines and Petroleum with a view to securing the return of bond monies on company mining tenements. The KPI innovation won the 2008 DoIR Golden Gecko Award for environment excellence.

Nui Harris, aged 47, is currently Manager of Civil Design at Waratah Coal and, upon Listing, will become our Company's General Manager (Coal Development). Mr. Harris has approximately 15 years of experience in the mining industry and has been involved in the implementation of many successful mining projects in Australia, in the areas of civil design and survey control. These projects include Southern Colliery, MIM's Oaky North Longwall Project, MIM's Oaky No.1 Upgrade, Newlands North Underground (which is owned by Xstrata and Itochu Corporation), Macarthur Coal Limited's Moorvale Open Cut Mine, Vale's Carborough Downs Underground Mine and Isaac Plains Open Cut Mine.

During his time at Vale's Carborough Downs Underground Coal Mine from 2006 to 2007, Mr. Harris provided survey control services, designed mine layouts and set out various civil and infrastructure works. In 2005, he was involved in designing the McArthur River Zinc Mine for Xstrata, and prior to that in 2004, he set out civil infrastructure, bulk earth works and concrete infrastructure for the South Burnett Dam Alliance. From 2003 to 2004, Mr. Harris provided alignment grade and directional control and as-built digital elevation models of mined headings for the Newlands North Underground coal mine.

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From 2002 to 2003, Mr. Harris set up control for and designed onsite civil works for underground services and structural works for Macarthur Coal Limited's Moorvale Open Cut Coal Mine. From 2001 to 2002, he also provided set up control and designed civil works for Xstrata's Ravenswood Gold Mine, and from 2000 to 2001, he set up control and aligned mining and tunneling operations for the Brisbane Bus Way Tunnel.

Mr. Harris was involved in designing pit top general arrangement, setting out pit top infrastructure services, monitoring as-builts of all surface and underground infrastructure and plan coordination and drafting for MIM's Oaky No.1 Underground Coal Mine from 1999 to 2000 and MIM's Oaky North Underground Coal Mine from 1998 to 1999. Mr. Harris also engaged as Open Cut Surface surveyor at the Capricorn Coal (Middlemont) Open Cut Coal Mine from 1989 to 1993 during which time he was involved in controlling blast hole and dragline excavations set out, quantifying overburden removal, coal recovery, removal and inventory volumes. He also designed, set out and controlled the construction of access routes for power, water and haulage.

Mr. Harris holds a Bachelor of Applied Science (Surveying) degree from Queensland University of Technology and is a registered Mine Surveyor.

Henning Coetzee, aged 46, has over 18 years of experience in the resource industry. Mr. Coetzee is currently Project Geologist at Waratah Coal and, upon Listing, will become our Company's Senior Geologist (Iron Ore and Coal). He earned a Bachelor of Science (Honours) degree in Geology from the University of Witwatersrand, South Africa in 1994 and a Bachelor of Science degree in Geology and Geotechnology from the University of Pretoria, South Africa in 1993. His Queensland mining industry qualifications include Generic Induction Metalliferous Core, Generic Induction Coal Core, MSSS Risk Management Course and Senior First Aid. He has also been a member of the Australian Institute of Mining and Metallurgy and Geological Society of Australia Inc.

Mr. Coetzee has over 18 years of experience as an exploration geologist and project manager, with extensive experience in JORC compliant reporting and in tenement administration and native title issues. Prior to joining Waratah Coal in January 2009, Mr. Coetzee was Exploration Manager for Diatrema Resources Limited from July 2007 to December 2008. He was responsible for designing, budgeting, managing Diatrema Resource Limited's various exploration programs with particular regard to metalliferous projects. His recent Australian experience includes liaison with various state government departments (Queensland, South Australia, Tasmania and West Australia) regarding exploration permit applications, tenements requirements, expenditure and reporting. Prior to that employment, Mr. Coetzee was employed by Mineralogy in its iron ore projects in Western Australia and the Cosmo project in South Australia.

Anna Palmer, aged 36, is our Joint Company Secretary and has held this position since 5 October 2009. Mrs. Palmer has been a director of Waratah Coal since October 2010. She earned a Graduate Diploma in Legal Practice from Queensland University of Technology in November 2010, a Master of Applied Taxation degree from the University of New South Wales in Australia in September 2005, a Graduate Diploma from the Institute of Chartered Accountants in Australia in September 2002, a Bachelor of Laws (Honours) and a Bachelor of Commerce degrees from Griffith University,

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Queensland in Australia in April 2000. Mrs. Palmer has been a member of Institute of Chartered Accountants in Australia since February 2003 and is also a member of the Hong Kong Institute of Certified Public Accountants since November 2009. Mrs. Palmer is the spouse of our executive Director and Chief Executive Officer, Professor Clive F. Palmer.

Mrs. Palmer has over 10 years of practical accountancy experience in Australia and over five years of experience in the resource industry. Since joining Mineralogy, she has served as a Consultant for tax and accounting matters and has performed various company secretarial duties since March 2009 and has served as Tax and Compliance Director from March 2007 to February 2009.

Prior to joining Mineralogy, Mrs. Palmer worked for Rio Tinto Australia as a Manager in Tax Risk Management from October 2006 to February 2007 and for PricewaterhouseCoopers in Australia as a Senior Manager in the Tax and Legal Services unit from November 1999 to September 2006.

Derek Payne, aged 60, is our Joint Company Secretary and has held this position since 6 March 2009. Mr. Payne is also currently employed as Finance Director at Mineralogy and, upon Listing, will become our Company's General Manager (Finance), in addition to continuing as our Joint Company Secretary. He earned a Bachelor of Commerce degree from Griffith University, Queensland in Australia in April 1994. Mr. Payne has been a Certified Practising Accountant of CPA Australia since March 2000 and is also a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Payne has over 15 years of experience in business and financial management across many industries, including mining development, broadcasting, financial services and performing arts. Since joining Mineralogy in September 2006, he has been responsible for company finance and compliance. Mr. Payne has been Company Secretary of Chinampa since August 2008 and General Manager of Cold Mountain Stud Pty Limited, a wholly-owned subsidiary of Mineralogy, since September 2007.

Prior to joining Mineralogy, Mr. Payne was Business Manager of Management and Training Corporation from March 2003 to September 2006.

Geoffrey Smith, aged 56, has over 10 years of experience in the resource industry. Mr. Smith is currently Managing Director Legal at Mineralogy and, upon Listing, will become our Company's General Manager (Legal). Mr. Smith is also a director of Mineralogy and Gold Coast United Pty Ltd, and until July 2008, he was a director of the AIM-listed Gladstone Pacific Nickel.

Mr. Smith is an Australian lawyer with over 30 years of experience in corporate and commercial law. Since joining Mineralogy in August 2006, Mr. Smith has been integral in managing mining-related projects operated by Mineralogy and its subsidiaries. He has administered Mineralogy's iron ore operations in Western Australia over the last four years. Prior to joining Mineralogy, Mr. Smith was a Partner at Bell Legal Group in Queensland from 1979 to August 2006 and was a principal advisor in respect of resource matters of Mineralogy since 1986.

Baljeet Singh, aged 32, is currently Legal Director at Mineralogy and, upon Listing, will become our Company's Legal Counsel. Ms. Singh earned a Postgraduate Diploma in Legal Practice in October

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

2003 and a Bachelor of Laws degree in October 2001, both from Bond University, Queensland, and was admitted as a solicitor of the Supreme Court of Queensland in September 2003, a solicitor of the Supreme Court of Western Australia in September 2004 and a solicitor and barrister of the High Court of Australia in March 2005.

Ms. Singh is an Australian lawyer with experience in mineral resources, native title and environmental law, litigation, corporate and commercial law. Since joining Mineralogy in September 2006, Ms. Singh has been managing our Company's representative office in Hong Kong, which includes coordinating legal and compliance matters related to this Global Offering. Ms. Singh is also responsible for managing legal matters for Mineralogy's Western Australian operations, and she has been involved in the company's operations in Queensland. In her roles, she has experience in dealing with resource matters under the Mining Act and the Heritage and Environmental Act as well as major native title matters that affect the resource industry. Ms. Singh has four years of experience in the resource industry.

Prior to joining Mineralogy, Ms. Singh was a Solicitor at Wilson & Atkinson Lawyers from June 2004 to February 2006 and a Solicitor at Bell Legal Group in Queensland from September 2003 to June 2004.

Term of Office

Our Directors do not currently have a fixed term of office. Every Director shall retire from office once every three years. At each annual general meeting, one-third of the Directors then in office (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, as well as any other Director who has held office for three years or more. A retiring Director shall be eligible for re-election.

See "Summary of the Constitution of our Company and the Australian Corporations Act — Directors' Appointment and Retirement by Rotation".

Connections Between Executives, Directors and Senior Management

There are no arrangements or understandings with any person pursuant to which any of our Directors or senior management were selected. Apart from the following, there are no other family relationships among any of our Directors, senior management or substantial shareholders:

- Clive Mensink (executive Director) is a nephew of our executive Director and Chief Executive Officer, Professor Clive F. Palmer; and
- Anna Palmer (Joint Company Secretary) is the spouse of our executive Director and Chief Executive Officer, Professor Clive F. Palmer.

Company Secretary

Derek Payne and Anna Palmer are our Joint Company Secretaries. See "— Senior Management".

Board Practices

In the absence of extraordinary events, it is the practice of our Board of Directors to meet a minimum of four times a year. At such meetings, our Directors conduct, among other things, an operational review of our business.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board Committees

Remuneration Committee

Our Board of Directors has established a Remuneration Committee with terms of reference in compliance with paragraph B.1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for all remunerations of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time. The Remuneration Committee consists of three members, namely, Professor Clive F. Palmer (as the Chairman), Alexander Downer and Domenic Martino.

Audit Committee

Our Board of Directors has established an Audit Committee with terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C.3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to provide our Board of Directors with an independent review of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board of Directors. The Audit Committee consists of a non-executive Director, Baohua Bai and two independent non-executive Directors, namely, Domenic Martino (as the Chairman) and John Elmore.

Directors' Remuneration

Our Directors were not paid any remuneration by our Company during the two years ended 30 June 2009. During the year ended 30 June 2010, a Director was paid remuneration of A\$124,164.

We intend to pay our Directors a fixed salary and may pay a discretionary bonus in any particular year based on their respective performance and that of our Group.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by us to our Directors for the year ending 30 June 2011 will be US\$800,000 (approximately HK\$6.2 million).

There is no scheme to provide retirement benefits, other than statutory superannuation, to any of our Directors or other employees of our Company. Under Australian law, employers of employees in Australia must pay (in order to avoid adverse tax liabilities from arising) minimum employer contributions to recognised superannuation funds. The minimum rate of employer contributions is currently 9% of an employee's earning base to a maximum of A\$42,220 per quarter for 2010-2011. The obligation to make minimum employer contributions extends to payments to our Directors who are residents of Australia.

Neither our Company nor any of our subsidiaries has entered into any service contract with any Director which cannot be terminated by us within one year without payment of compensation (other than statutory compensation).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

During the three years ended 30 June 2010, no remuneration was paid to our Directors or the Directors of our subsidiaries as an inducement to join or upon joining our Company or our subsidiaries. No compensation was paid to, or receivable by, our Directors or the Directors of our subsidiaries or any past Directors during the three years ended 30 June 2010 for the loss of office as director or of any other office in connection with the management of our affairs. None of our Directors or the Directors of our subsidiaries waived any emoluments during the three years ended 30 June 2010.

Compliance Adviser

Our Company has appointed Somerley as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to our Company pursuant to the requirements thereunder.

Somerley will provide advice to our Company with due care and skill on a timely basis when consulted by our Company in the following circumstances:

- before the publication by our Company of any regulatory announcement (whether required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company of unusual movements in the price or trading volume of our listed securities or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Staff

With the exception of Raymond Tam, our Chief Financial Officer, staff currently attending to the business of the Company are retained by other Group companies. Upon Listing, our senior management will transfer to the Company upon the direction of our Chief Executive Officer. Our Company does not currently have any agreements with any of the senior management, except with our Chief Financial Officer.

PROJECT AND CONSTRUCTION MANAGEMENT

The section below sets out the intended arrangements between the Company and Hatch with respect to the development of the China First Iron Ore Project and the China First Coal Project. As at the Latest Practicable Date, the terms of the precise role to be fulfilled by Hatch under the Consultancy Contract remain subject to further review following further project scoping and planning. As such, there is no guarantee that the three named individuals will ultimately fulfil the stated roles, or commit the stated time to the projects. It is also possible that the roles specified will be assigned to different team members within Hatch, on different terms and with differing levels of commitment. Finally, it is possible that Hatch may not commit to the project development role at all, and we may be required to source and engage an alternative project management services provider. Accordingly, please refer to the biographies under “Directors, Senior Management and Employees” for their qualifications, skills and experience.

The Company entered into the Consultancy Contract with Hatch on 16 September 2010 for the provision of project management services by Hatch.

In Australia, Hatch is in a joint venture with Aurecon for coal projects. Key project management services provided by Hatch or Aurecon Hatch to our Company under the existing Consultancy Contract will be overseen by the following senior executives:

Wain Lawrence, will provide advice to the Company in terms of its infrastructure development program. Mr. Lawrence has over 30 years of experience in all phases of project management of large mining, metals and infrastructure developments in Australia, Asia and the Americas. He is currently Managing Director Infrastructure, Asia Pacific for Hatch.

Mr. Lawrence is a board member of the Aurecon Hatch joint venture and project principal and steering committee member for various infrastructure projects including the DBCT 7X Project, the NCIG project, the WICET project and the Hay Point Expansion project.

Prior to this, Mr. Lawrence held several positions with BHP Engineering in Australia from 1980 to 2000 including Acting Vice President (Projects Delivery), Senior Manger (Project Development and Engineering), Project Manager (Beenup Tailings Management Project), Engineering Manager and Mining Services Manager.

Mr. Lawrence earned a Graduate Diploma in Urban and Regional Planning in 1977 and a Bachelor of Engineering in Civil Engineering in 1973, each from the Queensland Institute of Technology. He is also a Registered Professional Engineer Queensland and a member of Engineers Australia. In addition, Mr. Lawrence has published eight technical papers including in relation to contracting, project design and cost, coal mine developments and high speed railways.

Dennis E. LaJevic-Augustine, will assist in the provision of advice specifically in project and construction management for the Company. Mr. LaJevic-Augustine has over 30 years of experience in providing executive leadership, consulting, project management and EPCM services to the domestic and international heavy industrial sector for metals, energy and infrastructure projects.

PROJECT AND CONSTRUCTION MANAGEMENT

He is employed at Hatch where he holds the position of Managing Director – Project Management and Services and where he is responsible for development of project management practice and methodology, major project set-up and review, client interface, training and leadership for a large portion of the project delivery group.

Mr. LaJevic-Augustine gained a Bachelor of Science (Electrical Engineering) from the University of Pittsburgh in 1975 and is a former member of the board of directors of the Engineering Society of Western Pennsylvania. He is a former research team member for the Construction Industry Institute, a former member of the Energy and Environmental Committee for the Iron and Steel Society and has also published two technical papers in relation to cost effective engineering and quality implementation.

John Stocco, will advise the Company on matters concerning its iron ore developments. Mr. Stocco has over 26 years of experience in the mining and industrial sector, encompassing business development through to project delivery, including as Project Director, Project Manager and lead mechanical engineer. At Hatch he holds the position of Director Iron Ore, Australasia. Mr. Stocco is experienced with all aspects of conceptual, feasibility, detail, design and documentation, project management, contract administration and commissioning of multidiscipline plants.

Mr. Stocco has gained experience in minerals and chemical processing plants and knowledge of materials handling plants, mechanical, structural, electrical, instrumentation, control and civil plant design interfaces in wet and dry plant design across a range of commodities. His experience base extends to project execution strategies including EPCM project delivery. Mr. Stocco was previously Senior Manger/Business Development Mining for GHD in Perth, Western Australia from 1994 to 2009. Mr. Stocco's experience extends to being involved in numerous projects in Western Australia including with Rio, Dampier Salt, Argyle Diamond Mine, Iluka Resources, BHP, Worsley Alumina, Sons of Gwalia and Wesfarmers Coal.

Mr. Stocco earned a Bachelor of Engineering (Mechanical) degree from the University of Western Australia in 1982 and is a member of FIE Australia, National Professional Engineers Register, the Australian Institute of Project Management, the College of Mechanical Engineers Australia and the Australian Society of Bulk Solids Handling.

SHARE CAPITAL

All of the issued Shares in our Company comprise fully paid ordinary shares. Under the Corporations Act, Australian registered companies do not have an authorised share capital, and there is no concept of a “par value” in respect of issued shares. All Shares are recorded in the financial statements of our Company at their issue price.

Details of our Company’s issued capital upon Listing are as follows:

Fully paid ordinary shares as of the Latest Practicable Date2

Shares issuable in the Global Offering, assuming no exercise of the
Over-allotment Option5,716,220,000

Shares issued following conversion of all 6,000,000 Convertible Notes6,600,000,000

Shares issuable in the Global Offering, assuming full exercise of the
Over-allotment Option6,573,653,000

Fully paid ordinary shares immediately following completion of the
Global Offering, assuming no exercise of the Over-allotment Option12,316,220,002

Fully paid ordinary shares immediately following completion of the
Global Offering, assuming full exercise of the Over-allotment Option13,173,653,002

Our Shares rank pari passu in all respects, and, in particular, for all dividends and other distributions, declared, paid or made on the Shares.

Except as disclosed in this prospectus, no share or loan capital of our Company or any of its subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, assuming no exercise of the Over-allotment Option, details of persons who will have an interest or short position in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company are as follows:

Name of Director	Nature of Interest	Number and class of securities	Approximate percentage of interest in our Company immediately after the Global Offering
Professor Clive F. Palmer . .	Legal interest	6,600,000,000 Shares ^{1,2}	53.59% ³
	Interest of a controlled corporation	2 Shares	0.00% ³
		6,600,000,002 Shares	53.59% ³

Notes:

- (1) Following conversion of the Conversion Notes by Professor Clive F. Palmer into 6,600,000,000 Shares.
- (2) 857,433,000 Shares will be the subject of the Stock Borrowing Agreement and there will be a short position.
- (3) The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue immediately after the completion of the Global Offering. We have therefore assumed that no Shares will be issued pursuant to the Over-allotment Option and that 12,316,220,002 Shares will be in issue on the Listing Date.

FINANCIAL INFORMATION

This section should be read in conjunction with the audited financial information of our Group, including the notes thereto, as set out in “Appendix I — Accountants’ Report” and other financial information appearing elsewhere in this prospectus. Our financial statements have been prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including the United States.

OVERVIEW

We are a resource development company incorporated on 6 March 2009. As a diversified resources company, our vision is to capitalise on the growing demand for resources primarily in the PRC through the cooperative development of large-scale resource projects with PRC-based companies.

We are currently focussed on thermal coal and iron ore development projects in Australia:

- (i) the China First Coal Project is based on a contractual right (granted by Waratah Coal) to mine up to 1.4 billion tonnes of raw coal from coal deposits in Queensland containing JORC compliant mineral resources of approximately 3.7 billion tonnes (including ore reserves of 1.1 billion tonnes of coal); and
- (ii) the China First Iron Ore Project is based on a contractual right (granted by Mineralogy) to mine up to 10 billion tonnes of magnetite iron ore from iron ore deposits in Western Australia. Stage 1 of the China First Iron Ore Project is based on mining 1 billion of the 10 billion tonnes from deposits containing JORC compliant mineral resources of approximately 3.8 billion tonnes (including ore reserves of 1.1 billion tonnes of magnetite iron ore). Any development of additional stages of the project up to the contractual limit of 10 billion tonnes is dependent on the further proving up of additional reserves, either from existing defined resources or further exploration activities.

In addition to our contractual rights to develop these two projects, our resource interests include an iron ore exploration tenement in South Australia (the Cosmo Project).

On 16 March 2009, our Company raised A\$5.0 million through the issue of the Convertible Notes to Professor Clive F. Palmer. We acquired Cosmo on 17 March 2009 for a total consideration of A\$1, China First Coal on 1 June 2009 for a total consideration of A\$2 and China First Iron Ore on 18 September 2009 for a total consideration of A\$1,002. On 31 March 2011, we disposed of Chinampa and Kingsway for a total consideration of A\$400,000 and A\$535,366, respectively. See “Our History and Corporate Structure” in this prospectus for more information regarding the corporate structure of our Group before and after the Listing.

BASIS OF PRESENTATION

Prior to our incorporation, our wholly-owned subsidiaries, Cosmo, China First Coal and China First Iron Ore, were directly or indirectly owned by Mineralogy. The acquisitions of Cosmo and China First Coal in the financial year ended 30 June 2009 and China First Iron Ore on 18 September 2009 are hence accounted for using the pooling of interest method for business combinations involving entities under common control. See Note 2.4 of the “Appendix I — Accountants’ Report”. Consequently, our consolidated statements of financial position as of 30 June 2008, 2009 and 2010 and 31 December 2010 and our consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended and for the six months ended

FINANCIAL INFORMATION

31 December 2009 and 2010 include the financial statements of Cosmo and China First Iron Ore (for each of the three financial years), and China First Coal (since its incorporation in February 2009), as if Cosmo, China First Iron Ore and China First Coal (since February 2009) had been our wholly-owned subsidiaries throughout the financial years ended 30 June 2008, 2009 and 2010 and for the six months ended 31 December 2009 and 2010.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS, CASH FLOW AND FINANCIAL CONDITION

We currently have no commercial operations and no operating history upon which an evaluation of our future success or failure can be made. We intend to use substantially all of the net proceeds from the Global Offering to partially finance the development of our coal and iron ore mining projects, which we expect to depend on for substantially all of our operating revenues and cash flow. We will require additional financing to implement these projects. We may not be able to obtain such financing at commercially viable terms or at all. We have not entered into all the necessary agreements for the development of any of these projects. In addition, we do not have all our requisite approvals in place. Accordingly, and as a result of any of the additional risks identified in “Risk Factors” and elsewhere in this prospectus, we may not develop any mines as planned or at all.

We currently expect to only commence commercial production and earn revenue by 31 December 2014 at our China First Coal Project (based on our expectation that we will be able to procure that MCC Overseas and any other contractors construct the rail and associated infrastructure within three years) and in the first half of 2014 at our China First Iron Ore Project. We do not expect to have any significant revenues until after the commencement of first commercial production at these projects, although we will be utilising a substantial portion of our net proceeds from the Global Offering in developing the mine and processing facilities and related infrastructure before then. Certain of these expenses may not be capitalised, and hence we expect that we will be recognising a substantially larger expense in future periods as compared to the financial years ended 30 June 2008, 2009 and 2010 and the six months ended 31 December 2010. As a result, we expect that we will be in a net loss position for the foreseeable future. “First commercial production” means, with respect to the China First Coal Project, the point in time when raw coal is first processed into saleable thermal coal and able to be shipped from the port, which we currently expect to be three years from project release for procurement and construction (with up to another approximately three years being necessary to ramp up to full production of 40Mtpa of thermal coal); and, with respect to the China First Iron Ore Project, the point in time when magnetite iron ore is first processed into saleable iron ore concentrate product and able to be shipped from the port, which we currently expect to be 36 months from when we receive the net proceeds from the Global Offering (with up to another approximately two years being necessary to ramp up to full production of 12Mtpa of iron ore concentrate products).

Accordingly, we believe that the historical financial results and cash flows included in this prospectus do not provide a relevant comparison basis for future financial results and cash flows.

CRITICAL ACCOUNTING POLICIES

Our Group’s financial information has been prepared in accordance with IFRS. Critical accounting policies are those that require our management to exercise judgment and to make estimates and assumptions which may have an effect on the reported value or amount of assets, liabilities, revenue and expenses and which may yield materially different results if our management applied different

FINANCIAL INFORMATION

assumptions or made different estimates. These estimates are based on our knowledge of our sector of activity, historical and current information, foreseeable future variations, available information and other factors that we consider to be relevant. These estimates and assumptions may change and actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements.

Impairment of exploration and mining rights

The carrying value of exploration and mining rights is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of these assets, or, where appropriate, the cash generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value in use.

Our management makes significant assumptions in performing impairment testing of exploration and mining rights, including recoverable reserves and resources, commodity prices and discount rates. Changes to these assumptions may alter the results of impairment testing, impairment charges recorded in the statements of comprehensive income and the resulting carrying value of assets.

Capitalisation and impairment of exploration and evaluation costs

Exploration and evaluation expenditure is charged to profit or loss as incurred unless there is a high degree of confidence in the project's technical and commercial feasibility, and hence it is probable economic benefits will flow to our Group, in which case expenditure may be capitalised. Management judgment is required to assess a project's technical and commercial feasibility, and this decision is based on available geological, geophysical, engineering and economic data. These estimates may change substantially as conditions impacting mineral prices and costs change. We assess whether there are any indicators of impairment for capitalised exploration and evaluation expenditure at each reporting date. Management judgment and estimates are also required in determining suitable valuation factors for such impairment.

See Note 2.4 of "Appendix I — Accountants' Report" for a summary of significant accounting policies that we use in preparing our financial statements, including in particular the accounting policies relating to business combinations (Notes 2.4(a) and (b)) and convertible notes (Note 2.4(p)).

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RESULTS OF OPERATIONS

The following table sets forth information from our consolidated statements of comprehensive income for the periods indicated.

	Year ended 30 June			Six months ended 31 December	
	2008	2009	2010	2009	2010
	A\$	A\$	A\$	A\$	A\$
Revenue	—	—	—	—	—
Cost of sales	—	—	—	—	—
Gross profit	—	—	—	—	—
Other income and gains	—	29,619	22,682	19,054	5,973
Administrative expenses	(256,411)	(418,086)	(650,194)	(96,899)	(776,209)
Global offering expenses	—	—	(8,788,257)	(4,694,785)	(1,699,533)
Exploration and evaluation costs	(310,862)	(423,200)	(4,437,703)	(3,465,009)	(303,819)
Share of loss of an associate	—	(885,050)	(1,473,106)	(1,103,255)	(94,681)
Loss before tax	(567,273)	(1,696,717)	(15,326,578)	(9,340,894)	(2,868,269)
Income tax	—	—	—	—	—
Loss for the period/year, attributable to owners of our Company	(567,273)	(1,696,717)	(15,326,578)	(9,340,894)	(2,868,269)
Other comprehensive income (net of tax)	—	—	—	—	—
Total comprehensive income for the period/year, attributable to owners of our Company	<u>(567,273)</u>	<u>(1,696,717)</u>	<u>(15,326,578)</u>	<u>(9,340,894)</u>	<u>(2,868,269)</u>

Six Months Ended 31 December 2009 and 2010

Revenue and Cost of sales

We did not recognise any revenue (and correspondingly, any cost of sales) for the six months ended 31 December 2009 and 2010 as we have not commenced commercial operations and are only undertaking exploration and development activities.

Other income and gains

Other income and gains were A\$19,054 for the six months ended 31 December 2009 and A\$5,973 for the six months ended 31 December 2010, comprising interest income earned from cash and cash equivalents for the six months ended 31 December 2009 and 31 December 2010, respectively.

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Administrative expenses

Administrative expenses were A\$96,899 for the six months ended 31 December 2009 and A\$776,209 for the six months ended 31 December 2010. Administrative expenses during these periods comprised primarily professional fees paid to advisers, office running costs and employees' salaries and wages. Our administrative expenses increased for the six months ended 31 December 2010 as compared to the six months ended 31 December 2009 primarily because of increased non-Listing related costs of professional advisers, office running costs and an increase in the number of employees.

Global offering expenses

Global offering expenses were A\$4.7 million for the six months ended 31 December 2009 and A\$1.7 million for the six months ended 31 December 2010. These expenses were for such portion of professional (legal, technical and accounting) expenses attributed to the preparation for Listing on the Stock Exchange.

Exploration and evaluation costs

Exploration and evaluation costs were A\$3.5 million for the six months ended 31 December 2009 and A\$303,819 for the six months ended 31 December 2010. Exploration and evaluation costs for the six months ended 31 December 2010 comprise amortisation of Chinampa's petroleum prospecting rights and prepaid tenement rentals and other exploration and evaluation costs not capitalised as our management did not determine that there was a high degree of confidence in the project's technical and commercial feasibility. Exploration and evaluation costs for the six months ended 31 December 2010 decreased by approximately 91% primarily because no further payments were made to MCC under the MCC Framework Agreement in the six months ended 31 December 2010. See "Business — Details of our Development Projects and Exploration Rights — China First Coal Project — Project Estimated Cost and Development Plan" for further details.

Income tax

Our Group is subject to income tax in Australia, which is the principal place of operations. There was no income tax payable for the six months ended 31 December 2009 and 31 December 2010 as we did not have any taxable profit.

Loss for the period

As a result of the above, loss for the period was A\$9.3 million and A\$2.9 million for the six months ended 31 December 2009 and 31 December 2010, respectively.

Years Ended 30 June 2008, 2009 and 2010

Revenue and Cost of sales

We did not recognise any revenue (and correspondingly, any cost of sales) in the financial years ended 30 June 2008, 2009 and 2010 as we have not commenced commercial operations and are only undertaking exploration and development activities.

Other income and gains

Other income and gains were A\$29,619 in the financial year ended 30 June 2009 and A\$22,682 in the financial year ended 30 June 2010, comprising interest income earned from cash and cash equivalents in the financial years ended 30 June 2009 and 30 June 2010, respectively.

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Share of loss of an associate

Share of associate's loss was A\$885,050 in the financial year ended 30 June 2009, representing our share of the after tax loss of Kingsway (in which we own a 50% interest) for the two-month period since its acquisition by the Group on 30 April 2009. Share of associate's loss for the financial year ended 30 June 2010 was A\$1.5 million, representing our share of the after tax loss of Kingsway for that period. Kingsway has not commenced commercial operations and has only undertaken exploration activities. Costs incurred at Kingsway comprised primarily administrative expenses and exploration costs.

Administrative expenses

Administrative expenses were A\$256,411 in the financial year ended 30 June 2008, A\$418,086 in the financial year ended 30 June 2009 and A\$650,194 in the financial year ended 30 June 2010. Administrative expenses comprise primarily professional fees paid to advisers, office running costs and employees' salaries and wages. Our administrative expenses increased in the financial year ended 30 June 2009 as compared to the financial year ended 30 June 2008 primarily as a result of increased professional fees and other expenses incurred in preparation for the Global Offering. Our administrative expenses increased further in the financial year ended 30 June 2010 as compared to the financial year ended 30 June 2009 primarily because of increased non-Listing related costs of professional advisers, office running costs and an increase in the number of employees.

Global offering expenses

Global offering expenses of A\$8.8 million were incurred in the financial year ended 30 June 2010. These expenses were for such portion of professional (legal, technical and accounting) expenses attributed to Listing on the Stock Exchange.

Exploration and evaluation costs

Exploration and evaluation costs were A\$310,862 in the financial year ended 30 June 2008, A\$423,200 in the financial year ended 30 June 2009 and A\$4.4 million in the financial year ended 30 June 2010. Exploration and evaluation costs for the financial years ended 30 June 2008 and 2009 comprise primarily exploration and evaluation expenses of Cosmo and were not capitalised as our management did not determine that there was a high degree of confidence in the project's technical and commercial feasibility. Exploration and evaluation costs increased by 10.5 times in the financial year ended 30 June 2010 as compared to the financial year ended 30 June 2009 primarily because of payments made to MCC under the MCC Framework Agreement. See "Business — Details of Our Development Projects and Exploration Rights — China First Coal Project — Project Estimated Cost and Development Plan" for further details. These costs were not capitalised because the commercial viability of the China First Coal Project is subject to funding from the Global Offering and financing from PRC banks and other sources.

Income tax

There was no income tax payable for the financial years ended 30 June 2008, 2009 and 2010 as we did not have any taxable profit.

Loss for the year

As a result of the above, loss for the year was A\$567,273 for the financial year ended 30 June 2008, A\$1.7 million for the financial year ended 30 June 2009 and A\$15.3 million for the financial year ended 30 June 2010.

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LIQUIDITY AND CAPITAL RESOURCES

Our expenses and cash used in acquisitions of our Group companies were financed by cash advances from related parties and proceeds from our Convertible Notes issued to Professor Clive F. Palmer. We had a net increase in cash held of A\$5,973 for the six months ended 31 December 2010 and a net decrease in cash held of A\$3.7 million for the six months ended 31 December 2009. We recorded no increase or decrease in cash held in the financial year ended 30 June 2008, a net increase in cash held of A\$3.9 million in the financial year ended 30 June 2009 and a net decrease in cash held of A\$3.7 million for the financial year ended 30 June 2010. We were able to pay our obligations when they became due in the financial years ended 30 June 2008, 2009 and 2010 and in the six months ended 31 December 2010.

Cash Flows

The following table sets forth a summary of our net cash flows for the periods indicated:

	Year Ended 30 June			Six months ended 31 December	
	2008	2009	2010	2009	2010
	A\$	A\$	A\$	A\$	A\$
Net cash outflow from operating activities . . .	(465,954)	(707,578)	(16,127,590)	(10,042,319)	(3,254,129)
Net cash outflow from investing activities	—	(935,369)	(1,002)	(1,002)	—
Net cash inflow from financing activities	465,954	5,572,037	12,447,395	6,361,716	3,260,102
Net increase/(decrease) in cash held	—	3,929,090	(3,681,197)	(3,681,605)	5,973

Operating activities

Our net cash used in operating activities was A\$3.3 million for the six months ended 31 December 2010, which comprised primarily global offering expenditure of A\$2.7 million, exploration and evaluation costs of A\$303,819 and administrative expenses of A\$776,209, net of interest income of A\$5,973 and adjusted for non-cash items of A\$111,004 and movement in working capital of A\$393,808.

Our net cash used in operating activities was A\$10.0 million for the six months ended 31 December 2009, which comprised primarily global offering expenditure of A\$7.4 million, exploration and evaluation costs of A\$3.5 million and administrative expenses of A\$96,899, net of interest income of A\$19,054 and adjusted for non-cash items of A\$130,496 and movement in working capital of A\$786,760.

Our net cash used in operating activities was A\$16.1 million in the financial year ended 30 June 2010, which comprised primarily global offering expenditure of A\$13.9 million, exploration and evaluation costs of A\$4.4 million and administrative expenses of A\$650,194, net of interest income of A\$22,682 and adjusted for non-cash items of A\$238,936 and movement in working capital of A\$2.6 million.

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Our net cash used in operating activities was A\$707,578 in the financial year ended 30 June 2009, which comprised exploration and evaluation costs of A\$423,200 and administrative expenses of A\$418,086, net of interest income of A\$29,619 and adjusted for relevant non-cash items of A\$74,773 and movement in working capital of A\$29,316.

Our net cash used in operating activities was A\$465,954 in the financial year ended 30 June 2008, comprising exploration and evaluation costs of A\$310,862 and administrative expenses of A\$256,411, adjusted for movement in working capital of A\$101,319.

Investing activities

We did not use any cash for, or generate any cash from, investing activities in the six months ended 31 December 2010.

Our net cash used in investing activities was A\$1,002 for the six months ended 31 December 2009 and in the financial year ended 30 June 2010, which was used for the acquisition of China First Iron Ore.

Our net cash used in investing activities was A\$935,369 in the financial year ended 30 June 2009, which consisted primarily of A\$535,366 for the acquisition of 50% interest in Kingsway and A\$400,003 for the acquisition of 100% of the shares of Cosmo, China First Coal and Chinampa.

We did not use any cash for, or generate any cash from, investing activities in the financial year ended 30 June 2008.

Financing activities

Our net cash from financing activities was A\$3.3 million for the six months ended 31 December 2010, which was due to advances from related parties and was used primarily for payments to exploration and administrative costs.

Our net cash from financing activities was A\$6.4 million for the six months ended 31 December 2009, which was due to advances from related parties and was used primarily for payments to exploration and administrative costs.

Our net cash from financing activities was A\$12.4 million in the financial year ended 30 June 2010, which was due to advances from related parties and was used primarily for payments to exploration and administrative costs.

Our net cash from financing activities was A\$5.6 million in the financial year ended 30 June 2009. This was due to the proceeds from the issuance of the Convertible Notes of A\$5.0 million and advances from related parties of A\$572,037. Our cash from financing activities in 2009 was used primarily for the acquisition of subsidiaries, associates and for payments to exploration and administrative costs.

Our net cash from financing activities was A\$465,954 in the financial year ended 30 June 2008, which was due to advances from related parties and was used for payments to exploration and administrative costs.

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Consolidated Statement of Financial Position

	As of 30 June			As of 31 December	As of 30 April
	2008	2009	2010	2010	2011
	A\$	A\$	A\$	A\$	A\$
Current assets					
Cash and cash equivalents . .	—	3,929,090	247,893	253,866	258,240
Deferred global offering transaction costs	—	—	5,095,245	6,080,599	7,903,893
Other assets	—	270,096	209,809	143,850	4,311
Current liabilities					
Accrued liabilities	101,319	100,000	2,646,310	2,982,342	1,998,245
Convertible Notes	—	5,000,000	5,000,000	5,000,000	5,000,000
Borrowings from related parties	<u>17,370,874</u>	<u>18,261,470</u>	<u>13,412,352</u>	<u>16,672,454</u>	<u>21,108,647</u>
Net current liabilities	<u>(17,472,193)</u>	<u>(19,162,284)</u>	<u>(15,505,715)</u>	<u>(18,176,481)</u>	<u>(19,940,448)</u>

As of 30 June 2010 and 31 December 2010, we had net current liabilities of A\$15.5 million and A\$18.2 million, respectively. This was primarily attributable to borrowings from related parties and the recognition of the Convertible Notes as current liabilities as they are repayable on demand.

As of 30 April 2011, we had net current liabilities of A\$19.9 million. This was primarily attributable to borrowings from related parties and the recognition of the Convertible Notes as current liabilities as they are repayable on demand. Professor Clive F. Palmer has irrevocably exercised his right to convert the Convertible Notes into Shares, such conversion to be effective upon Listing.

INDEBTEDNESS

Our indebtedness as of 30 June 2008 comprised cash advances from related parties and as of 30 June 2009, 30 June 2010 and 31 December 2010 comprised cash advances from related parties and the Convertible Notes issued to Professor Clive F. Palmer. The cash advances, which amounted to A\$17.4 million at 30 June 2008, A\$18.3 million at 30 June 2009, A\$13.4 million at 30 June 2010 and A\$16.7 million at 31 December 2010, are unsecured, interest-free and repayable on demand. The A\$5.0 million aggregate principal amount of Convertible Notes are non-interest bearing. The Convertible Notes are each convertible into 1,100 Shares at any time upon the election of the noteholder. Professor Clive F. Palmer has irrevocably exercised his right to convert the Convertible Notes into Shares, such conversion to be effective upon Listing. Each Convertible Note not converted is liable to be redeemed by us for A\$0.833 on 16 March 2014 or any time prior to 16 March 2014 upon written demand by the noteholder.

There are no charges or other form of security over the assets of our Company or our Group.

All our borrowings are denominated in Australian dollars and U.S. dollars. As of 30 April 2011, we had A\$26.1 million of outstanding indebtedness. Other than the Convertible Notes and cash advances from related parties as disclosed above, neither our Company nor any of our subsidiaries

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had, as of the Latest Practicable Date, mortgages, charges, debentures, bank overdrafts, loans, liabilities under acceptance, operating lease, finance lease, hire purchase commitments, debt securities or material amounts of quantifiable guarantees and contingent liabilities.

All payables to related parties will be settled in full upon Listing with the net proceeds from this Global Offering.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements.

CAPITAL EXPENDITURES

We did not incur any capital expenditures in the financial years ended 30 June 2008, 2009 and 2010 and in six months ended 31 December 2009 and 2010.

According to ProMet Engineers' independent review of the feasibility study for the China First Coal Project, the estimated capital cost is approximately A\$8.0 billion (US\$7.3 billion, based on the exchange rate of A\$1:US\$0.9078 used in the Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project). See "Appendix VI — Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project — 1. China First Coal Project — 1.10 Project Costs — 1.10.1 Capital Costs" for further details. This estimate reflects both Australian and international manufacturing costs of indicative equipment suppliers under current contract markets.

Item	Total
	A\$'000s
Underground mines	1,840,288
Open pits	1,652,559
Opex included in capex estimate	(718,000)
Coal preparation plants	525,965
Public infrastructure ¹	—
Subtotal of coal production	3,300,812
Cost of rail system	2,159,291
Cost of harbour	1,469,415
Land purchases	70,000
Aircraft and service facilities	60,000
Owner's funding requirements	170,000
Total base capital cost estimate	7,229,518
Basic reserve fund	458,827
Subtotal of direct investment	7,688,345
Reserve fund for inflation	324,238
Interest during construction	—
Total project cost	8,012,583
Working funds — indirect costs	29,914
Total project capital cost	8,042,497

Note:

(1) Included in "Underground mines" line above.

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MCC, on behalf of China First Coal, applied for a buyer’s credit facility with China Eximbank for partial debt financing of the China First Coal Project. China First Coal has since received a letter of intent from the China Eximbank for a buyer’s credit facility for the lower of (i) 70% of the total project investment cost of the China First Coal Project or (ii) 85% of the total amount of the construction contract for the China First Coal Project. See “Our Business — Details of Our Development Projects and Exploration Rights — China First Coal Project — Sources of Funding” for further details. We expect to use approximately US\$2.4 billion of the net proceeds from this Global Offering to finance the remaining capital cost of the China First Coal Project.

ProMet Engineers estimates the capital cost of the China First Iron Ore Project to be approximately A\$2.7 billion (US\$2.5 billion, based on the exchange rate of A\$1:US\$0.9078 used in the Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project). See “Appendix VI — Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project — 2. China First Iron Ore Project — 2.2 Project Facilities — 2.2.8 Capital and Operating Costs — 2.2.8.2 Capital Costs” for further details.

Item	Duty	Cost ¹
		A\$ mm
Concentrator	12 Mtpa	810
Pellet plant	7 Mtpa	334
Power	250 MW	290
Services (power, water, gas)		420
Village	3,000 person	90
Roads, buildings		105
Plant/Port stockyards		236
Overland conveyor		157
Port - allowance to contribute to deep water port	12 Mtpa	150
Site support services		36
EPCM - balance of plant outside lump sum packages		68
Mobile equipment		8
Total construction cost		2,704
Gas		5
Port		—
Convert to deep water port - contribution		—
Road - additional contribution to existing roads		23
Total facilities contributions		28
Total estimated capital cost		2,732

Note:

(1) Cost base date of 1 January 2010.

We expect to use approximately US\$700 million of the net proceeds from this Global Offering for the development of the China First Iron Ore Project. We intend to seek assistance from one or more PRC-based companies to provide or arrange for debt financing for approximately 70% of the capital

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cost of the project (which we believe is not uncommon in the resource industry). We have not entered into any financing arrangements for this project and therefore such plans are subject to change. We expect that any such financing would be under standard commercial terms negotiated with PRC banks on an arm's length basis.

We have commenced the design phase of construction of the China First Coal Project in April 2011. Subject to the appointment of an EPCM contractor, we intend to commence the design phase of construction of the China First Iron Ore Project in the third quarter of 2011. Our total planned capital expenditures for both projects amount to approximately A\$10.8 billion (US\$10.9 billion). As of the Latest Practicable Date, we had not incurred any capital expenditures on our projects.

WORKING CAPITAL

Our estimated initial working capital requirements are approximately A\$36 million for the six-month period ending 30 June 2011 and approximately A\$148 million for the 12-month period ending 30 June 2012, totalling approximately A\$184 million for the period from 1 January 2011 to 30 June 2012. Our estimated initial working capital requirements are comprised of the following:

Working capital requirements	6 months ending 30 June 2011	12 months ending 30 June 2012	18 months ending 30 June 2012
	A\$ mm	A\$ mm	A\$ mm
China First Coal Project	1	60	61
China First Iron Ore Project	4	59	63
Head office	31 ¹	29	60
Total	36	148	184

Note:

- (1) Includes the repayment of all of our related party borrowings from our parent entity Mineralogy immediately after Listing.

We expect to be in a position to commence first commercial production and earn revenue by 31 December 2014 at the China First Coal Project (based on our expectation that we will be able to procure that MCC Overseas and any other contractors construct the rail and associated infrastructure within three years) and in the first half of 2014 at the China First Iron Ore Project. These projects are not expected to generate any operating cash inflows during the period ending 31 March 2012. We expect to be able to begin to finance our operations with funds generated from sales from the period ending 30 September 2014 and, if required, additional debt or equity financing. We expect that after the commencement of operations at the China First Coal Project and the China First Iron Ore Project, we will generate cash flow from the sale of thermal coal and iron ore concentrate and pellets, and incur cash outflows for sales, marketing and administrative activities, repayment of principal and interest of any debt facilities in place at that time, as well as the payment of dividends (if any). "First commercial production" means, with respect to the China First Coal Project, the point in time when raw coal is first processed into saleable thermal coal and able to be shipped from the port, which we currently expect to be three years from project release for procurement and construction (with up to another approximately three years being necessary to ramp up to full production of 40Mtpa of thermal coal); and, with respect to the China First Iron Ore Project, the

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point in time when magnetite iron ore is first processed into saleable iron ore concentrate product and able to be shipped from the port, which we currently expect to be 36 months from when we receive the net proceeds from the Global Offering (with up to another approximately two years being necessary to ramp up to full production of 12Mtpa of iron ore concentrate products).

During the period ending 30 June 2012, we expect our most significant outflows of cash will be in respect of capital expenditure for the China First Coal Project and the China First Iron Ore Project. The table below sets out our forecast capital expenditure requirements for the China First Coal Project and China First Iron Ore Project for the 18-month period ending 30 June 2012.

Capital expenditure requirements	6 months ending 30 June 2011	12 months ending 30 June 2012	18 months ending 30 June 2012
	A\$ mm	A\$ mm	A\$ mm
China First Coal Project	260	1,770	2,030
China First Iron Ore Project	112	1,150	1,262
Total	<u>372</u>	<u>2,920</u>	<u>3,292</u>

Given the above working capital and capital expenditure requirements of A\$184 million and A\$3,292 million, respectively, for the 18-month period ending 30 June 2012, the estimated net cash proceeds from the Global Offering of A\$3,030 million (see note 1 of the table below) and the estimated net cash proceeds from the proposed China Eximbank financing facility in respect of the China First Coal Project of A\$629 million, the Company expects to have approximately A\$183 million of cash funds remaining at 30 June 2012.

As detailed in the table below, we expect our Company's available funding (including the net cash proceeds from the Global Offering and the proposed China Eximbank financing facility) will provide in excess of 125% of the Group's present working capital requirements and its capital expenditure requirements for at least the next 12 months from the date of this prospectus.

	18 months ending 30 June 2012
	A\$ mm
Cash outflows for working capital (including repayment of related party borrowings and transaction costs other than underwriting fees associated with the Global Offering)	(184)
125% of total working capital cash outflows	(230)
Cash outflows for capital expenditure	(3,292)
125% of working capital cash outflows plus capital expenditure cash outflows for the 18-month period ending 30 June 2012.	(3,522)
Net cash proceeds from the Global Offering	3,030
Net cash proceeds from the proposed China Eximbank financing facility drawdowns.	629
Total cash proceeds	3,659
Surplus of net cash proceeds from the Global Offering and the proposed China Eximbank financing facility drawdowns over and above 125% of working capital cash outflows plus capital expenditure cash outflows for the 18-month period ending 30 June 2012.	137

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In addition, taking into account the financial resources presently available to us and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital available for 125% of our present requirements for at least twelve months from the date of this prospectus.

Note:

- (1) The net proceeds of A\$3,030 million is net of underwriting commissions related to the Global Offering only. Estimated expenses in relation to the Global Offering will be paid by Mineralogy on our behalf and therefore have not been deducted. Cash outflows for such expenses are reported as cash outflows from operating and investing activities for the purposes of this working capital forecast. The net proceeds is translated to Hong Kong dollars at the forecast exchange rate of A\$1 = HK\$8.07 on the Listing Date.

For completeness, it is noted that the estimate of working capital includes all amounts required for:

- general, administrative and operating costs;
- property holding costs; and
- the cost of any proposed exploration and development (if not treated as capital expenditure) during the 18-month period ending 30 June 2012.

MARKET RISKS

We do not have significant exposure to market risk. Once we commence the development of the China First Coal Project and the China First Iron Ore Project, and thereafter commence commercial production at these mines, we expect to be significantly exposed to market risk, relating primarily to fluctuations in commodity prices (for coal and iron ore) as well as interest rates and foreign exchange rates.

Interest Rate

We are not currently exposed to interest rate risk resulting from fluctuations in interest rates because outstanding indebtedness is interest-free.

We were not, and are not currently, party to any interest rate risk management transactions.

Foreign Exchange

Our reporting and functional currency is the Australian dollar. We, currently, have limited exposure to foreign exchange fluctuations. Our Group was not, and is not currently, party to any exchange rate risk management transactions.

Inflation

To date, we have not been adversely impacted by cost inflation. We are exposed to cost inflation, particularly inflationary pressures on cost inputs to exploration and development activities.

RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that they are not aware of any circumstances which, as of the Latest Practicable Date, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LOSS FORECAST FOR THE YEAR ENDING 30 JUNE 2011

Our Directors estimate that, in the absence of unforeseen circumstances and on the bases and assumptions described under this heading, the consolidated loss attributable to Shareholders of our Company for the year ending 30 June 2011 will not be more than A\$15.0 million.

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We expect that this loss will consist primarily of administrative costs (including advisers' and technical experts' fees relating to the Global Offering, office rental in Hong Kong, employee salaries and wages, and compliance and secretarial expenses), and exploration and evaluation costs (comprising primarily technical studies performed in connection with the on-going evaluation of the China First Coal Project and the China First Iron Ore Project).

The forecast loss attributable to our shareholders for the year ending 30 June 2011 prepared by our Directors is based on the audited consolidated results of our Group for the six months ended 31 December 2010, the unaudited consolidated results of our Group for the four months ended 30 April 2011 and a forecast of the consolidated results of our Group for the two months ending 30 June 2011. The loss forecast has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by us as set out in "Appendix I — Accountants' Report" to this prospectus.

DIVIDEND POLICY

The declaration and payment of dividends may be recommended by our Board of Directors at their discretion and will depend on a number of factors, including our earnings, capital requirements and overall financial position. This, in turn, depends on our strategy, the successful implementation of our strategy and on financial, competitive, regulatory, general economic conditions and other factors that may be specific to us or specific to our industry, many of which are beyond our control.

No dividends were paid in the financial years ended 30 June 2008, 2009 and 2010. Except as permitted by our Company's Constitution, no dividend is payable other than out of our Company's profits. As we have no trading history and no distributable reserves, we may not be able to pay a dividend until we have profits out of which a dividend can be declared. Further, under the Corporations Act, our Company must not pay a dividend unless: (i) our Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; (ii) the payment of the dividend is fair and reasonable to our Company's Shareholders as a whole; and (iii) the payment of the dividend does not materially prejudice our Company's ability to pay our Company's creditors. Our current target is to commence first commercial production and earn revenue by 31 December 2014 at our China First Coal Project (based on our expectation that we will be able to procure that MCC Overseas and any other contractors construct the rail and associated infrastructure within three years) and in the first half of 2014 at our China First Iron Ore Project. "First commercial production" means, with respect to the China First Coal Project, the point in time when raw coal is first processed into saleable thermal coal and able to be shipped from the port, which we currently expect to be three years from project release for procurement and construction (with up to another approximately three years being necessary to ramp up to full production of 40Mtpa of thermal coal); and, with respect to the China First Iron Ore Project, the point in time when magnetite iron ore is first processed into saleable iron ore concentrate product and able to be shipped from the port, which we currently expect to be 36 months from when we receive the net proceeds from the Global Offering (with up to another approximately two years being necessary to ramp up to full production of 12Mtpa of iron ore concentrate products). However, we have not yet commenced construction of these projects and they may be subject to unforeseen delays; as such and in any case, we may not have distributable profits for some time even

FINANCIAL INFORMATION

after commencement of operations at our first mine. We intend to retain any future earnings to finance our business and operations and any future growth. However, our Board of Directors may from time to time consider paying dividends and may review and revise our dividend policy at any time. See “Risk Factors”.

DISTRIBUTABLE RESERVES

There were no reserves available for distribution to our Shareholders as of 30 June 2010.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2010. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group.

	Audited consolidated net tangible deficits attributable to equity holders of the Company as of 31 December 2010 ¹	Estimated net proceeds from the Global Offering ^{2, 5}	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share ^{3, 4, 5}	
	A\$'000	A\$'000	A\$'000	A\$	HK\$
Based on an Offer Price of HK\$4.48 per Share.	(17,609)	2,932,924	2,915,315	0.237	1.96
Based on an Offer Price of HK\$4.93 per Share	(17,609)	3,229,104	3,211,495	0.261	2.16

Notes:

- (1) The audited consolidated net tangible deficits attributable to the owners of the Company as of 31 December 2010 have excluded the exploration and mining rights of A\$25,704 from the consolidated net deficits attributable to the owners of the Company as of 31 December 2010 of A\$17,582,929. These figures are extracted from the Accountants' Report set forth in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$4.48 and HK\$4.93 per Share, respectively, after deduction of deferred global offering transaction costs as of 31 December 2010 of A\$6,080,599 and estimated related fees and expenses, and do not take into account any Shares that may be issued pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company and unaudited pro forma adjusted consolidated net tangible assets per Share will increase.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 12,316,220,002 Shares are issued and outstanding during the entire year, and that the Over-allotment Option has not been exercised.
- (4) No adjustment has been made to reflect any trading results or other transaction of our Group entered into subsequent to 31 December 2010.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share is translated to HK dollars at the exchange rate of A\$1=HK\$8.2941 prevailing on 13 May 2011 as reported by the Reserve Bank of Australia. No representation is made that the Australian dollar amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FINANCIAL INFORMATION

RELATED PARTIES TRANSACTIONS

Details of the related party transactions are set out in Note 23 to “Appendix I — Accountants’ Report”. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial trading position or prospects of our Company since 31 December 2010, being the last date of audited financial results as set out in “Appendix I — Accountants’ Report” to this prospectus.

RECENT ACCOUNTING PRONOUNCEMENTS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective in these financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of HKFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ²
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments — Disclosure — Transfer of Financial Assets ²
IFRS 9	Financial Instruments ⁴
IAS 12	Amendments to IAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets ³
IAS 24 (Revised)	Related Party Disclosures ¹
IFRIC 14 Amendments	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement ¹

Notes:

- (1) Effective for financial years beginning on or after 1 January 2011.
- (2) Effective for financial years beginning on or after 1 July 2011.
- (3) Effective for financial years beginning on or after 1 January 2012.
- (4) Effective for financial years beginning on or after 1 January 2013.

Apart from the above, the IASB issued *Improvements to IFRSs* in May 2010:

<i>Improvements to IFRSs</i> issued in May 2010	Except for the amendments to IFRS 3 and IAS 27 which are effective for annual periods beginning on or after 1 July 2010 and have been early adopted by the Group as at the beginning of 1 July 2008, amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.
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The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers these new and revised IFRSs are not likely to have a significant impact on the Group’s results of operations and financial position.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Our Business — Strategy” for a detailed description of our business strategies and future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$4.48 (US\$0.58), being the minimum Offer Price, we estimate our net proceeds from the Global Offering will be approximately HK\$24.5 billion (US\$3.15 billion), before exercise of the Over-allotment Option and after deducting the underwriting commissions.

We currently intend to use the net proceeds from the Global Offering as follows:

- approximately 76.3% or HK\$18.7 billion (US\$2.4 billion) of the net proceeds will be used for the development of the China First Coal Project;
- approximately 22.2% or HK\$5.4 billion (US\$0.7 billion) of the net proceeds will be used for the development of the China First Iron Ore Project; and
- approximately 1.0% or HK\$0.2 billion (US\$0.03 billion) of the net proceeds will be used for repayment of borrowings from related parties (including expenses in relation to the Global Offering paid by Mineralogy on our behalf); approximately 0.1% or HK\$15.5 million (US\$2.0 million) of the net proceeds will be used for development of the Cosmo Project; and the balance will be used for working capital requirements and for general corporate purposes.

In the event that the Offer Price is set at HK\$4.93 or any price between HK\$4.48 and HK\$4.93, and the Over-allotment Option is not exercised at all, we intend to use the additional net proceeds for the development of the China First Iron Ore Project, the development of the Cosmo Project and general corporate purposes.

We intend to also use any additional net proceeds received from the exercise of the Over-allotment Option for the development of the China First Iron Ore Project, working capital requirements, the funding of any future acquisitions and for general corporate purposes.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK\$4.48, being the lowest end of the price range, the additional net proceeds in excess of the net proceeds with an Offer Price at the lowest end of the price range and no exercise of the Over-allotment Option will be approximately HK\$3.7 billion (US\$0.47 billion). If the Offer Price is set at the highest end of the price range (HK\$4.93) and with the full exercise of the Over-allotment Option, the additional net proceeds in excess of the net proceeds with an Offer Price at the highest end of the price range and no exercise of the Over-allotment Option will be approximately HK\$4.0 billion (US\$0.52 billion).

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we currently intend to deposit such net proceeds into short-term interest-bearing accounts, such as saving accounts or money market funds, with licensed commercial banks or other authorized financial institutions.

In addition to the net proceeds, we will require additional funding to develop our projects, place them in commercial production and expand our business. We will therefore need to obtain additional equity or debt financing.

UNDERWRITING

JOINT GLOBAL COORDINATORS AND JOINT LEAD MANAGERS

BOCI Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland N.V., Hong Kong Branch
UBS AG, Hong Kong Branch

HONG KONG UNDERWRITERS

BOCI Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland N.V., Hong Kong Branch
UBS AG, Hong Kong Branch

INTERNATIONAL UNDERWRITERS

BOCI Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland N.V., Hong Kong Branch
UBS AG, Hong Kong Branch

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are offering the Hong Kong Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares to be offered pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to purchase or procure purchasers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The Joint Global Coordinators (on behalf of themselves and the other Hong Kong Underwriters) shall be entitled by giving notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall have developed, occurred, happened or come into effect any of the following:
 - (i) any new law or any change or development involving a prospective change in existing laws or any change in the interpretation or application thereof by any court or other competent authority in the United States, Hong Kong, the PRC or Australia (the “Relevant Jurisdictions”);

UNDERWRITING

- (ii) any change or development, or any event or series of events reasonably expected to result in any change or development, or prospective change or development, in local, regional, national or international financial, political, military, industrial, economic, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) or equity securities or stock or other financial market conditions or any monetary or trading settlement system (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the United States) in or affecting any of the Relevant Jurisdictions;
- (iii) any major disruption or general moratorium in commercial banking or securities settlement, payment or clearing services or procedures in any of the Relevant Jurisdictions;
- (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Australian Securities Exchange, the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange or the Tokyo Stock Exchange, by any of the said exchanges or by such system or by order of any regulatory or governmental authority;
- (v) any event or a series of events, in the nature of force majeure, including but not limited to any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, earthquake, explosion, epidemic, outbreak of an infectious disease, terrorism (whether or not responsibility has been claimed), any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis (whether or not covered by insurance) or political or social crisis involving or affecting any of the Relevant Jurisdictions; or
- (vi) any litigation of material importance being threatened or instigated against the Company or any member of the Group;

which in the sole opinion of the Joint Global Coordinators after consultation with the Company if practicable (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is or will be or is likely to be materially adverse to, or will or is likely to materially or prejudicially affect, the general affairs, management, business, financial, trading or other condition or prospects of the Group (taken as a whole); or
 - (B) has or will have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering or the Global Offering or the level of Offer Shares being applied for, accepted, sold or purchased or the distribution of Offer Shares or dealings in the Shares; or
 - (C) makes it inadvisable or impracticable to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or
- (b) there has come to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) after the date of the Hong Kong Underwriting Agreement:
- (i) that any of the warranties and undertakings given to the Joint Global Coordinators in the Hong Kong Underwriting Agreement are untrue, incorrect, inaccurate or misleading when given or repeated;
 - (ii) any material breach of certain obligations under the Hong Kong Underwriting Agreement or the International Underwriting Agreement;

UNDERWRITING

- (iii) any matter has arisen or has been discovered which, not having been disclosed in this prospectus, would, had it arisen or been discovered immediately before the date of this prospectus, have constituted a material omission therefrom;
- (iv) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering, was or has become or been discovered to be untrue, incorrect or misleading in any material respect unless such untrue, incorrect or misleading statement is immaterial in the context of the Global Offering and has been properly rectified by the Company in a timely manner;
- (v) the occurrence of any event, act or omission which gives or is likely to give rise to any liability pursuant to certain of the indemnities given to the Joint Global Coordinators in the Hong Kong Underwriting Agreement which liability has a material adverse effect on the business or financial trading position of the Group as a whole; or
- (vi) any material adverse change, or development involving a material adverse change or prospective material adverse change, in the condition, business, financial or otherwise in the earnings, business affairs, business prospects or trading prospects of the Group as a whole, including any litigation, claim or arbitral proceedings of material importance being threatened or instigated against the Company or any member of the Group.

Undertakings

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholder has undertaken to us and the Stock Exchange that, except pursuant to the Stock Borrowing Agreement, where applicable, he shall not (a) in the period commencing from the date of the prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which the Controlling Shareholder is shown by this prospectus to be the beneficial owners (the “Parent Shares”); (b) in the six-month period commencing on the expiry of the period under (a) above dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Parent Shares to such an extent that immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholder would cease to be our controlling shareholder as defined in the Listing Rules.

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except in certain prescribed circumstances.

We have undertaken to the Joint Global Coordinators and the other Hong Kong Underwriters that we will not, and the Controlling Shareholder has undertaken to procure that we will not, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the Latest Practicable Date up to and including the date falling six months after the Listing Date (“First Six Months”), without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules:

- (1) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to

UNDERWRITING

sell, grant or agree to grant any options, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Company's share capital or other equity securities of the Company or any interests in the Company (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital); or

- (2) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any of the Company's share capital or other equity securities or any interests in the Company; or
- (3) offer to agree to do any of the foregoing or announce any intention to do so.

The Controlling Shareholder has undertaken to the Joint Global Coordinators and the other Hong Kong Underwriters that, at any time during the First Six Months, he will not, without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules:

- (1) offer, pledge, sell, offer or contract to or agree to sell, lend, mortgage, assign, charge, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Company's share capital or other equity securities of the Company or any interests in the Company (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital); or
- (2) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any of the Company's share capital or other equity securities or any interests in the Company; or
- (3) offer to agree to do any of the foregoing or announce any intention to do so.

The Controlling Shareholder has further undertaken to each of the Hong Kong Underwriters and us that during the six-month period immediately following the First Six Months, it will not enter into any of the transactions described in sub-paragraphs (1) to (3) in the paragraph immediately above if, immediately following such transaction, the Controlling Shareholder will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company.

The Controlling Shareholder has further undertaken to us, the International Underwriters and the Stock Exchange that it will, at any time within the period commencing on the date of the prospectus and ending on the date which is 12 months after the Listing Date:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or securities or interests in our Shares or securities of our Company beneficially owned by him for a bona fide commercial loan, immediately inform our Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (b) upon any indication received by him, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in our Shares or securities of our Company will be disposed of, immediately inform our Company and the Joint Global Coordinators in writing of such indications.

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Commission and expenses

We will pay to the Hong Kong Underwriters and placers a commission at the rate of approximately 4.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which the Hong Kong Underwriters will pay all (if any) sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters to be named therein would severally agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable at the sole and absolute discretion of the Joint Global Coordinators for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue and allot up to 857,433,000 additional Shares representing 15% of the maximum number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price.

Total expenses

Assuming a maximum Offer Price of HK\$4.93 per Share, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.003%, Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by our Company, are estimated to amount in aggregate to approximately HK\$1.5 billion (assuming the Over-allotment Option is not exercised) in total. Such commissions and fees will be borne by us.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BOCI, The Hongkong and Shanghai Banking Corporation Limited, The Royal Bank of Scotland N.V., Hong Kong Branch and UBS AG, Hong Kong Branch are the Joint Global Coordinators of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 571,622,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed “Structure of the Global Offering — The Hong Kong Public Offering”; and
- the International Offering of 5,144,598,000 Shares (subject to adjustment as mentioned below) in the United States with qualified institutional buyers in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in reliance on Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to qualified institutional buyers in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in the section “— Pricing and Allocation” below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 3 June 2011 and in any event, no later than 8 June 2011.

The Offer Price will be not more than HK\$4.93 per Offer Share and is expected to be not less than HK\$4.48 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters), with the consent of our Company, may decide to reduce the number of Offer Shares being offered under the Global Offering and/or, if appropriate, reduce the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on 2 June 2011, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators, with our Company’s consent.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on 9 June 2011 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at www.resourcehouselimited.com and the website of the Stock Exchange at www.hkexnews.hk.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the granting by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the Listing Date;
- (b) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (c) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms prior to 8:00 a.m. on the Listing Date.

If for any reason the Offer Price is not agreed by 8 June 2011 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

THE HONG KONG PUBLIC OFFERING

We are initially offering 571,622,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 5,716,220,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent approximately 4.64% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors

STRUCTURE OF THE GLOBAL OFFERING

are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering, and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allocated International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application for Hong Kong Offer Shares.

The Offer Price will be not more than HK\$4.93 and is expected to be not less than HK\$4.48. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$4.93 per Share plus 1.0% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$4.93, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

For allocation purposes only, the 571,622,000 Shares initially being offered for subscription under the Hong Kong Public Offering will be divided equally into two pools: Pool A comprising 285,811,000 Hong Kong Offer Shares and Pool B comprising 285,811,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A, and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 571,622,000 Shares initially available under the Hong Kong Public Offering (that is, 285,811,000 Offer Shares) is liable to be rejected.

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 1,714,866,000, 2,286,488,000 and 2,858,110,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of

STRUCTURE OF THE GLOBAL OFFERING

(iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B.

The Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings as the Joint Global Coordinators deem appropriate. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion, with our Company's consent, reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators may, with our Company's consent, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The number of International Offer Shares to be initially offered for subscription or sale under the International Offering will be 5,144,598,000 Shares, representing 90% of the Offer Shares under the Global Offering.

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with qualified institutional buyers in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors who are expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators at its sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to require us to allot and issue up to 857,433,000 additional Shares, representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 10 June 2011, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on 10 June 2011.

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UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis under the terms of the Hong Kong Underwriting Agreement.

We expect that we will, on or about 3 June 2011, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

WHO CAN APPLY FOR THE HONG KONG OFFER SHARES AND METHODS TO APPLY

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a United States Person (as defined in Regulation S of the U.S. Securities Act, as amended).

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service (www.eipo.com.hk), you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person who is a duly authorized attorney, we and the Joint Bookrunners or their respective agents and nominees as our agents may accept it at our/their discretion, and subject to any conditions we/they think fit, including production of evidence of the authority of the attorney.

If you are applying for Hong Kong Offer Shares and, if upon your application being accepted and the Hong Kong Offer Shares being issued to you, you will hold those Hong Kong Offer Shares non-beneficially (e.g., on behalf of or as trustee or nominee for someone other than you), you should indicate on your Application Form that you will hold the Hong Kong Offer Shares you are applying for non-beneficially. It is not necessary for you to disclose who you are acquiring Hong Kong Offer Shares for. Our Company will maintain a record of your instructions in our share register in accordance with the requirements of the Australian Corporations Act. If you do not indicate you will hold Hong Kong Offer Shares non-beneficially on your Application Form or otherwise notify our Company, you will be taken to hold them beneficially.

We and the Joint Bookrunners, in its capacity as our agent, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The number of joint applicants may not exceed four.

The Hong Kong Offer Shares are not available to existing beneficial owners of our Shares, or directors or chief executives of our Company or any of our subsidiaries, or their respective associates (as defined in the Listing Rules); or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become connected persons (as defined in the Listing Rules) immediately upon completion of the Global Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

MIXED MEDIA OFFER

The Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of this prospectus are identical to the electronic form prospectus which, from 9:00 a.m. on Monday, 30 May 2011 until 12:00 noon on Thursday, 2 June 2011, can be accessed and downloaded from the websites of the Company at www.resourcehouselimited.com, under the “Investor Relations > Announcements and Circulars” section, and the Hong Kong Stock Exchange at www.hkexnews.hk, under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Members of the public who wish to obtain a copy of this printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Monday, 30 May 2011 until 12:00 noon on Thursday, 2 June 2011 at the following locations:

1. the Depository Counter of HKSCC at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
2. any of the following addresses of the Sole Sponsor and/or the Hong Kong Underwriters:

BOCI Asia Limited, 26th Floor, Bank of China Tower, 1 Garden Road, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited, Level 15, 1 Queen’s Road Central, Hong Kong

The Royal Bank of Scotland N.V., Hong Kong Branch, 38/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong

UBS AG, Hong Kong Branch, 52nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

3. any of the following branches of:

Bank of China (Hong Kong) Limited:

Hong Kong Island . . . Bank of China Tower Branch 3/F, 1 Garden Road

Kowloon Mong Kok President 608 Nathan Road, Mong Kok
 Commercial Centre Branch

HOW TO APPLY FOR HONG KONG OFFER SHARES

	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
New Territories	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long
The Hongkong and Shanghai Banking Corporation Limited:		
Hong Kong Island . .	Hong Kong Office	Level 3, 1 Queen's Road Central
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok
	238 Nathan Road Branch	Shop No. 1, 1/F, 238 Nathan Rd
New Territories	Shatin Plaza	Shop 49, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Sha Tin
Bank of Communications Co., Ltd. Hong Kong Branch:		
Hong Kong Island . .	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F, CityPlaza 2, 18 Taikoo Shing Road, Taikoo Shing
	Chaiwan Sub-Branch	G/F, 121-121A Wan Tsui Road, Chaiwan
Kowloon	Jordan Road Sub-Branch	1/F, Booman Bldg, 37U Jordan Road
New Territories	Kwai Chung Sub-Branch	G/F, 93-99 Tai Loong Street
	Shatin Sub-Branch	Shop No. 193, Level 3, Lucky Plaza

HOW TO APPLY FOR HONG KONG OFFER SHARES

Industrial and Commercial Bank of China (Asia) Limited:

Hong Kong Island . .	Central Branch	1/F, 9 Queen's Road Central, Central
	Wan Chai Road Branch	G/F, 103-103A Wanchai Road, Wanchai
	Causeway Bay Branch	Shop A, G/F, Jardine Center, 50 Jardines Bazaar, Causeway Bay
Kowloon	Yaumatei Branch	542 Nathan Road, Yaumatei
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F, Phase II, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City Plaza II, 8 Yan King Road, Tseung Kwan O

Standard Chartered Bank (Hong Kong) Limited:

Hong Kong Island . .	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	North Point Centre, 284 King's Road, North Point
Kowloon	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
New Territories	Tuen Mun Town Plaza Branch	Shop No. G047 - G052, Tuen Mun Town Plaza Phase I, Tuen Mun

HOW TO APPLY FOR HONG KONG OFFER SHARES

During normal business hours from 9:00 a.m. on Monday, 30 May 2011 until 12:00 noon on Thursday, 2 June 2011, at least three copies of this printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed, as set out in the section headed “How to Apply for Hong Kong Offer Shares — where to Collect Application Forms”.

METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three ways to make an application for Hong Kong Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the **White Form eIPO** service; or (iii) **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** and **YELLOW** Application Forms or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

I Applying by Using a WHITE or YELLOW Application Form

Which Application Form to Use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant’s stock account.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus from:

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 15
1 Queen’s Road Central
Central, Hong Kong

The Royal Bank of Scotland N.V., Hong Kong Branch
38/E, Cheung Kong Center
2 Queen’s Road Central
Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

UBS AG, Hong Kong Branch
52nd Floor
Two International Finance Centre
8 Finance Street Central
Hong Kong

or any of the following branches of:

Bank of China (Hong Kong) Limited:

Hong Kong Island . .	Bank of China Tower Branch	3/F, 1 Garden Road
Kowloon	Mong Kok President Commercial Centre Branch	608 Nathan Road, Mong Kok
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
New Territories	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

The Hongkong and Shanghai Banking Corporation Limited:

Hong Kong Island . .	Hong Kong Office	Level 3, 1 Queen's Road Central
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok
	238 Nathan Road Branch	Shop No. 1, 1/F, 238 Nathan Rd
New Territories	Shatin Plaza	Shop 49, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Sha Tin

HOW TO APPLY FOR HONG KONG OFFER SHARES

Bank of Communications Co., Ltd. Hong Kong Branch:

Hong Kong Island . . .	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F, CityPlaza 2, 18 Taikoo Shing Road, Taikoo Shing
	Chaiwan Sub-Branch	G/F, 121-121A Wan Tsui Road, Chaiwan
Kowloon	Jordan Road Sub-Branch	1/F, Booman Bldg, 37U Jordan Road
New Territories	Kwai Chung Sub-Branch	G/F, 93-99 Tai Loong Street
	Shatin Sub-Branch	Shop No. 193, Level 3, Lucky Plaza

Industrial and Commercial Bank of China (Asia) Limited:

Hong Kong Island . . .	Central Branch	1/F, 9 Queen's Road Central, Central
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road, Wanchai
	Causeway Bay Branch	Shop A, G/F, Jardine Center, 50 Jardines Bazaar, Causeway Bay
Kowloon	Yaumatei Branch	542 Nathan Road, Yaumatei
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F, Phase II, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City Plaza II, 8 Yan King Road, Tseung Kwan O

HOW TO APPLY FOR HONG KONG OFFER SHARES

Standard Chartered Bank (Hong Kong) Limited:

Hong Kong Island . . .	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	North Point Centre, 284 King's Road, North Point
Kowloon	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
New Territories	Tuen Mun Town Plaza Branch	Shop No. G047 - G052, Tuen Mun Town Plaza Phase I, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 May 2011 until 12:00 noon on Thursday, 2 June 2011 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

How to Complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow these instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

You should note that, by completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally), for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee, among other things:

- confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- agree that we, and the Underwriters and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application (if any) have not indicated an interest for, applied for or taken up any International Offer Shares or otherwise participated in the International Offering; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to disclose to our Company and/or our Hong Kong Share Registrar, the receiving bankers, advisers and agents and the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application (if any).

In order for the **YELLOW** Application Forms to be valid, you, as the applicant, must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

- (i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - A. the designated CCASS Participant must endorse the Application Form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.
- (ii) **If the application is made by an individual CCASS Investor Participant:**
 - A. the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
 - B. the participant I.D. must be inserted in the appropriate box in the Application Form.
- (iii) **If the application is made by a joint individual CCASS Investor Participant:**
 - A. the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and
 - B. the participant I.D. must be inserted in the appropriate box in the Application Form.
- (iv) **If the application is made by a corporate CCASS Investor Participant:**
 - A. the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
 - B. the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we and the Joint Bookrunners or their agents and nominees as our agents may accept it at our/their discretion, and subject to any conditions we/they think fit, including evidence of the authority of your attorney. We and the Joint Bookrunners or their agents and nominees in their capacity as our agents, will have full discretion to accept or reject any application, in full or in part, without assigning any reason.

How to Make Payment for the Application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- bear an account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorized signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- be made payable to “HSBC Nominees (Hong Kong) Limited — Resourcehouse Public Offer”;
- be crossed “Account Payee Only”; and
- not be post-dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be in Hong Kong dollars;
- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker’s cashier order by an authorized signatory of the bank on which it is drawn. The name on the reverse of the banker’s cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named applicant;
- be made payable to “HSBC Nominees (Hong Kong) Limited — Resourcehouse Public Offer”;
- be crossed “Account Payee Only”; and
- not be post-dated.

Your application may be rejected if your banker’s cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Thursday, 2 June 2011. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheque). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker’s cashier order.

Members of the Public — Time for Applying for Hong Kong Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, 2 June 2011, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effects of Bad Weather Conditions on the Opening of the Application Lists” below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your completed **WHITE** or **YELLOW** Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Bank of Communications Co., Ltd., Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited and Standard Chartered Bank (Hong Kong) Limited listed under the section headed “— Where to collect the Application Forms” at the specified times on the following dates:

Monday, 30 May 2011 — 9:00 a.m. to 4:30 p.m.
Tuesday, 31 May 2011 — 9:00 a.m. to 4:30 p.m.
Wednesday, 1 June 2011 — 9:00 a.m. to 4:30 p.m.
Thursday, 2 June 2011 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 2 June 2011.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

Effect of Bad Weather Conditions on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 2 June 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

For the purpose of this section, business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

Results of Allocations

We expect to announce the Offer Price, the level of indication of interest in the International Offering, the basis of allotment and the results of applications of successful applicants under the Hong Kong Public Offering on Thursday, 9 June 2011 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) or on our website at www.resourcehouselimited.com and the website of the Stock Exchange at www.hkex.com.hk.

The results of allocations, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where appropriate) under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Thursday, 9 June 2011 to 12:00 midnight on Wednesday, 15 June 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 9 June 2011 to Sunday, 12 June 2011;
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, 9 June 2011 to Saturday, 11 June 2011 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed “Applying by using a **WHITE** or **YELLOW** Application Form — Where to collect the Application Forms” in the sub-section ‘Methods of Applying for the Hong Kong Offer Shares’ under this section; and
- results of allocations for the Hong Kong Public Offering can be found in the announcement to be posted on the Company’s website at www.resourcehouselimited.com and the website of the Stock Exchange at www.hkex.com.hk on Thursday, 9 June 2011.

Despatch/Collection of Share Certificates and Refund Monies

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Hong Kong Offer Share (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section entitled “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC where the share certificates will be deposited into CCASS as described below).

No temporary documents of title will be issued in respect of the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (i) share certificates for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificates for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose share certificates will be deposited into CCASS as described below); and/or
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Hong Kong Offer Share paid on application

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in the event that the Offer Price is less than the initial price per Hong Kong Offer Share paid on application, in each case including the brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/ passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under **WHITE** and **YELLOW** Application Forms and share certificates for successful applicants under **WHITE** Application Forms are expected to be posted on or before Thursday, 9 June 2011. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

If You Apply Using a WHITE Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated in your Application Form that you wish to collect refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from our Hong Kong Share Registrar, at Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 9 June 2011 or any other date as notified by us in the newspapers as the date of despatch of refund cheques/ share certificates.

If you are an individual who has applied for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant who has applied for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) within the time specified for collection, they will be sent to the address as specified in your Application Form in the afternoon on the date of despatch by ordinary post and at your own risk.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application

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is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering”, or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, the Stock Exchange trading fee, the SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, 9 June 2011 by ordinary post and at your own risk.

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 10 June 2011 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled “Underwriting-Grounds for Termination” has not been exercised.

If You Apply Using a YELLOW Application Form:

If you apply for Hong Kong Offer Shares using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, 9 June 2011, or in the event of contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offering, on the website of the Stock Exchange at www.hkex.com.hk and the Company’s website at www.resourcehouselimited.com, in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, 9 June 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 June 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check the number of Hong Kong Offer Shares allocated to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your YELLOW Application Form to collect your refund cheque(s) (if any) in person, please follow the same instructions as those for WHITE Application Form applicants as described above.

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If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your **YELLOW** Application Forms that you will collect your refund cheque(s) (if any) in person, or you do not collect your refund cheque(s) (if any) in person within the time specified for its collection where you have indicated on your **YELLOW** Application Form that you wish to collect such in person, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering”, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, the Stock Exchange trading fee, the SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, 9 June 2011 by ordinary post and at your own risk.

II Applying by Using White Form eIPO

You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO** the Shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

The designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

You should give **electronic application instructions** through **White Form eIPO** at the times set out in the paragraph headed “Applying by using White Form eIPO — Members of the public — time for applying for the Hong Kong Offer Shares by using **White Form eIPO**” in the sub-section headed “Methods of Applying for the Hong Kong Offer Shares” in this section.

You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. If you do not make complete payment of the application monies (including the brokerage fee, the Stock

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Exchange trading fee, and the SFC transaction levy) on or before 12:00 noon on Thursday, 2 June 2011, or such later time as described under the paragraph headed “Applying by using a WHITE or YELLOW Application Form — Effect of bad weather conditions on the opening of the application lists” in the sub-section headed “Methods of Applying for the Hong Kong Offer Shares” in this section, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investors Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “Resourcehouse Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please refer to the sub-section headed “How many applications you can make” in this prospectus.

Members of the Public — Time for Applying for the Hong Kong Offer Shares by Using White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, 30 May 2011 until 11:30 a.m. on Thursday, 2 June 2011 or such later time as described under the paragraph headed “Applying by giving electronic application instructions to HKSCC — Effect of bad weather conditions on the last application day” in the sub-section headed “Methods of Applying for the Hong Kong Offer Shares” in this section (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 2 June 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Applying by using a WHITE or YELLOW Application Form — Effect of bad weather conditions on the opening of the application lists” in the sub-section headed “Methods of Applying for the Hong Kong Offer Shares” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Despatch/Collection of Share Certificates and Refund Monies if You Apply Using White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from Computershare Hong Kong Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 9 June 2011, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/refund cheques. If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Thursday, 9 June 2011, by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment account in the form of e-Refund payment instructions.

If you apply through the **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified on your **White Form eIPO** application in the form of refund cheque(s), by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in the sub-section headed "Additional information for applicants applying through **White Form eIPO**" in this prospectus.

Additional Information for Applicants Applying Through White Form IPO

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the **White Form eIPO** Service Provider, the **White Form eIPO** Service Provider may adopt alternative arrangements for the refund monies to you. Please refer to the additional information provided by the **White Form eIPO** Service Provider on the designated website www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in “— Refund of application monies — additional information” shall be made pursuant to the arrangements described above in “Despatch/Collection of Share Certificates and Refund Monies if You Apply Using White Form eIPO”.

III Applying by Giving Electronic Application Instructions to HKSCC

General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us and to the Hong Kong Share Registrar.

You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

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Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, the brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Hong Kong Offer Share paid on application, refund of the application monies, in each case including the brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Minimum Subscription Amount and Permitted Multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the specified times on the following dates:

Monday, 30 May 2011 — 9:00 a.m. to 8:30 p.m.¹
Tuesday, 31 May 2011 — 8:00 a.m. to 8:30 p.m.¹
Wednesday, 1 June 2011 — 8:00 a.m. to 8:30 p.m.¹
Thursday, 2 June 2011 — 8:00 a.m.¹ to 12:00 noon

Note:

⁽¹⁾ These times may be subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 30 May 2011 until 12:00 noon on Thursday, 2 June 2011 (24 hours daily, except the last application day).

Effect of Bad Weather on the Last Application Day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 2 June 2011, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 2 June 2011, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day. If the application lists of the Hong Kong Public Offering do not open and close on Thursday, 2 June 2011 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” may be affected. A press announcement will be made in such event.

Allocation of Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

No temporary document of title will be issued. No receipt will be issued for application monies received.

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Thursday, 9 June 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner, where supplied) and the basis of allotment of the Hong Kong Public Offering on Thursday, 9 June 2011 in the manner described above in the paragraph headed “Applying by using a WHITE or YELLOW Application Form - Results of allocations” in the sub-section headed “Methods of Applying For the Hong Kong Offer Shares” in this section. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 June 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

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If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 9 June 2011. Immediately following the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Hong Kong Offer Share paid on application, in each case including the brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 9 June 2011. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, the Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 2 June 2011.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

If you apply for the Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with our Company and the Joint Lead Managers (on behalf of the Hong Kong Underwriters) on the terms as set out below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

If you give **electronic application instructions** to the **White Form eIPO Service Provider** through the designated website at www.eipo.com.hk, you will have authorized the **White Form eIPO Service Provider** to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO service**.

In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees or the **White Form eIPO Service Provider** is applying for the Hong Kong Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC or by giving an application to the **White Form eIPO Service Provider** through the designated website for the **White Form eIPO service**.

Applicants should read this prospectus carefully, including other terms and conditions of the Hong Kong Public Offering, the paragraph headed “The Hong Kong Public Offering” in the section headed “Structure of the Global Offering” and in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and the terms and conditions set out in the relevant Application Form or imposed by HKSCC and/or the **White Form eIPO Service Provider** (as the case may be) prior to making an application for the Hong Kong Offer Shares.

The section of the application form headed “Personal Data” applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

OFFER TO PURCHASE THE HONG KONG OFFER SHARES

You offer to purchase from our Company at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form by ordinary post. Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the sub-sections headed “Methods of Applying for the Hong Kong Offer Shares” and “Refund of your application monies — Additional Information” in this section.

Any application may be rejected in whole or in part.

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Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance as applied by section 342E of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

ACCEPTANCE OF YOUR OFFER

The Hong Kong Offer Shares will be allocated after the application lists close. Our Company expects to announce the Offer Price, the level of indication of interest in the International Offering and the basis of allotment under the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before Thursday, 9 June 2011.

The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong identity Card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants (where supplied) and the number of Hong Kong Offer Shares successfully applied for, will be made available on Thursday, 9 June 2011 in the manner described in the paragraph headed “Results of allocations” in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

Our Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

If our Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW MANY APPLICATIONS YOU CAN MAKE

You may make more than one application for the Hong Kong Offer Shares only if you are a nominee, in which case you may make an application as a nominee by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); and (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked “For nominees” you must include:

- an account number; or
- an identification code for each beneficial owner (or in case of joint beneficial owners, for such joint beneficial owner). If you do not include this information, the application will be deemed to be made for your benefit.

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Otherwise, multiple applications are liable to be rejected.

All of your applications under the Hong Kong Public Offering (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicants together or any of your joint applicants:

- make more than one application whether individually or jointly with others on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the **White Form eIPO** Service Provider through the **White Form eIPO** service;
- apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service (www.eipo.com.hk);
- apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service to apply for more than 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering; or
- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Offer Shares under the International Offering.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** to the **White Form eIPO** Service Provider through the designated website and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be deemed to be made for your benefit. Unlisted company means a company with no equity securities listed on the Stock Exchange. Statutory control in relation to a company means you: (i) control the

HOW TO APPLY FOR HONG KONG OFFER SHARES

composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

EFFECT OF MAKING ANY APPLICATION

- (a) By completing and submitting any Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
- instruct and authorize our Company and the Joint Bookrunners (or its agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Constitution and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Constitution;
 - represent and warrant that you understand that the Offer Shares have not been and will not be registered under the US Securities Act, that you are not a U.S. person (as defined in Regulation S) and that you are outside the United States when completing the Application Form (as defined in Regulation S) and are not, and none of the other person for whose benefit you are applying, is a US person (as defined in Regulation S) described under the US Securities Act and will be acquiring the Offer Shares in an offshore transaction (as defined under Regulation S);
 - represent and warrant that the law of any place does not prohibit you from being given the Prospectus or making an application for, or acquiring, Offer Shares and where applicable to you, that you have fully observed the Foreign Acquisitions and Takeovers Act 1975 (Cth) and the policy published by the Foreign Investment Review board in relation to investments in Australian companies or businesses, including having obtained any governmental and/or other consents which may be required, and complied with other necessary approval and registration requirements and other formalities;
 - confirm that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning our Company and you agree that neither our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, Joint Lead Managers, the Underwriters and other parties involved in the Global Offering nor any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Global Offering will have any liability for any such other information or representations;
 - agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;

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- (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC (if you are a CCASS Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant) or to the **White Form eIPO** Service Provider through the **White Form eIPO** service;
- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC (if you are a CCASS Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant) or to the **White Form eIPO** Service Provider through the **White Form eIPO** Service, and that you are duly authorized to sign the application form or to give **electronic application instruction** as that other person's agent;
- agree that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;
- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor otherwise participate in the International Offering;
- warrant the truth and accuracy of the information contained in your application;
- agree to disclose to our Company and/or our Hong Kong Share Registrar, the receiving bankers, advisers and agents and the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application (if any);
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- undertake and agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- authorize our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the application form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form that you wish to collect your share certificate(s) and/or refund cheque (where applicable) in person, then you can collect your share certificate(s) and/or refund

HOW TO APPLY FOR HONG KONG OFFER SHARES

cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Thursday, 9 June 2011 (Hong Kong time) from our Hong Kong Share Registrar, at Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong);

- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Underwriters, and the other parties involved in the Global Offering nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions set out in the Application Forms and in this prospectus;
 - agree with our Company, for itself and for the benefit of each Shareholder of our Company (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of our Company) to observe and comply with the Corporations Act and the Constitution;
 - agree with our Company and each Shareholder of our Company that our Shares are freely transferable by the holders thereof;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Forms and agree to be bound by them;
 - confirm that you are aware of the restrictions on offering of the Offer Shares described in this prospectus;
 - understand that these declarations and representations will be relied upon by our Company and the Joint Bookrunners in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application; and
 - confirm that, unless you state on your application that you will hold the Shares you are applying for non-beneficially, you will hold the Shares you are applying for beneficially.
- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you agree that:
- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the application form;
 - each of HKSCC and HKSCC Nominees reserves the right in its absolute discretion (1) not to accept any or part of such allotted Hong Kong Offer Shares issued to you in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allotted Hong Kong Offer Shares at your own risk to the address on your application form by ordinary post or to make available the same for your collection;
 - each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;

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- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in the prospectus and the application forms; and
 - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:
- instruct and authorize HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
 - instruct and authorize HKSCC to arrange payment of the maximum Offer Price, the brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% thereon by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$4.93 per Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;
 - where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for Hong Kong Offer Shares, HKSCC Nominees are only acting as nominees for the applicants and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
 - instruct and authorize HKSCC to cause HKSCC Nominees to do on your behalf all the things which is stated to do on your behalf in the white application form;
 - (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorize HKSCC to cause HKSCC Nominees to do on your behalf the following:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on your behalf;
 - undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given electronic application instructions or any lesser number;
 - undertake and confirm that you have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares under the International Offering and will not otherwise participate in the International Offering;
 - (if the electronic application instructions are given for your own benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have given only one set of electronic application instructions for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;
 - understand that the above declaration will be relied upon by our Company and the Joint Bookrunners in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- authorize our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated in respect of your electronic application instructions and to send share certificates and/or refund monies in accordance with arrangements separately agreed between our Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them and are aware of the restrictions on the Hong Kong Public Offering described in this prospectus;
- confirm that you have only relied on the information and representations in this prospectus in giving your electronic application instructions or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions on your behalf;
- agree that our Company, the Underwriters, any other parties involved in the Global Offering and any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (to the extent relevant or applicable) are liable only for the information and representations contained in this prospectus;
- agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agree to disclose your personal data to the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our Company, the Hong Kong Share Registrar, the receiving bankers and their respective agents and advisors together with any information about you which they require or the person(s) for whose benefit you have made the application;
- agree that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day (including Saturday)) if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agree that once the application of HKSCC Nominees is accepted, neither that application nor your electronic application instructions can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;

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- agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Hong Kong Offer Shares; and
 - agree with our Company for itself and for the benefit of each of our Shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders with each CCASS Participant giving electronic application instructions) to observe and comply with the Corporations Act and the Constitution.
- (d) Our Company, the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Underwriters, and the other parties involved in the Global Offering and its directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application.
- (e) In the event of the application being made is a joint application, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allocated Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected.

If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to the **White Form eIPO** Service Provider through the **White Form eIPO** service or to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf may only be revoked after the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to the **White Form eIPO** Service Provider or to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in the prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day (including Saturday)) if a person responsible for the prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for the prospectus.

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If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply using a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within **three** weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange **notifies** our Company of that longer period within three weeks of the closing of the application lists.

If you make applications under the Hong Kong Public Offering as well as the International Offering:

By filling in any of the Application Forms or giving application instructions to HKSCC electronically or to the **White Form eIPO** Service Provider under the **White Form eIPO** service, you agree not to apply for International Offer Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

If our Company, the Joint Bookrunners or the White Form eIPO Service Provider (where applicable) or their respective agents or nominees exercise their discretion to reject your application:

Our Company, the Joint Bookrunners and the **White Form eIPO** Service Provider (where applicable) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

Your application will be rejected or not be accepted if:

- your application is a multiple or a suspected multiple application;
- your application form is not completed in accordance with the instructions as stated therein (if you apply by an Application Form);

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- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.eipo.com.hk;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated interest for and/or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Offer Shares under the International Offering;
- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the public for subscription;
- either of the Underwriting Agreements does not become unconditional or is terminated in accordance with the terms thereof; or
- the Company and the Joint Bookrunners (as agent of the Company) believes that by accepting your application, this would violate the applicable securities or other laws, rules or regulations of the jurisdictions in which your application is completed and signed.

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$4.93 per Hong Kong Offer Share. You must also pay the brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% in full. This means that for one board lot of 1,000 Hong Kong Offer Shares you will pay HK\$4,979.70. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Offer Shares up to 285,811,000 Shares.

You must pay the amount payable upon application for the Hong Kong Offer Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form or this prospectus (if you apply by an Application Form). Please refer also to the paragraph headed "Applying by using a WHITE or YELLOW Application Form — How to make payment for the application" in the sub-section headed "Methods of Applying for the Hong Kong Offer Shares" under this section.

If your application is successful, a brokerage fee is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

REFUND OF APPLICATION MONIES — ADDITIONAL INFORMATION

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Bookrunners, cheque or banker's cashier order for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders that accompany such applications on the Application Form will not be presented for clearing and therefore such applications will not be entitled to a refund.

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You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of refund cheques will be retained for the benefit of our Company) if:

- your application is not successful, in which case our Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
- your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
- the Offer Price (as finally determined) is less than the price per Hong Kong Offer Share initially paid by the applicant on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
- the conditions of the Global Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus.

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including the brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of despatch of refund cheques will be retained for the benefit of our Company.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the initial price per Hong Kong Offer Share (excluding the brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% thereon) paid on application, we will refund the surplus application monies, together with the related brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, without interest.

Refund cheques for surplus application monies (if any) under **WHITE** or **YELLOW** Application Forms or e-Refund payment instructions for surplus application monies (if any) under **White Form eIPOs** and share certificates for successful applicants under **WHITE** Application Forms and **White Form eIPO** are expected to be posted and/or available for collection (as the case may be) on or around Thursday, 9 June 2011.

All refunds by cheque will be crossed “Account Payee Only”, and made out to you, or if you are a joint applicant, to the first-named applicant on your application form.

Refund cheques are expected to be despatched on Thursday, 9 June 2011. Our Company intends to make special efforts to avoid undue delays in refunding money.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by

HOW TO APPLY FOR HONG KONG OFFER SHARES

you may be printed on your refund cheque, if any. Such data will be used for checking the validity of Application Forms and such data may also be transferred to a third party for such purpose and refund purpose. Your banker may require verification of your Hong Kong identity card number/ passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/ passport number may lead to delay in encashment of or may invalidate your refund cheque.

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the **White Form eIPO** Service Provider, the **White Form eIPO** Service Provider may adopt alternative arrangements for the refund monies to you. Please refer to the additional information provided by the **White Form eIPO** Service Provider on the designated website www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in “Refund of application monies — additional information” shall be made pursuant to the arrangements described above in “— Despatch/Collection of Share Certificates and Refund Monies if You Apply Using White Form eIPO”.

PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of our Company and its Hong Kong Share Registrar in relation to personal data and the Ordinance.

Reasons for the Collection of your Personal Data

From time to time it is necessary for applicants or registered holders of securities to supply their latest correct personal data to our Company or its agents and our Company’s Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of our Company’s Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or the despatch of e-Refund payment instructions and/or refund cheque(s) to which you are entitled.

It is important that applicants and holders of securities inform our Company and our Company’s Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules, regulations or the Constitution;
- disclosing identities of successful applicants by way of press announcement or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and its Hong Kong Share Registrar to discharge their obligations to holders of securities and/or regulators and/or any other purpose to which the holders of securities may from time to time agree.

Transfer of Personal Data

Personal data held by our Company and our Company's Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and our Company's Hong Kong Share Registrar may, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company or its appointed agents such as the Joint Global Coordinators, the Hong Kong Underwriters, financial advisors, receiving bankers and our Company's principal share registrar and Hong Kong Share Registrar;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Company's Hong Kong Share Registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By signing an application form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

Access and Correction of Personal Data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or our Company's Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and our Company's Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of our Company Secretary or (as the case may be) our Company's Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

DEALINGS AND SETTLEMENT

Commencement of Dealings in the Shares

Dealings in our Shares on the Stock Exchange are expected to commence on Friday, 10 June 2011. Our Shares will be traded in board lots of 1,000 Shares each. The stock code of our Shares is 394.

Any share certificates in respect of the Hong Kong Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Hong Kong Underwriting Agreement.

Shares will be Eligible for Admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

Set out below is a summary of certain provisions of our Constitution and the Corporations Act, the governing corporate law of our Company, in effect at the date hereof.

GENERAL

Our Company was registered in Queensland, Australia on 6 March 2009 under the Corporations Act as a public company with liability limited by shares.

The rights attaching to our Shares are established and detailed in our Constitution, the Corporations Act and general law. Set out below are details relating to our Company's share capital, a summary of some key provisions of our Constitution, and a summary of key provisions of the Corporations Act as they apply to our Company.

A copy of our Constitution is available on request and is also available for inspection. See "Documents Delivered to the Registrar of Companies and Available for Inspection" for details.

SHARE CAPITAL

The issued share capital of our Company as of the Latest Practicable Date is two Shares. The Shares have no nominal or par value (as such concept does not exist under the Corporations Act) and are recorded in the accounts of our Company at their issue price.

Our Company issued 6,000,000 Convertible Notes to Professor Clive F. Palmer on 16 March 2009. The Convertible Notes are fully transferable and are each convertible into 1,100 Shares at the election of the holder at any time up to 17 March 2014. Each Convertible Note is only liable to be redeemed (unless converted earlier) for A\$0.833 on 16 March 2014 or any earlier date upon written demand by the holder. Professor Clive F. Palmer has irrevocably exercised his right to convert the Convertible Notes into Shares, such conversion to be effective upon Listing.

Our Company does not have an authorised share capital, as such term is understood in Hong Kong, that sets the limit to the number of shares a company can issue. There is generally no limit in the Corporations Act on the power of our Directors to issue shares. However, subject to certain exceptions (which are outlined under "Takeover Regulation" below), Chapter 6 of the Corporations Act prohibits the acquisition of a "relevant interest" in voting shares in our Company if, as a result, the "voting power" of the acquirer (or any other person) would increase above 20% or increase at all between 20% and 90%.

There is no similar statutory requirement under Australian law, as is found under Hong Kong law, providing that Shareholders have a right to be offered any Shares in our Company which are being newly issued for cash before the same can be offered to new investors. Consequently, there is no requirement for Shareholders in general meetings to provide a waiver to this obligation.

Our Company, in accordance with the Corporations Act, may, by ordinary resolution of Shareholders, convert all or any of its Shares into a larger or smaller number of shares.

Our Directors are not required to hold any Shares in our Company.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

Except as disclosed in this prospectus:

- no Share of our Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- no Share of our Company is subject to an option granted or created by our Company or is agreed conditionally or unconditionally to be put under an option granted or created by our Company;
- no commission, discount, brokerage or other special term has been granted by our Company or is now proposed in connection with the issue or sale of any part of the share capital of our Company;
- no founder, management or deferred shares have been issued by our Company; and
- no amount or benefit has been paid or is to be paid or given to any promoter of our Company.

SUMMARY OF THE CONSTITUTION AND KEY AUSTRALIAN CORPORATE LAWS

Our Constitution was adopted on 6 March 2009 and amended by a special resolution of the Shareholders on 22 June 2009, 15 October 2010 and 20 May 2011.

The following is a summary of some key issues arising from the Corporations Act and our Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

Objects and Powers

There is no objects clause in our Constitution because an Australian company, unlike companies incorporated under the laws of Hong Kong, is not required to have an objects clause. Pursuant to section 124 of the Corporations Act, our Company has the legal capacity and powers of an individual and all powers of a body corporate.

The business of the Company shall be arranged and conducted by the Directors, who may exercise all powers of our Company, whether relating to the management of the business of our Company or otherwise, that are not by the Corporations Act or the Constitution required to be exercised by our Company in general meeting.

Voting Rights

Each Shareholder entitled to vote may vote in person or by proxy, attorney or representative of a body corporate. On a show of hands every person present who is a Shareholder or a validly appointed proxy, attorney or representative of a Shareholder has one vote and on a poll every person present who is a Shareholder or proxy, attorney or representative of a Shareholder shall in respect of each Share held by him have one vote per Share.

Only persons who are registered holders of our Shares are entitled to vote at our general meetings. Persons who only hold our Shares beneficially through a nominee or custodian, including through HKSCC, are not entitled to vote personally. Such persons should direct their nominee or custodian on how to vote in respect of their Shares. In relation to HKSCC, based on its published policy, it will

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

normally consolidate voting instructions provided to it on behalf of beneficial holders and submit one combined proxy form appointing the chairman of the relevant meeting to vote on HKSCC's behalf, or send its own representative to attend and vote at such a meeting, in each case, in accordance with the instructions provided on behalf of beneficial holders.

As we are an Australian company, under the Corporations Act, a nominee or custodian (including HKSCC) may only appoint up to two proxies to attend a general meeting and may only exercise its power through one corporate representative at any one time. Accordingly, based on current Australian law, it is not possible for HKSCC or any other nominee or custodian to appoint every underlying holder as its proxy or corporate representative upon request of that underlying holder.

Should persons holding our Shares through nominees and custodians (including HKSCC) wish to be able to attend and vote in person at our general meetings, they should instruct their nominees and custodians who are CCASS Participants to inform CCASS to withdraw such number of Shares beneficially owned by them from HKSCC and have them registered in their own names.

Special Resolutions

The Corporations Act provides that a resolution is a special resolution when it has been passed by a majority of not less than 75% of the votes cast by members entitled to vote on the resolution. Written resolutions signed by all the members entitled to vote for the time being of our Company may take effect as special resolutions.

Dividends

Under our Constitution, dividends may be paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits that our Directors determine is no longer needed. Under the Corporations Act, our Company must not, however, pay a dividend unless: (i) our Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; (ii) the payment of the dividend is fair and reasonable to our Company's Shareholders as a whole; and (iii) the payment of the dividend does not materially prejudice our ability to pay our creditors. For these purposes, assets and liabilities are to be calculated in accordance with accounting standards in force at the relevant time.

Our Company in general meeting may determine a dividend, but may do so only if our Directors have recommended a dividend. A dividend determined by our Company in general meeting must not exceed the amount recommended by our Directors.

Our Directors may also from time to time determine that an interim dividend is payable.

Subject to the Constitution, on determining a dividend, our Company may fix (i) the amount; (ii) the time of the payment; (iii) the method of payment; and (iv) the currency of payment.

Our Company does not incur a debt on determination or fixing the amount or time for payment of a dividend. A debt only arises when the time fixed for payment arises. Any dividend determined may be revoked by our Directors at any time before then.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

Our Directors, when paying or declaring a dividend, may direct payment of the dividend wholly or partly by distribution of specific assets, including fully-paid shares in, or debentures of, our Company and any other corporation.

No dividend or other moneys payable by our Company on or in respect of a Share shall bear interest against the Company.

All dividends that are unclaimed for one year after the date for payment may be invested by our Directors as they think fit for the benefit of our Company until claimed. Subject to the Corporations Act, a Shareholder's entitlement to recover an unclaimed dividend lapses six years after the date for payment and the dividend shall then be forfeited and revert to our Company.

Distribution of Assets on a Winding-up

On winding up, the liquidators of our Company may divide by sanction of special resolution among the Shareholders in kind the whole or any part of the property of our Company and may, for that purpose, set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders according to their rights and interests in our Company.

Transfer of Shares

The transfer of any Shares must be by way of instrument of transfer in writing in any usual or common form or in any other form which our Directors may approve or in such form as is required under the Corporations Act and the Listing Rules.

Due to requirements of the Corporations Act, if upon registration of a transfer of Shares the transferee would non-beneficially hold particular Shares (e.g., on behalf of or as trustee or nominee for someone else), the transferee must only lodge the instrument of transfer with our Company for registration if the instrument of transfer includes a notation to the effect that, upon registration of the transfer, the transferee will non-beneficially hold the relevant Shares. It is not necessary for transferees to indicate who they will beneficially hold Shares for and a simple "Shares held non-beneficially" notation is sufficient. Shareholders must also notify our Company if the nature of their holding changes (e.g., the Shareholder begins to hold Shares non-beneficially or, conversely, Shares previously held non-beneficially become beneficially owned) within 14 days of the change.

Failure to include such a notation on the instrument of transfer or to notify the Company of a change in the nature of holding does not affect the validity of the registration of the transfer of Shares or the Shareholder's right to hold the Shares, but may expose the transferee to a penalty under the Corporations Act of up to a maximum of A\$1,100 for individuals and \$5,500 for corporations if action is taken against the transferee in an Australian court for failure to comply with this requirement.

Except where required or permitted by law, our Constitution or the Listing Rules and subject to the undertakings referred to in the "Underwriting" section, there is no restriction on the transfer of Shares.

The Board may, subject to the requirements of the Corporations Act, refuse to register any transfer of Shares in the following circumstances:

- the proposed transfer is of Share that is not fully paid up and is to a person of whom the Board does not approve;

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

- the proposed transfer is of a Share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists;
- the proposed transfer is to more than four joint holders;
- the proposed transfer is of a Share that is not fully paid up and upon which our Company has a lien; or
- the proposed transfer is to an infant or to a person of unsound mind or under other legal disability.

Variation of Rights

Subject to the Corporations Act, if at any time the share capital of our Company is divided into different classes of shares, the rights attached to any class may, whether or not our Company is being wound up, be varied or abrogated in any way with the consent in writing of not less than the holders of 75% of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class and a special resolution passed at our Company's general meeting.

The rights conferred on the holders of the shares of any class shall not be deemed to be varied by the creation or issue of further shares ranking equally with the first-mentioned shares unless otherwise expressly provided by the terms of issue of the first-mentioned shares.

Borrowing Powers

Our Directors may exercise all the powers of our Company to raise or borrow money, to mortgage or charge any property or business of our Company and its uncalled capital and, subject to the Corporations Act, to issue debentures, bonds or other securities, or give any other security for a debt, liability or obligation of our Company or of any other person.

Issue of Shares

Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of shares but subject to the Corporations Act, the Listing Rules and the Constitution, Shares are under the control of our Directors who may issue Shares or other securities, or rights or options to acquire all or any of the same, to such persons at such times and on such terms and conditions and having attached to them such preferred, deferred or other special rights or such restrictions, as our Directors think fit.

Remuneration of Directors

As of the Latest Practicable Date, our Directors (other than a managing director or other executive director whether by employment or consultancy) may be paid as remuneration for their services an aggregate maximum sum of US\$800,000 per annum, unless otherwise determined from time to time by our Company in a general meeting. The maximum amount of US\$800,000 was approved by a resolution of the Shareholders of our Company on 30 November 2009.

Subject to the Corporations Act and to the provisions of any contract between our Company and a managing director or executive officer, the remuneration of the managing director or of an executive director may from time to time be fixed by our Directors and may be by way of salary, commission, participation in profits or otherwise, or by all or any of these methods. This remuneration may be in addition to any remuneration which the managing director may receive as a Director of our Company.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

Indemnity

Subject to and so far as permitted by the Corporations Act, the Competition and Consumer Act 2010 (Cth) and all other applicable laws, our Company indemnifies:

- every person who is or has been a director, secretary or other officer of our Company; and
- every auditor of our Company and the liquidator or trustees (if any),

against any liability, loss or expense sustained or incurred by that person (or any of his or her heirs, executors or administrators) in the course of his or her duty, or supposed duty, except in respect of fraud or dishonesty.

Under the Corporations Act, our Company must not indemnify a person against any of the following liabilities incurred as an officer or auditor of our Company:

- a liability owed to our Company or a related body corporate;
- a liability for a pecuniary penalty order under the Corporations Act or a compensation order under the Corporations Act; or
- a liability that is owed to someone other than our Company and did not arise out of conduct in good faith.

Pensions and Gratuities for Directors

With the approval of our Company in general meeting, our Directors may: (1) upon a Director ceasing to hold office; (2) at any time after a Director ceases to hold office; or (3) whether by retirement or otherwise, pay to the former Director (or any of the legal personal representatives or dependants of the former Director in the case of death) a lump sum in respect of past services of the director of an amount not exceeding the amount permitted by the Corporations Act.

Directors' Interests in Contracts

Subject to the Corporations Act, any Director may be or become a director, officer, employee or member of any other company promoted by our Company or in which our Company may be interested as vendor, shareholder or otherwise.

Subject to the Corporations Act, each Director who has a material personal interest in a matter that relates to the affairs of our Company or, to his knowledge, is interested in a contract or arrangement or proposed contract or arrangement with the Company, must give notice, which may be standing notice, of that interest to the other Directors who must ensure to record any such declaration in the minutes of the relevant meeting.

Restrictions on Directors' Voting

Except as permitted by the Corporations Act and the Constitution, a Director who has a material personal interest in a matter, or any interest in a contract or arrangement or proposed contract or arrangement with the Company, that is being considered at a meeting of our Board of Directors must not vote on or in relation to the matter or be counted in the quorum or be present at the meeting when such matter is being considered.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

Number of Directors

The number of Directors must be such number not less than three as our Company may determine in general meeting. All Directors shall be natural persons. At least two Directors must be persons who ordinarily reside within Australia.

Directors' Appointment and Retirement by Rotation

Subject to the Constitution and the Corporations Act, each of: (1) our Company by ordinary resolution; and (2) the Directors by resolution of the Board, may elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board.

At each annual general meeting of our Company one-third of our Directors for the time being, or, if their number is not three nor a multiple of three, then the number nearest to but not less than one-third, and any Director who has held office for three years or more must retire from office by rotation.

Directors to retire at any annual general meeting must be those who wish to retire and not offer themselves up for re-election and then those who have been longest in office since their last election, but, as between persons who became directors on the same day, those to retire must (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall continue to act as a Director through the meeting at which he retires and is eligible for re-election.

Directors must be at least 18 years old for accession to our Board of Directors. There is no specified upper age limit for a Director's retirement.

General Meetings

In accordance with the Corporations Act, our Company must hold its annual general meeting at least once every calendar year, and within the period of five months after the end of the financial year, at such time and place as determined by our Directors.

An extraordinary general meeting of our Company may also be convened by:

- our Directors, at any time and place they think fit; and
- Shareholder(s) holding at least 5% of the total votes that may be cast at the general meeting (the Shareholder(s) must pay the expenses of calling and holding the meeting, except where the Shareholder(s) request our Directors to convene the meeting in accordance with the next paragraph).

Our Directors must also convene a general meeting on the request of:

- at least 50 Shareholders who are entitled to vote at the general meeting; or
- Shareholder(s) with at least 2.5% of the total votes that may be cast at the general meeting.

If our Directors do not convene a general meeting within 21 days of being requisitioned to do so, the Shareholder(s) representing more than 50% of the votes of all the Shareholders who requested the meeting may convene a meeting. The meeting must then be held within two months of the request being given to our Company. Our Company must repay the requisitioning Shareholders any reasonable expenses incurred by them by reason of the failure of our Directors to convene a meeting.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

Written notice of each annual general meeting will be given to all Shareholders (including those who are Hong Kong residents) at least 21 days prior to the annual general meeting.

Any general meeting may be held at two or more venues using any technology that gives Shareholders as a whole a reasonable opportunity to participate.

The quorum for a general meeting is two Shareholders present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised and appointed representative. Generally, if a quorum is not present within 30 minutes from the time appointed for the meeting, the meeting shall be adjourned to the same day in the next week at the same time and place or to such time and place as the Directors may determine (unless the meeting was requisitioned by Shareholders, in which case it will be dissolved). Unless a quorum is present, no business can be conducted at a meeting other than the election of a chairman.

Amending the Constitution

The Constitution may only be amended or repealed by a special resolution of Shareholders.

Reductions of Capital

Our Constitution provides that our Company may from time to time by special resolution, subject to any confirmation or consent required by the law, reduce its share capital or any capital redemption reserve or other undistributable reserve in any manner permitted by law.

Under the Corporations Act, our Company may reduce its share capital in a way that is not otherwise authorised by law (such as pursuant to a buy back conducted, or dividend paid, in accordance with the Corporations Act) if the reduction: (a) is fair and reasonable to the company's shareholders as a whole; (b) does not materially prejudice the company's ability to pay its creditors; and (c) is approved by the shareholders in accordance with the Corporations Act.

The shareholder approval requirement under the Corporations Act differs depending upon whether the reduction of capital is an equal reduction or a selective reduction. A reduction of capital is an equal reduction only if it: (a) relates only to ordinary shares; (b) applies to each holder of ordinary shares in proportion to the number of shares they hold; and (c) the terms of the reduction are the same for each holder of ordinary shares. An equal reduction must be approved by an ordinary resolution passed at a general meeting of our Company.

A reduction of capital that is not an equal reduction is a selective reduction. Selective reductions must be approved by either: (a) a special resolution passed at a general meeting of the company with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction, or whose liability to pay amounts unpaid on shares is to be reduced, or by their associates; or (b) a resolution agreed to by all ordinary shareholders at a general meeting.

Our Company must comply with both the requirements for conducting a capital reduction set out in our Constitution and in the Corporations Act as outlined above.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

Redeemable Shares

Our Company currently has no redeemable shares on issue. Our Company can only issue preference shares if the rights attached to the preference shares have been approved by a special resolution of Shareholders. Our Company may only redeem redeemable preference shares on the terms on which they were issued, if the shares are fully paid up, and the redemption is made out of profits or the proceeds of a new issue of shares made for the purpose of redemption.

Share Repurchases

Our Company may repurchase Shares, subject to the requirement that any share repurchases that constitute a reduction in capital must be authorised by a special resolution of Shareholders. Any repurchase of Shares by the Company that does not constitute a reduction in capital must be approved by the Company in general meeting, subject to limited exceptions. An exception applies where the proposed repurchase would not exceed 10% of the smallest number, at any time during the previous 12 months, of voting shares in our Company.

Financial Assistance

The provision of financial assistance by our Company for the acquisition of Shares is generally prohibited, except with the approval of Shareholders in general meeting or where an exception applies. The principal exception is where the assistance does not materially prejudice the interests of our Company or our Shareholders, or our Company's ability to pay its creditors.

Statutory Derivative Actions

A Shareholder or an officer of our Company may bring proceedings on behalf of our Company where leave is granted by the Court. The Court must grant leave if it is satisfied that:

- it is probable that our Company will not itself bring the proceedings; and
- the applicant is acting in good faith; and
- it is in the best interests of our Company that the applicant be granted leave; and
- there is a serious question to be tried; and
- either at least 14 days' written notice has been given to our Company of the intention to apply for leave, or it is appropriate to grant leave even though that notice has not been given.

Protection of Minorities

A Shareholder may apply for a court order where the conduct of our Company's affairs is, among other things, oppressive to, unfairly prejudicial to, or unfairly discriminatory against, a Shareholder or Shareholders. The orders that may be sought include winding up, amendment to the Constitution, orders regulating the conduct of our Company's affairs, orders for the purchase of shares, orders that our Company institute, defend or discontinue specified proceedings, and other similar orders.

Disposal of Assets

The Corporations Act contains no specific restrictions on the powers of directors to dispose of the assets of a company. As a matter of general law, in the exercise of those powers, our Directors must discharge their duties of care to act in good faith, for a proper purpose and in the best interests of our Company.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE AUSTRALIAN CORPORATIONS ACT

Our Company cannot give a financial benefit to a related party of our Company without shareholder approval, unless one of the exceptions specified in Part 2E of the Corporations Act applies. A related party includes a director or a person or entity related to a director.

Accounting and Auditing Requirements

An Australian public company that is limited by shares, such as our Company, must prepare annual financial statements which must be audited. The annual financial statements and the auditors report must also be laid before the annual general meeting of shareholders.

Register of Members

Our Company must keep a register of its members. The register may be kept in hard copy, or on computer. The register of members is required to contain each Shareholders' name and address and information regarding their Shareholding. The Corporations Act obliges our Company to allow anyone (whether a Shareholder or not) to inspect and obtain a copy of our Company's register of members.

Inspection of Books and Records

On application by a Shareholder, the Court may make an order authorising the applicant to inspect books of our Company or authorising another person to inspect books of our Company on the applicant's behalf.

Subsidiary Owning Shares in Parent

The Corporations Act does not permit a company to hold shares in its parent company.

Reconstructions

The Corporations Act contains provisions which facilitate reconstructions and amalgamations approved by:

- a majority in number of the members present and voting; and
- 75% of the votes cast on the resolution.

The transaction must also be approved by order of the Court. While a dissenting shareholder would have the right to express to the Court his/her view that the transaction should not be approved, the Court will generally approve the transaction where it has been approved by the requisite majorities of shareholders and it complies with the Corporations Act, upon which the transaction will bind all shareholders.

The majority in number test above will be based on registered Shareholders voting either in person or by proxy, attorney or representative of a body corporate. Shareholders should refer to the disclosures above under the heading "Voting Rights" in relation to shares held through nominees and custodians.

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Winding Up

Our Company may be wound up either by an order of the Court or by a special resolution of its Shareholders.

Cautionary Note to U.S. and Other Investors

Australian laws and regulations may differ in some respects from similar laws in other jurisdictions including the United States.

RIGHTS ATTACHING TO PREFERENCE SHARES

Our Company currently has no preference shares on issue.

TAKEOVER REGULATION

The takeover provisions of the Corporations Act will apply to dealings in our Shares. The Corporations Act prohibits the acquisition of a “relevant interest” in our Shares while our Company has more than 50 shareholders if, as a result, the acquirer’s or any other person’s “voting power” in our Company would increase from 20% or below to more than 20%. Similarly, such an acquisition is prohibited if any person who already has voting power in our Company of more than 20%, but less than 90%, increases their voting power in our Company by any amount. However, it is not mandatory for a person who already exceeds these thresholds to make a takeover bid for all shares.

A person’s voting power for these purposes is equal to the aggregate relevant interest of the person and their associates in the voting shares of our Company. As of the Latest Practicable Date, the Shares are the only class of voting shares in our Company.

A person has a relevant interest in a share if they have the power to control disposal of that share or to control the exercise of the right to vote in respect of that share. A person also has a relevant interest in any share held by a body corporate or managed investment scheme they control or in which they have voting power above 20%. These concepts are broad and, for example, a person can have a relevant interest and voting power in a share as a result of an agreement to purchase the share (even a conditional agreement) or a call option to acquire the share.

Non-compliance with these requirements can lead to civil and criminal liability and to the imposition of a wide range of penalties and sanctions. The Company assumes no responsibility in respect of any Shareholder’s, or any other person’s, compliance with these requirements.

There are several exceptions which allow acquisitions which would otherwise be prohibited from taking place. These exceptions include acquisitions (provided certain requirements are met):

- under a formal takeover offer in which all shareholders can participate;
- with the approval of the shareholders given at a general meeting of the company;
- in 3% increments every six months (provided that the acquirer has had voting power of at least 19% in the target company for at least six months);
- pro rata offers of new shares in which all shareholders can participate; or
- by an underwriter or sub-underwriter to offers of securities in the company in certain circumstances.

A person who has made a takeover bid where at the end of the offer period that person (and its associates) have a relevant interest in 90% (by number) of the issued shares and acquired 75% (by

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number) of shares held by other shareholders, may compulsorily acquire any remaining shares it does not hold at the same price offered under the bid, within one month after the end of the offer period. Even if a takeover bid has not been made, a person who otherwise lawfully acquires a relevant interest in 90% of the issued shares is able to acquire the remaining shares for fair value (confirmed by an independent expert), within six months after the person first acquires an interest in 90% of the issued shares.

There have not been any public takeover bids in respect of our Shares during the current or previous financial year.

AUSTRALIAN FOREIGN INVESTMENT REGIME

Overview

The FATA may affect the right of certain persons, including Hong Kong, PRC and US residents, to acquire, hold or control interests in our Shares. Acquisitions of interests in shares (including interests in issued or unissued shares arising from agreements to acquire shares and instruments such as options and convertible securities) in Australian companies, including our Company, by any “foreign person” (generally, any person or entity that is not an Australian resident but including any Australian company in which a “foreign person” has voting power (including potential voting power) of more than 15%) may be subject to restrictions, and review and prior approval by the Treasurer, under the FATA if either the 15% individual threshold or 40% aggregate threshold described below is exceeded.

Acquisitions Where the 15% Individual Threshold Is Exceeded — Compulsory Notification

The FATA generally prohibits any acquisition by a person which would result in a single “foreign person” (together with its associates) holding 15% or more of the interests in our Shares or controlling 15% or more of the voting power (including potential voting power) in our Company, or that would result in any increase to a “foreign person’s” interests (together with any associates) or voting power (including potential voting power) above 15%, without first giving notice to the Treasurer through the FIRB and complying with certain other requirements. Once notified, the Treasurer must make a decision within 30 days (or make an order extending the period by up to 90 days after the extension is gazetted) whether or not to object to the proposed acquisition. Acquiring, or agreeing to acquire, interests in our Shares or voting power (including potential voting power) in our Company in these circumstances without complying with these requirements, or proceeding with the acquisition within 40 days of the notification (or such extended period as may be ordered) before the Treasurer has notified the acquirer that there are no objections to the acquisition, constitutes an offence by the acquirer (and the responsible officer where the acquirer is a corporation) punishable by a fine not exceeding A\$55,000 or imprisonment for a period not exceeding two years, or both. Further, failure to give any required notice under the FATA or comply with its requirements will also empower the Treasurer, if the acquisition is considered contrary to Australia’s national interest, to make an order requiring the acquirer to divest its interests in our Shares or suspending the rights attached to those interests.

The above penalties are imposed on the person who makes such an acquisition in contravention of the FATA and are not imposed on us.

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Acquisitions Where the 40% Aggregate Threshold Is Exceeded — Voluntary Notification

The FATA also applies to any acquisition by a “foreign person” where two or more “foreign persons” (together with their associates) in aggregate hold or control, or as a result of the acquisition would hold or control, 40% or more of the interests in our Shares or voting power (including potential voting power) in our Company. While a prior notification obligation generally does not arise in respect of such an acquisition (provided that the 15% threshold described above is not exceeded as a result of the acquisition), the Treasurer may, if he or she considers that the acquisition is contrary to Australia’s national interest, make orders, including to require the acquirer to divest its interests in our Shares.

The 40% threshold is not a cap or restriction on an investment. There is no offence committed by a foreign person acquiring an interest that results in a holding of less than 15% even though the 40% level is reached or already exceeded. The 40% threshold is a level at which the Treasurer’s powers may be active. For the power to be exercised, the Treasurer must consider that the acquisition is contrary to Australia’s national interest.

It is possible (but not obligatory) to make a voluntary notification to the Treasurer of an acquisition of interests in our Shares where this 40% threshold is exceeded that will compel consideration of the proposed acquisition by the Treasurer. If no objection is taken within 30 days after the Treasurer receives such a notice (or, if he makes an order to extend that period, within 90 days after the extension is gazetted), then the Treasurer will not be empowered to make a divestiture or other order in relation to that acquisition.

Australian Federal Government Policy Relating to Foreign Government Entities

In addition to the FATA, the Australian Federal Government’s Foreign Investment Policy applies to certain investment proposals. This includes requiring prior notification to the FIRB of any proposed direct investment, commencement of a new business or acquisition of an interest in Australian urban land by a foreign government and its related entities or its agencies (including sovereign wealth funds and state-owned enterprises), or by a company in which a foreign government and its related entities or its agency has a controlling interest, irrespective of the value of the investment. The Foreign Investment Policy provides that a “direct investment” will typically include any investment in 10% or more of the shares or voting power of an Australian company but may also include investments of less than 10% where the investor obtains influence or control over the relevant company. Compliance with this policy is not required under Australian law but is regarded as a matter of courtesy between governments.

Acquisitions in an AULC

Prior notification to the Treasurer is required under the FATA for any acquisition of interests in Australian urban land by a foreign person. A share in an AULC is an “interest in Australian urban land”. An acquisition by a “foreign person” (regardless of whether the 15% and/or 40% threshold(s) described above is/are exceeded) is required to be notified unless an exemption applies. Our Company will be deemed to be an AULC where the value of our, and our subsidiaries’, total “interests in Australian urban land” exceeds 50% of the value of our total assets. (Generally, where a reasonable value of our “interests in Australian urban land” and total assets is shown in our most recent audited consolidated statements of financial position or, if not shown there, shown in our accounting records, the value of those assets as shown shall be taken to be their value.) “Interests in Australian urban land” is defined very broadly and is likely to include any interest in a mining lease held by our Company or our subsidiaries. The accounting carrying value of our “interests in

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Australian urban land” is nil. Based on independent legal advice, our Directors have determined that our Company is not an AULC for the purposes of the FATA as the reasonable value of all of our potential “interests in Australian urban land” is not greater than 50% of the value of our total assets. However, no assurance can be given that we will not in the future become an AULC. In particular, when we commence construction of our projects, we are likely to capitalise the construction costs as assets of our Company and depreciate or amortise such costs in a systematic way which best reflects the consumption of the economic benefit provided by the assets. The characterisation of the assets in our accounts is a matter for our Directors to determine in accordance with the Corporations Act after taking into account any agreements to be entered into regarding the ownership, control of and access to such assets. It is possible that the future economic benefit therefore of these assets will be recorded as part of our properties, plant or equipment or intangible assets or rights such that the value of our interests in land as a percentage of our total assets may increase to a level where we will be deemed to be an AULC.

If ever our Company considers that it is likely to become an AULC, we may apply for a listing on the ASX in order to allow foreign investors to rely on a regulation made under the FATA that provides that the FATA does not apply to an acquisition of less than 15% in an AULC. The criteria for operation of this AULC exemption also require that the developed residential real estate of the AULC amount to less than 10% of the AULC’s total assets. Our Company will not hold such levels of developed residential real estate. There can be no guarantee such a listing would be granted as the decision to grant any application to list on the ASX is at the discretion of the ASX. A listing on the ASX will be dependent on the ASX being satisfied (in its discretion) that our Company meets its listing conditions. Our Company would need to meet the spread test which currently requires that, upon listing on the ASX, a company has either:

- (i) 500 shareholders each with a parcel of shares with a value of at least A\$2,000; or
- (ii) 400 shareholders each with a parcel of shares with a value of at least A\$2,000 and persons who are not related parties of the company must hold at least 25% of the company’s listed share capital.

In addition, the ASX must be satisfied that:

- (i) our Company’s structure and operations are appropriate for a listed entity;
- (ii) our Constitution is consistent with the ASX listing rules;
- (iii) our Company satisfies the assets test under ASX listing rule 1.3;
- (iv) if there are restricted securities, the holders of those securities will enter into appropriate Restricted Securities arrangements; and
- (v) there are no options to acquire Shares on issue with an exercise price of less than A\$0.20.

If we become an AULC and the criteria for operation of the AULC exemption are not met, then prior to acquiring an interest in our Shares, a “foreign person” must make a notification to the Treasurer in the prescribed form and must not proceed with the acquisition of those interests in our Shares until the person is informed in writing by or on behalf of the Treasurer that there are no objections to the proposed acquisition or 40 days elapses from the date that the notification was received by the Treasurer (or such extended period as may be ordered) without any order having been made. The Treasurer has power to make an order, including to prohibit such an acquisition of interests in our Shares, if he determines it would be contrary to Australia’s national interest. Failure by a person to make the above prior notification to the Treasurer, or proceeding with the acquisition other than as outlined above, is an offence. Any person who is convicted of such an offence is punishable by a fine not exceeding A\$55,000 or imprisonment for a period not exceeding two years, or both.

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Regulation 3(j) of the Foreign Acquisitions and Takeovers Regulations 1989 exempts acquisitions of interests by foreign persons in Australian urban land where, as a consequence of the acquisition, the foreign person holds less than a substantial interest (i.e., 15% interest in an AULC with less than 10% of its real estate assets in the form of developed residential real estate or an interest in an AULC that is publicly listed on an Australian stock exchange) or, if two or more foreign persons hold interests in the AULC, those foreign persons hold less than an aggregate substantial interest (i.e., 40% interest) in that corporation. In practice this exemption is regarded as applying to individual acquisitions of less than 15% interests in listed companies even where the 40% aggregate level is exceeded.

Regulation 3(j) is not expressed to be a cap on individual investments by foreign investors. Exceeding the 40% threshold leaves open the possibility of an adverse order by the Treasurer; however the risk is minimal of the Treasurer exercising power in an offshore context with respect to a less than 15% interest. As the Company will be listed offshore on the Stock Exchange and when listed on an Australian stock exchange, the risk of the Treasurer exercising powers in respect of the acquisition of an interest of less than 15% in an AULC whose land interests are non-residential is low even where the aggregate foreign holding amounts to 40% or more.

Responsibility for Compliance

The Company assumes no responsibility in respect of any Shareholder's, or any other person's, compliance with the requirements of the FATA or the Australian Federal Government's Foreign Investment Policy, or in respect of any orders the Treasurer may make.

Implications for Resourcehouse

We are not currently a "foreign person" for the purposes of the FATA. We may be a "foreign person" immediately following Listing (including exercise of the Over-allotment Option) as we will be selling 40% or more of the interests in our Shares in this Global Offering. It is not anticipated that any single "foreign person" investor in the Global Offering (together with its associates) will hold 15% or more of the interests in our issued Shares.

If we become a "foreign person", we and our subsidiaries will be subject to the same notification requirements and restrictions under the FATA as any other "foreign person" when making investments (including the contemplated upgrading of our rights under the Mining Right Agreement when Waratah Coal obtains the related mining leases for the China First Coal Project, acquisitions of Australian urban land and some acquisitions in Australian corporations) in Australia. This would mean that future investments we or our subsidiaries may wish to make in Australia that are covered by the FATA will be subject to a prior notification requirement, in respect of which the Treasurer may make an objection to the investment if he considers it would be contrary to Australia's national interest. The Treasurer may also impose conditions on any such proposed investment, which we would need to comply with if we wish to proceed with that investment. In this regard, we note that a number of prominent Australian companies that have significant Australian business interests are treated as "foreign persons" for the purposes of FATA and continue to operate successfully in Australia.

In summary, the general types of investments in Australia that are covered by the FATA include: (i) acquisitions of a controlling interest (generally 15% or more) in an Australian corporation that has total (gross) assets of more than the prescribed amount or where the proposal values the corporation at more than the prescribed amount; (ii) acquisitions of a controlling interest in a foreign company

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with Australian subsidiaries or assets that are valued in excess of the prescribed amount; (iii) arrangements under which an Australian business valued at more than the prescribed amount or having total (gross) assets of more than the prescribed amount becomes controlled; and (iv) acquisitions of any interests in Australian urban land (including an AULC). The prescribed amount for (i)-(iii) is currently A\$231 million and is indexed annually.

There is no threshold for the acquisition of an interest in Australian urban land prescribed by the FATA; however, regulations made under the FATA provide certain exemptions, including the acquisition of a less than 15% interest in an AULC listed on an Australian stock exchange. In addition, if at any time a foreign government or its agency (including sovereign wealth funds and state owned enterprises) holds 15% or more of the interests in our Shares or votes (including potential votes), we will become a foreign government related entity within the Foreign Investment Policy outlined above under “— Australian Government Policy Relating to Foreign Government Entities” and be subject to that part of the policy that imposes additional notice requirements upon foreign government related entities.

Making an investment that is covered by the FATA without complying with these requirements, or proceeding with the investment during the Treasurer’s consideration period before the Treasurer has notified us that there are no objections to the investment, would constitute an offence by us (and our officer who is responsible) punishable by a fine not exceeding A\$55,000 or imprisonment for a period not exceeding two years, or both. Further, failure to give any required notice under the FATA, or to comply with its requirements, would also empower the Treasurer to make an order requiring us to divest any such investment, or suspending the rights attached to that investment.

While the FATA imposes additional restrictions on “foreign persons” acquiring interests in our Shares and voting power (including potential voting power) in our Company, should our Company be deemed to be an AULC, it does not impose any additional restrictions on our Company simply by virtue of our Company being deemed to be an AULC.

Whilst there are stringent requirements for the notification of foreign investment proposals generally and a full examination conducted by the Treasury officers, very few proposals including those relating to interests in an AULC are prohibited. The FIRB annual report for 2009/10 reports that of 4,703 applications considered during its 2009/10 financial year, there were only three rejections. All of those were in the real estate sector.

Australia welcomes foreign investment and it is the general approach of Treasury and FIRB to work together with applicants to ensure that their proposal is consistent with Australia’s national interest. This may involve the imposition of conditions on a statement of no objections or the seeking of undertakings, but in general, most applications are not objected to.

GENERAL

Blake Dawson, our Company’s legal counsel on Australian law, has sent to our Company letters of advice summarising certain aspects of Australian company law and the Australian foreign investment regime. These letters are available for inspection as referred to in “Documents Delivered to the Registrar of Companies and Available for Inspection” of this prospectus. Any person wishing to have a detailed summary of Australian company law, or advice on the differences between it and the laws of any other jurisdiction, is recommended to seek independent legal advice.

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FURTHER INFORMATION ABOUT OUR GROUP

Incorporation

Our Company was registered in Queensland under the Corporations Act on 6 March 2009. Our Company has established its principal place of business in Australia at Level 7, 380 Queen Street, Brisbane, Queensland 4000, Australia and has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance with its place of business in Hong Kong at Level 19, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Raymond Tam of Level 19, Two International Finance Centre, 8 Finance Street, Central, Hong Kong has been appointed as our agent for acceptance of service of process and notices on our Company in Hong Kong.

As our Company was registered in Queensland, our corporate structure and our Constitution are subject to the relevant laws of Australia. A summary of the relevant provisions of our Constitution and certain relevant aspects of the Australian law is set out in the section “Summary of the Constitution of our Company and the Australian Corporations Act”.

Below are brief particulars of all the wholly-owned subsidiaries of our Company:

China First Pty Ltd

Date of registration:	26 February 2009
Place of registration:	Queensland
Australian business number:	69 135 588 411
Nature:	Proprietary company limited by shares
Current issued capital:	2 ordinary shares
Paid-up capital:	A\$2.00
Scope of business:	Resource development

China First Iron Ore Pty Ltd

Date of registration:	30 December 1992
Place of registration:	Queensland
Australian business number:	79 058 429 977
Nature:	Proprietary company limited by shares
Current issued capital:	1002 ordinary shares
Paid-up capital:	A\$17,296,513.00
Scope of business:	Resource development

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Cosmo Developments Pty. Ltd

Date of registration:	8 March 1988
Place of registration:	Queensland
Australian business number:	80 010 793 790
Nature:	Proprietary company limited by shares
Current issued capital:	2 ordinary shares
Paid-up capital:	A\$2.00
Scope of business:	Resource development

Changes in the Share Capital of Our Company

The share capital of our Company as at the date of its registration was A\$2.00 divided into two Shares that were issued at A\$1.00 each. There were no changes in the share capital of our Company between the date of our registration and the Latest Practicable Date.

Our Company issued the Convertible Notes to Professor Clive F. Palmer on 16 March 2009. The Convertible Notes are each convertible into 1,100 Shares (i.e., a total of 6,600,000,000 Shares if all of the Convertible Notes are converted) at the election of the noteholder by notice to us at any time up to 17 March 2014. The Convertible Notes, which are freely transferable and may be encumbered by the holder, entitle the holder(s) to attend general meetings of our Company, but not to vote. If not converted, the Convertible Notes are to be redeemed on the fifth anniversary of their issue by payment of A\$5,000,000 by our Company to the holder(s) or any earlier date at the election of the holder. Professor Clive F. Palmer has irrevocably exercised his right to convert the Convertible Notes into Shares, such conversion to be effective upon Listing.

Assuming that the Global Offering becomes unconditional, the Offer Shares are issued, the Over-allotment Option has been fully exercised and the Convertible Notes have been fully converted, the issued share capital of our Company immediately upon completion of the Global Offering will be approximately A\$3.7 billion (US\$3.95 billion) divided into 13,173,653,002 Shares fully paid or credited as fully paid.

Except as otherwise disclosed in this prospectus, there has been no alteration in our share capital during the two year period ended on the Latest Practicable Date.

Changes in the Share Capital of Our Subsidiaries

The following alterations in the share capital of our subsidiaries have taken place within the two years preceding the date of this prospectus:

- (i) On 26 February 2009, China First Coal was incorporated under the laws of Australia as a proprietary company limited by shares with paid-up capital of A\$2.00. The two shares held by Waratah Coal were transferred to our Company on 1 June 2009.

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- (ii) China First Iron Ore was incorporated on 30 December 1992 with a paid-up share capital of two shares. On 18 September 2009, Mineralogy subscribed for an additional 1,000 shares immediately prior to the sale of all shares to our Company.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years preceding the date of this prospectus.

Written Resolutions of Mineralogy, the Current Sole Shareholder of Our Company

Under the written resolutions of the controlling shareholder passed on 16 May 2011:

- (a) conditional upon the conditions stated in the paragraph headed “Conditions of the Hong Kong Public Offering” under the section headed “Structure of the Global Offering” in this prospectus being fulfilled or waived, the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue such number of Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option in connection with the Global Offering as they think fit, on the terms and subject to the conditions stated in this prospectus and the Application Forms;
- (b) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, other than under (i) a Rights Issue (as defined below); (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Constitution; or (iii) any specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate number of Shares in issue immediately following completion of the Global Offering and full conversion of the Convertible Notes before the exercise of the Over-allotment Option;
- (c) as a special resolution, a general unconditional mandate was granted to our Directors to exercise all powers of our Company, subject to the Corporations Act to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares shall not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and full conversion of the Convertible Notes before the exercise of the Over-allotment Option and this mandate only related to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules and the explanatory statement providing information in relation to general mandate to repurchase Shares;
- (d) as a special resolution, the general unconditional mandate as mentioned in paragraph (b) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors under such general mandate of an amount representing the aggregate number of Shares purchased by our Company under the mandate to repurchase Shares referred to in paragraph (c) above;

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- (e) approve, for the purposes of rule 97 of the Constitution of our Company, that the maximum annual aggregate amount of ordinary remuneration of the Directors (within the meaning of the Constitution of our Company) that Directors are entitled to be paid for their ordinary services as Directors be fixed at US\$800,000 or its equivalent in any combination of currencies; and
- (f) approve the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by the Company to the Directors for the year ending 30 June 2011 of approximately US\$800,000 or its equivalent in any combination of other currencies (excluding any discretionary bonus which may be paid and any salaries to be paid to the Directors for their executive roles in the Group).

For the purposes of paragraph (b) above, “Rights Issue” means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares open for a period fixed by our Directors to holders of Shares whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to our Company).

Each of the general mandates referred to above will remain in effect until whichever is earlier of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Constitution, or (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

Corporate Reorganisation

In preparation for the Global Offering, we undertook the following reorganisation to rationalise the business and structure of our Group:

- our Company acquired all of the issued share capital of Cosmo from Professor Clive F. Palmer (as trustee for Mineralogy) and Mineralogy on 17 March 2009 for cash consideration of A\$1.00. Pursuant to the share transfer forms dated 17 March 2009, A\$0.50 was paid to Professor Clive F. Palmer (as trustee for Mineralogy) and A\$0.50 was paid to Mineralogy;
- our Company acquired all of the issued share capital of China First Coal from Waratah Coal on 1 June 2009 for cash consideration of A\$2 paid to Waratah Coal;
- our Company acquired all of the issued share capital of China First Iron Ore from Mineralogy on 18 September 2009 for a cash consideration of A\$1,002 paid to Mineralogy;
- our Company sold all of the issued share capital of Chinampa to Mineralogy on 31 March 2011 for cash consideration of A\$400,000 paid by Mineralogy; and
- our Company sold all of its shareholding in Kingsway, representing 50% of the issued share capital of Kingsway, to Mineralogy on 31 March 2011 for cash consideration of A\$535,365.55 paid by Mineralogy.

For our corporate structure immediately after Listing, and taking into account the conversion of the Convertible Notes, see “Our History and Corporate Structure — Corporate Structure”.

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Repurchase of Our Own Securities

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

Relevant Legal and Regulatory Requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

Shareholders' Approval

All proposed repurchases of Shares (which must be fully paid up) must be conducted in accordance with the Corporations Act.

The Corporations Act provides that a company may buy-back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures summarised below.

Under the Corporations Act, there are four types of buy-back that may be available to our Company: (i) employee share scheme buy-backs; (ii) on-market buy-backs; (iii) equal access scheme buy-backs; and (iv) selective buy-backs.

At least 14 days' notice of each type of buy-back must be given by our Company to the ASIC prior to either: (i) the passing of the ordinary resolution of our Shareholders in a general meeting to approve the buy-back (if required); or (ii) the buy-back agreement is entered into.

The Corporations Act requirements applicable to each of these types of buy-back are as follows:

Employee share scheme buy-backs

An "employee share scheme buy-back" is defined in the Corporations Act to mean a buy-back under a scheme that: (a) has as its purpose the acquisition of shares in a company by, or on behalf of: (i) employees of the company, or of a related body corporate; or (ii) directors of the company, or a related body corporate, who hold a salaried employment or office in the company or in a related body corporate; and (b) has been approved by an ordinary resolution of our Shareholders in a general meeting.

One of the purposes of the employee share scheme buy-back provisions is to allow shares held by departing employees to be bought back on the cessation of employment.

An employee share scheme buy-back offer is required to be approved in advance by an ordinary resolution of our Shareholders in a general meeting only if the buy-back will cause our Company to exceed the 10/12 limit (described below).

On market buy-backs

A buy-back is an on market buy-back if it results from an offer made by an Australian corporation on a prescribed financial market (such as the Australian Securities Exchange) or a financial market outside Australia which ASIC has declared to be an approved overseas financial market in the ordinary course of trading.

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An on market buy-back is required to be approved in advance by an ordinary resolution of our Shareholders in a general meeting only if the buy-back will cause our Company to exceed the 10/12 limit (described below). The Stock Exchange has been declared to be an approved overseas financial market for the purposes of the Corporations Act, and therefore our Company may conduct an on market buy-back in accordance with the Corporations Act.

Equal access scheme buy-backs

To be an “equal access” scheme buy-back, the scheme buy-back must satisfy all of the following conditions: (i) the offers under the scheme relate only to ordinary shares; (ii) the offers are to be made to every person who holds ordinary shares to buy-back the same percentage of their ordinary shares; (iii) all of those persons have a reasonable opportunity to accept the offers made to them; (iv) buy-back agreements are not entered into until a specified time for acceptances of offers has closed; and (v) the terms of all the offers are the same.

With an equal access scheme buy-back, our Company must include with the offers to our Shareholders to buy-back shares, a statement setting out all information known to our Company that is material to the decision whether to accept the offer.

An equal access scheme buy-back is required to be approved in advance by an ordinary resolution of our Shareholders in a general meeting only if the buy-back will cause our Company to exceed the 10/12 limit (described below).

Selective buy-backs

Any buy-back that is not one of the above recognised types will be a selective buy-back.

A selective buy-back is always required to be approved in advance by our Shareholders in a general meeting. The notice of meeting must be accompanied by a statement setting out all information known to our Company that is material to our Shareholders’ decision on how to vote on the resolution other than information which our Company has previously disclosed to our Shareholders, and which it would be unreasonable to require our Company to disclose again.

A selective buy-back agreement must be approved in advance either by: (i) a special resolution of our Shareholders in a general meeting, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back, or by their associates; or (ii) a resolution agreed to by all of our Shareholders in a general meeting.

10/12 Limit

As noted above, shareholder approval is required in the case of a selective buy back, or in the case of any other type of buy-back that will cause our Company to exceed the 10/12 limit.

The 10/12 limit is a materiality threshold set by the Corporations Act. A proposed buy-back would exceed the 10/12 limit if the number of votes attaching to: (i) all the voting shares in our Company that have been bought back during the 12 months immediately preceding the proposed buy-back; and (ii) the voting shares in our Company that will be bought back if the proposed buy-back is made, would exceed 10% of the smallest number, at anytime during the 12 months immediately preceding the proposed buy-back, of votes attached to voting shares of our Company.

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General Mandate

On 16 May 2011, our Directors were granted a general unconditional mandate to, subject to the requirements of the Corporations Act described above, repurchase up to 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and conversion of the Convertible Notes before the exercise of the Over-allotment Option on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This repurchase mandate will expire at the earlier of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Constitution, or (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

Source of Funds

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Constitution and the applicable laws of Australia. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, a repurchase may be made out of profits of our Company, out of the proceeds of a fresh issue of Shares for the purpose of the repurchase or, subject to compliance with provisions of the Corporations Act applicable to capital reductions, out of capital.

Reasons for Repurchases

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit us and our Shareholders.

Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Constitution, the Listing Rules, the Corporations Act and the applicable laws of Australia.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

Share Capital

The exercise in full of the current repurchase mandate, on the basis of approximately 12,316,220,002 Shares in issue immediately after completion of the Global Offering and the conversion of the Convertible Notes (without taking into account the exercise of the Over-allotment Option), could accordingly result in up to 1,231,622,000 Shares being repurchased by us during the relevant period.

STATUTORY AND GENERAL INFORMATION

General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, our Constitution, the Corporations Act and any other applicable laws of Australia.

If, as a result of any repurchase of our Shares, a Shareholder's proportionate interest in our voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Except as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person (as defined in the Listing Rules) of the Company has notified us that he or it has a present intention to sell his or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the convertible note deed poll dated 16 March 2009 made by our Company in favour of the holder(s) of the convertible notes of the Company containing the terms and conditions for the issuance of the convertible notes;
- (b) the share sale agreement dated 17 March 2009, between (i) Mineralogy, (ii) Professor Clive F. Palmer and (iii) our Company, the share transfer form dated 17 March 2009 between our Company and Mineralogy, and the share transfer form dated 17 March 2009 between our Company and Professor Clive F. Palmer, in respect of the acquisition by our Company from Mineralogy and Professor Clive F. Palmer of two shares in Cosmo, being all of the share capital of Cosmo, for A\$1, as described in “— Further Information About Our Group — Corporate Reorganisation” above;
- (c) the share transfer form dated 1 June 2009, between (i) our Company and (ii) Waratah Coal in respect of the acquisition by our Company from Waratah Coal of two shares in China First Coal, being all of the share capital in China First Coal, for A\$2, as described in “— Further Information About Our Group — Corporate Reorganisation” above;
- (d) the Coal Mining Right Agreement dated 8 July 2009 between (i) Waratah Coal and (ii) China First Coal, as amended by the letters to China First Coal from Waratah Coal dated 2 September 2009 and 4 May 2010 and the Mining Right Amendment (Coal) Deed dated 1 December 2010 between (i) Waratah Coal, (ii) China First Coal and (iii) Professor Clive F. Palmer, and confirmed by the deed of confirmation dated 20 December 2010 between (i) Waratah Coal and (ii) China First Coal, as described in the section “Connected Persons and Connected Transactions — Continuing Connected Transactions” of this prospectus;

STATUTORY AND GENERAL INFORMATION

- (e) the share transfer form dated 18 September 2009, between (i) our Company and (ii) Mineralogy in respect of the acquisition by our Company from Mineralogy of 1,002 shares in China First Iron Ore, (ii) being all of the share capital of China First Iron Ore, for A\$1,002, as described in “— Further Information About Our Group — Corporate Reorganisation” above;
- (f) the Iron Ore Facilities Deed dated 26 October 2001 between (i) Mineralogy and (ii) China First Iron Ore, as amended by the variation deed dated 21 September 2009 between (i) Mineralogy and (ii) China First Iron Ore and the Facilities Deed Amendment Deed dated 1 December 2010 between (i) China First Iron Ore, (ii) Mineralogy and (iii) Professor Clive F. Palmer, and confirmed by the deed of confirmation dated 20 December 2010 between (i) Mineralogy and (ii) China First Iron Ore, as described in the section “Connected Persons and Connected Transactions — Continuing Connected Transactions” of this prospectus;
- (g) the Iron Ore Mining Right Agreement dated 21 September 2009 between (i) Mineralogy and (ii) China First Iron Ore, as supplemented and amended by the letters to China First Iron Ore from Mineralogy dated 21 September 2009 and 14 January 2011, the variation deed dated 13 October 2009 between (i) Mineralogy and (ii) China First Iron Ore and the Mining Right Agreement (Iron Ore) Amendment Deed between (i) China First Iron Ore, (ii) Mineralogy and (iii) Professor Clive F. Palmer dated 1 December 2010, and confirmed by the deed of confirmation dated 20 December 2010 between (i) Mineralogy and (ii) China First Iron Ore, as described in the section “Connected Persons and Connected Transactions — Continuing Connected Transactions” of this prospectus;
- (h) the EPCM Contract dated 29 January 2010, a supplemental agreement dated 28 October 2010 and letters dated 16 November 2010 and 3 March 2011, between (i) China First Coal and (ii) MCC Overseas in respect of the engineering, procurement and construction management services to develop the China First Coal Project;
- (i) the Cooperation Agreement dated 21 June 2010, between (i) our Company, (ii) MCC, (iii) China Eximbank and (iv) China Power International Holding in relation to cooperation in the development of the China First Coal Project;
- (j) the coal marketing and agency agreement dated 4 August 2010, between (i) China First Coal and (ii) Fumel in respect of payment of 2% marketing fee on thermal coal sales to Vitol or any related entity of Vitol;
- (k) the Consultancy Contract dated 16 September 2010, the Amendment No. 1 dated 6 December 2010 and the Amendment No. 2 dated 7 December 2010, between (i) our Company and (ii) Hatch in respect of provision of project management services by Hatch;
- (l) the Vitol Coal Supply Agreement dated 15 September 2010 and the variation deeds dated 9 March 2011, between (i) China First Coal and (ii) Vitol in respect of the sale of thermal coal produced from the China First Coal Project;
- (m) the MCC Placing Agreement dated 28 October 2010, between (i) our Company and (ii) MCC in respect of subscription by MCC for our Offer Shares as part of the International Offering;
- (n) the commission agreement dated 28 October 2010, between (i) China First Coal and (ii) MCC Overseas in respect of payment of 2% commission on sales under coal sales agreements arranged by MCC Overseas;

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- (o) the coal marketing and agency agreement dated 28 October 2010, between (i) China First Coal and (ii) Global Coal Trading in respect of payment of 2% marketing fee on thermal coal sales to China Power International Holding or its assignees;
- (p) the Sino-Australian Coal Purchase and Supply Agreement dated 1 November 2010, between (i) China First Coal and (ii) China Power International Holding in respect of the sale of thermal coal produced from the China First Coal Project;
- (q) the CREC Framework Agreement dated 19 January 2011, between (i) our Company and (ii) CREC in respect of the appointment of the EPC contractor for the construction of the rail and associated infrastructure for the China First Coal Project;
- (r) the CREC Placing Agreement dated 19 January 2011, between (i) our Company and (ii) CREC in respect of subscription by CREC for our Offer Shares as part of the International Offering;
- (s) the share transfer form dated 22 March 2011, between (i) our Company and (ii) Mineralogy in respect of the acquisition (effective 31 March 2011) by Mineralogy from our Company of two shares in Chinampa, being all of the share capital in Chinampa, for A\$400,000, as described in “— Further Information About Our Group — Corporate Reorganisation” above;
- (t) the share transfer form dated 22 March 2011, between (i) our Company and (ii) Mineralogy in respect of the acquisition (effective 31 March 2011) by Mineralogy from our Company of 53,536,555 shares in Kingsway, being 50% of the share capital in Kingsway, for A\$535,365.55, as described in “— Further Information About Our Group — Corporate Reorganisation” above; and
- (u) the Hong Kong Underwriting Agreement dated 27 May 2011 entered into among our Company and the Hong Kong Underwriters in relation to the underwriting of the Hong Kong Public Offer by the Hong Kong Underwriters, described in section “Underwriting” of this prospectus.

STATUTORY AND GENERAL INFORMATION

Tenements

A summary of the tenements currently held by us, as well as those held by Waratah Coal and Mineralogy over which we have a contractual right to mine, are set out below, broken down by project.

Tenement ID	Location	Holder	Permitted Use	Comment
<i>China First Coal Project</i>				
EPC 1040	Clermont	Waratah Coal	Exploration Permit (Coal). Waratah Coal has granted China First Coal a right to mine, set out in the Coal Mining Right Agreement, in respect of this tenement.	Granted under the Mineral Resources Act 1989 (QLD). Will expire on 21 June 2011 A consent caveat has been registered over this tenement in favour of China First Coal
EPC 1079	Jericho	Waratah Coal	Exploration Permit (Coal). Waratah Coal has granted China First Coal a right to mine, set out in the Coal Mining Right Agreement, in respect of this tenement.	Granted under the Mineral Resources Act 1989 (QLD). Will expire on 01 November 2012. A consent caveat has been registered over this tenement in favour of China First Coal
<i>China First Iron Ore Project</i>				
E08/118	Ashburton and Roebourne	Mineralogy	Exploration licence endorsed for Iron Ore. Mineralogy has granted China First Iron Ore a right to mine, set out in Iron Ore Mining Right Agreement, in respect of this tenement.	Granted under the Mining Act 1978 (WA). Will expire on 19 February 2012 An application has been submitted for a consent caveat over this tenement in favour of China First Iron Ore.
E08/636	Roebourne	Mineralogy	Exploration licence endorsed for Iron Ore. Mineralogy has granted China First Iron Ore rights of access, as set out in the Iron Ore Facilities Deed, in respect of this tenement.	Granted under the Mining Act 1978 (WA). Will expire on 22 June 2011.

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Tenement ID	Location	Holder	Permitted Use	Comment
M08/118	Roebourne	Mineralogy	<p>Mining Lease endorsed for Iron Ore.</p> <p>Mineralogy has granted China First Iron Ore a right to mine, set out in Iron Ore Mining Right Agreement, in respect of this tenement.</p>	<p>Granted under the Mining Act 1978 (WA).</p> <p>Will expire on 22 June 2014.</p> <p>An application has been submitted for a consent caveat over this tenement in favour of China First Iron Ore.</p>
M08/119	Roebourne	Mineralogy	<p>Mining Lease endorsed for Iron Ore.</p> <p>Mineralogy has granted China First Iron Ore a right to mine, set out in Iron Ore Mining Right Agreement, in respect of this tenement.</p>	<p>Granted under the Mining Act 1978 (WA).</p> <p>Will expire on 22 June 2014.</p> <p>An application has been submitted for a consent caveat over this tenement in favour of China First Iron Ore.</p>
M08/120	Roebourne	Mineralogy	<p>Mining Lease endorsed for Iron Ore.</p> <p>Mineralogy has granted China First Iron Ore a right to mine, set out in Iron Ore Mining Right Agreement, in respect of this tenement.</p>	<p>Granted under the Mining Act 1978 (WA).</p> <p>Will expire on 22 June 2014.</p> <p>An application has been submitted for a consent caveat over this tenement in favour of China First Iron Ore.</p>
M08/121	Roebourne	Mineralogy	<p>Mining Lease endorsed for Iron Ore.</p> <p>Mineralogy has granted China First Iron Ore a right to mine, set out in Iron Ore Mining Right Agreement, in respect of this tenement.</p>	<p>Granted under the Mining Act 1978 (WA).</p> <p>Will expire on 22 June 2014.</p> <p>An application has been submitted for a consent caveat over this tenement in favour of China First Iron Ore.</p>

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Tenement ID	Location	Holder	Permitted Use	Comment
M08/122	Roebourne	Mineralogy	<p>Mining Lease endorsed for Iron Ore.</p> <p>Mineralogy has granted China First Iron Ore a right to mine, set out in Iron Ore Mining Right Agreement, in respect of this tenement.</p>	<p>Granted under the Mining Act 1978 (WA).</p> <p>Will expire on 22 June 2014.</p> <p>An application has been submitted for a consent caveat over this tenement in favour of China First Iron Ore.</p>
M08/128	Roebourne	Mineralogy	<p>Mining Lease endorsed for Iron Ore.</p> <p>Mineralogy has granted China First Iron Ore a right to mine, set out in Iron Ore Mining Right Agreement, in respect of this tenement.</p>	<p>Granted under the Mining Act 1978 (WA).</p> <p>Will expire on 22 June 2014.</p> <p>An application has been submitted for a consent caveat over this tenement in favour of China First Iron Ore.</p>
M08/129	Roebourne	Mineralogy	<p>Mining Lease endorsed for Iron Ore.</p> <p>Mineralogy has granted China First Iron Ore a right to mine, set out in Iron Ore Mining Right Agreement, in respect of this tenement.</p>	<p>Granted under the Mining Act 1978 (WA).</p> <p>Will expire on 22 June 2014.</p> <p>An application has been submitted for a consent caveat over this tenement in favour of China First Iron Ore.</p>
M08/130	Roebourne	Mineralogy	<p>Mining Lease endorsed for Iron Ore.</p> <p>Mineralogy has granted China First Iron Ore a right to mine, set out in Iron Ore Mining Right Agreement, in respect of this tenement.</p>	<p>Granted under the Mining Act 1978 (WA).</p> <p>Will expire on 22 June 2014.</p> <p>An application has been submitted for a consent caveat over this tenement in favour of China First Iron Ore.</p>

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Tenement ID	Location	Holder	Permitted Use	Comment
G08/51	State Waters (Cape Preston)	Mineralogy	General Purpose Lease. Mineralogy has granted China First Iron Ore rights of access, as set out in the Iron Ore Facilities Deed, in respect of this tenement.	Granted under the Mining Act 1978 (WA). Will expire on 29 April 2025.
G08/52	Roebourne	Mineralogy	General Purpose Lease. Mineralogy has granted China First Iron Ore rights of access, as set out in the Iron Ore Facilities Deed, in respect of this tenement.	Granted under the Mining Act 1978 (WA). Will expire on 09 December 2024.
G08/53	Roebourne	Mineralogy	General Purpose Lease.	Granted under the Mining Act 1978 (WA). Will expire on 09 December 2024.
G08/54	Roebourne	Mineralogy	General Purpose Lease.	Granted under the Mining Act 1978 (WA). Will expire on 09 December 2024.
G08/63	Ashburton	Mineralogy	General Purpose Lease.	Granted under the Mining Act 1978 (WA). Will expire on 26 August 2030.
G08/55	Roebourne	Mineralogy	General Purpose Lease	This is a pending application. The application was made on 02 April 2001.
<i>Cosmo Project</i>				
EL 4565	Ooldea Deposit	Cosmo	Exploration Licence	Granted under the Mining Act 1971 (SA) Will expire on 19 September 2012.

STATUTORY AND GENERAL INFORMATION

Intellectual Property Rights


Except as disclosed below, there are no other trademarks, patents, other intellectual or industrial property rights which are material in relation to our business.

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks:

Trademark	Class	Territory of registration	Goods and Services	Valid period	Registration number
RESOURCEHOUSE	1, 4, 6, 7, 9, 11, 16, 35, 37, 39, 40, 41, 42	Hong Kong	<p>Class 1: Chemicals; chemical concentrates; metal earths extracted from ores; carbon.</p> <p>Class 4: Industrial oils and greases; fuels; crude oil; natural gas.</p> <p>Class 6: Common metals and their alloys, iron ores, iron slabs, iron strip, ores of metal.</p> <p>Class 7: Generators; apparatus for generating electricity from fuel.</p> <p>Class 9: Computer software and programs, computer hardware, audio/visual equipment, products and apparatus.</p> <p>Class 11: Apparatus for lighting, heating, steam generating, drying, ventilating and water drying purposes.</p> <p>Class 16: Printed publications, printed matter, posters, educational texts or other printed materials; articles made from paper and cardboard.</p> <p>Class 35: Advertising; business management; business administration; office functions.</p> <p>Class 37: Construction and construction engineering services.</p> <p>Class 39: Transport.</p> <p>Class 40: Treatment of minerals and ores; generation of power and electricity; generation of gas and liquefied gas; processing of fuels and of other sources of energy; gas processing services; refinery services for production of petroleum products and gas-derived products.</p> <p>Class 41: Educational and training services.</p> <p>Class 42: Research and development services for others.</p>	9 June 2009 - 8 June 2019	301359469

STATUTORY AND GENERAL INFORMATION

Trademark	Class	Territory of registration	Goods and Services	Valid period	Registration number
 (Resourcehouse Limited & Device (series))	1, 4, 6, 7, 9, 11, 16, 35, 37, 39, 40, 41, 42	Hong Kong	Class 1: Chemicals; chemical concentrates; metal earths extracted from ores; carbon. Class 4: Industrial oils and greases; fuels; crude oil; natural gas. Class 6: Common metals and their alloys, iron ores, iron slabs, iron strip, ores of metal. Class 7: Generators; apparatus for generating electricity from fuel. Class 9: Computer software and programs, computer hardware, audio/visual equipment, products and apparatus. Class 11: Apparatus for lighting, heating, steam generating, drying, ventilating and water drying purposes. Class 16: Printed publications, printed matter, posters, educational texts or other printed materials; articles made from paper and cardboard. Class 35: Advertising; business management; business administration; office functions. Class 37: Construction and construction engineering services. Class 39: Transport. Class 40: Treatment of minerals and ores; generation of power and electricity; generation of gas and liquefied gas; processing of fuels and of other sources of energy; gas processing services; refinery services for production of petroleum products and gas-derived products. Class 41: Educational and training services. Class 42: Research and development services for others.	21 July 2009 - 20 July 2019	301389105

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Trademark	Class	Territory of registration	Goods and Services	Valid period	Registration number
源庫資源	1, 4, 6, 7, 9, 11, 16, 35, 37, 39, 40, 41, 42	Hong Kong	<p>Class 1: Chemicals; chemical concentrates; metal earths extracted from ores; carbon.</p> <p>Class 4: Industrial oils and greases; fuels; crude oil; natural gas.</p> <p>Class 6: Common metals and their alloys, iron ores, iron slabs, iron strip, ores of metal.</p> <p>Class 7: Generators; apparatus for generating electricity from fuel.</p> <p>Class 9: Computer software and programs, computer hardware, audio/visual equipment, products and apparatus.</p> <p>Class 11: Apparatus for lighting, heating, steam generating, drying, ventilating and water drying purposes.</p> <p>Class 16: Printed publications, printed matter, posters, educational texts or other printed materials; articles made from paper and cardboard.</p> <p>Class 35: Advertising; business management; business administration; office functions.</p> <p>Class 37: Construction and construction engineering services.</p> <p>Class 39: Transport.</p> <p>Class 40: Treatment of minerals and ores; generation of power and electricity; generation of gas and liquefied gas; processing of fuels and of other sources of energy; gas processing services; refinery services for production of petroleum products and gas-derived products.</p> <p>Class 41: Educational and training services.</p> <p>Class 42: Research and development services for others.</p>	16 November 2009 - 15 November 2019	301476757


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Trademark	Class	Territory of registration	Goods and Services	Valid period	Registration number
 (源庫資源 & Device (series))	1, 4, 6, 7, 9, 11, 16, 35, 37, 39, 40, 41, 42	Hong Kong	Class 1: Chemicals; chemical concentrates; metal earths extracted from ores; carbon. Class 4: Industrial oils and greases; fuels; crude oil; natural gas. Class 6: Common metals and their alloys, iron ores, iron slabs, iron strip, ores of metal. Class 7: Generators; apparatus for generating electricity from fuel. Class 9: Computer software and programs, computer hardware, audio/visual equipment, products and apparatus. Class 11: Apparatus for lighting, heating, steam generating, drying, ventilating and water drying purposes. Class 16: Printed publications, printed matter, posters, educational texts or other printed materials; articles made from paper and cardboard. Class 35: Advertising; business management; business administration; office functions. Class 37: Construction and construction engineering services. Class 39: Transport. Class 40: Treatment of minerals and ores; generation of power and electricity; generation of gas and liquefied gas; processing of fuels and of other sources of energy; gas processing services; refinery services for production of petroleum products and gas-derived products. Class 41: Educational and training services. Class 42: Research and development services for others.	16 November 2009- 15 November 2019	301476766

STATUTORY AND GENERAL INFORMATION

Trademark	Class	Territory of registration	Goods and Services	Valid period	Registration number
Resourcehouse Limited	1, 4, 6, 7, 9, 11, 16, 35, 37, 39, 40, 41, 42	Australia	<p>Class 1: Chemicals, concentrates, ores and other mined materials in this class.</p> <p>Class 4: Industrial oils and greases; fuels; crude oil; natural gas; coal; thermal coal.</p> <p>Class 6: Iron ore, common metals and their alloys, concentrates, ores and other mined materials in this class.</p> <p>Class 7: Generators; apparatus for generating electricity from fuel.</p> <p>Class 9: Computer software and programs, computer hardware, audio/visual equipment, products and apparatus.</p> <p>Class 11: Apparatus for lighting, heating, steam generating, drying, ventilating and water drying purposes.</p> <p>Class 16: Printed publications, printed matter, posters, educational texts or other printed materials; articles made from paper and cardboard.</p> <p>Class 35: Advertising; business management; business administration; office functions.</p> <p>Class 37: Construction and engineering services in this class.</p> <p>Class 39: Transport.</p> <p>Class 40: Treatment of minerals and ores; generation of power and electricity; production of gas and liquefied gas; preparing and processing of fuels and of other sources of energy; gas processing services; refinery services for production of petroleum products and gas-derived products.</p> <p>Class 41: Educational and training services.</p> <p>Class 42: Research and development services in this class.</p>	3 August 2009 - 2 August 2019	1312899

STATUTORY AND GENERAL INFORMATION

Trademark	Class	Territory of registration	Goods and Services	Valid period	Registration number
 (Resourcehouse Limited & Device (series))	1, 4, 6, 7, 9, 11, 16, 35, 37, 39, 40, 41, 42	Australia	Class 1: Chemicals, concentrates, ores and other mined materials in this class. Class 4: Industrial oils and greases; fuels; crude oil; natural gas; coal; thermal coal. Class 6: Iron ore, common metals and their alloys, concentrates, ores and other mined materials in this class. Class 7: Generators; apparatus for generating electricity from fuel. Class 9: Computer software and programs, computer hardware, audio/visual equipment, products and apparatus. Class 11: Apparatus for lighting, heating, steam generating, drying, ventilating and water drying purposes. Class 16: Printed publications, printed matter, posters, educational texts or other printed materials; articles made from paper and cardboard. Class 35: Advertising; business management; business administration; office functions. Class 37: Construction and engineering services in this class. Class 39: Transport. Class 40: Treatment of minerals and ores; generation of power and electricity; production of gas and liquefied gas; preparing and processing of fuels and of other sources of energy; gas processing services; refinery services for production of petroleum products and gas-derived products. Class 41: Educational and training services. Class 42: Research and development services in this class.	4 August 2009 - 3 August 2019	1313203

STATUTORY AND GENERAL INFORMATION

Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Name of registered proprietor	Expiry Date
Resourcehouselimited.com.	Resourcehouse Limited	16 March 2012
Resourcehouselimited.com.au	Resourcehouse Limited	16 March 2013
Resourcehouselimited.net.au	Resourcehouse Limited	16 March 2013
Resourcehouselimited.com.hk	Resourcehouse Limited	1 April 2012
Resourcehouselimited.hk	Resourcehouse Limited	25 March 2012

These websites and their contents do not form part of this prospectus.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

Disclosure of Interests in the Share Capital of the Company

(a) *Interests and/or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations*

Immediately following completion of the Global Offering and the conversion of the Convertible Notes (without taking into account the Over-allotment Option), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

Name of Director	Name of company	Nature of interest	Number and class of securities	Approximate percentage shareholding in the same class of securities
Professor Clive F. Palmer	Our Company	Legal interest	6,600,000,000 Shares ^{1, 2}	53.59% ³
		Interest of a controlled corporation	2 Shares	0.00% ³
			6,600,000,002 Shares	53.59% ³

Notes:

- (1) Following conversion of the Conversion Notes by Professor Clive F. Palmer into 6,600,000,000 Shares.
- (2) 857,433,000 Shares will be the subject of the Stock Borrowing Agreement and there will be a short position.
- (3) The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue immediately after the completion of the Global Offering. We have therefore assumed that no Shares will be issued pursuant to the Over-allotment Option and that 12,316,220,002 Shares will be in issue on the Listing Date.

STATUTORY AND GENERAL INFORMATION

(b) Interests and/or short positions of the substantial shareholders in the Shares and underlying shares which are discloseable under Division 2 and 3 of Part XV of the SFO

Except as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors and chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or underlying shares of our Company which, once our Shares are listed, would fail to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carryings rights to vote in all circumstances at general meetings of any other member of the Group.

Particulars of Service Contracts

Except as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Remuneration of Directors

Except for A\$124,164 of salaries, allowances and benefits-in-kind paid to Mr. James Doherty who was removed as a Director on 17 August 2010, no remuneration was paid and no benefits-in-kind were granted to our Directors in respect of each of the three financial years ended 30 June 2010.

The aggregate remuneration payable to and benefits-in-kind to be received by our Directors in respect of the financial year ending 30 June 2011 are estimated to be US\$800,000.

Fees or Commissions Received

None of our Directors nor any of the persons whose names are listed in the paragraph headed “Qualification of experts” in this section had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries from our Company within the two years preceding the date of this prospectus.

Related Party Transactions

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described under the section headed “Connected Persons and Connected Transactions” and note 23 of the Accountants’ Report set out in Appendix I to this prospectus.

PARAGRAPH 6 OF PART I OF THE THIRD SCHEDULE TO THE COMPANIES ORDINANCE — RESIDENTIAL ADDRESS

We have applied to the SFC for a certificate of exemption pursuant to Section 342A of the Companies Ordinance from strict compliance with paragraph 6 of Part I of the Third Schedule to the Companies Ordinance in relation to the disclosure of the residential address of Alexander Downer, one of our independent non-executive Directors, in this prospectus on the basis that such disclosure would be unduly burdensome and jeopardise the safety of Mr. Downer and that the exemption would not prejudice the interest of the public. Mr. Downer is a well-established public figure in Australia and was Australia’s former Foreign Minister for 11 years (from March 1996 to November 2007) and is currently serving in a part-time position as the United Nations special envoy

STATUTORY AND GENERAL INFORMATION

in Cyprus. Mr. Downer played a key part in the National Security Committee of Cabinet deliberations on Australia's role in the Afghanistan and Iraq conflicts. Consequently, Mr. Downer has, as a result of Australia's involvement in the war in Afghanistan, been a terrorist target. We have disclosed the business address of Mr. Downer in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus in place of his residential address.

OTHER INFORMATION

Australian Exchange and Payment Controls

At the present time, the Reserve Bank of Australia has not imposed any generally applicable exchange controls or limitations on the remittance of dividends, interest or other payments by our Company to non-Australian resident holders of our Shares, other than generally applicable restrictions for the movement of funds into and out of Australia and any amounts withheld for Australian tax purposes.

There are, however, financial sanctions and restrictions that are implemented through gazetted directions under the Banking (Foreign Exchange) Regulations 1959 (Cth). In addition, financial sanctions imposed by United Nations Security Council resolutions are implemented in Australia under the Charter of the United Nations Act 1945 and its regulations, and currently apply to designated persons and entities, and certain of their associates and supporters. These sanctions and restrictions impose certain restrictions, and approval and reporting requirements, on transactions involving those designated persons and entities.

Pursuant to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and other relevant legislation, transfers into or out of Australia (whether by physical or electronic means) of amounts of A\$10,000 or more in any currency are also subject to reporting requirements. Bearer negotiable instruments also need to be declared if asked by a Customs or police officer.

Estate Duty

Our Directors have been advised that no material liabilities for estate duty are likely to be incurred by any member of our Group.

Litigation

At the date of this prospectus, we are not involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any additional Shares that may be sold under the Over-allotment Option.

Preliminary Expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately A\$41,070 and are payable by our Company.

STATUTORY AND GENERAL INFORMATION

Promoters

Our Company has no promoter for the purpose of the Listing Rules.

Qualification of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
BOCI Asia Limited	Licensed by the SFC for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants
Blake Dawson	Australian Lawyers
Hickey Lawyers	Australian Lawyers
Xenith Consulting Pty Ltd	Independent Geologist — China First Coal Project Mining Engineer — China First Coal Project
Hellman & Schofield Pty Ltd	Independent Geologist — China First Iron Ore Project
Coffey Mining Pty Ltd	Mining Engineer — China First Coal Project
ORElogy Pty Ltd	Mining Engineer — China First Iron Ore Project
ProMet Engineers Pty Ltd	Independent Technical Expert — China First Coal Project and China First Iron Ore Project
James F. King	Independent Consultant as to coal and iron ore

Consents

Each of the experts as stated above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included in this prospectus in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Share Register

The principal register of members of our Company will be maintained by Computershare Investor Services Pty Limited in Australia and the Hong Kong register of members will be maintained by Computershare Hong Kong Investor Services Limited in Hong Kong at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the share registrar in Hong Kong.

STATUTORY AND GENERAL INFORMATION

Miscellaneous

Except as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in our Shares, the underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered into the register referred to in that section, or will be required, under the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed;
- (b) none of our Directors nor any of the parties listed in the paragraph headed “Consents” in this section has any direct or indirect interest in the promotion of our Company or any of our subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (c) none of our Directors nor any of the parties listed in the paragraph headed “Consents” in this section is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (d) save for the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents” in this section:
 - (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;
- (e) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;
- (f) no share or loan capital of our Company and its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (g) we have not issued or agreed to issue any founder shares, management shares or deferred shares;
- (h) we have no outstanding convertible debt securities;
- (i) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (j) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters and placers) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;

STATUTORY AND GENERAL INFORMATION

- (k) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;
- (l) since 30 June 2010, there has been no material adverse change in the financial or trading position or prospects of our Company;
- (m) there is no arrangement under which future dividends are waived or agreed to be waived;
- (n) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
- (o) at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;
- (p) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus; and
- (q) there are no outstanding debentures of the Company and its subsidiaries.

Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in “— Statutory and General Information — Further Information About Our Directors, Substantial Shareholders and Experts — Consents” of this prospectus, and copies of the material contracts referred to in “— Statutory and General Information — Further Information About Our Business — Summary of Material Contracts” of this prospectus.

Documents available for inspection

Copies of the following documents will be available for inspection at our Company’s Hong Kong offices at Level 19, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- the Constitution;
- the Corporations Act
- State Government of Western Australia Legislation
 - *Aboriginal Heritage Act 1972*;
 - *Aboriginal Heritage Regulations 1974*;
 - *Agricultural and Related Resources Protection Act 1976*;
 - *Bush Fires Act 1954*;
 - *Bush Fires Regulations 1854*;
 - *Conservation and Land Management Act 1984*;
 - *Conservation and Land Management Regulations 2002*;
 - *Dangerous Goods Safety Act 2004*;
 - *Dangerous Goods Safety (Explosives) Regulations 2007*;
 - *Dangerous Goods Safety (General) Regulations 2007*;
 - *Dangerous Goods Safety (Goods in Ports) Regulations 2007*;
 - *Dangerous Goods Safety (Major Hazard Facilities) Regulations 2007*;
 - *Dangerous Goods Safety (Road and Rail Transport of Non-explosives) Regulations 2007*;
 - *Dangerous Goods Safety (Security Risk Substances) Regulations 2007*;
 - *Dangerous Goods Safety (Storage and Handling of Non-explosives) Regulations 2007*;
 - *Electricity Act 1945*;
 - *Electricity Industry Act 2004*;
 - *Environmental Protection Act 1986*;
 - *Environmental Protection Regulations 1987*;
 - *Heritage of Western Australia Act 1990*;
 - *Heritage of Western Australia Regulations 1991*;
 - *Iron Ore Processing (Mineralogy Pty Limited) Agreement Act 2002*;
 - *Land Administration Act 1997*;
 - *Land Administration Regulations 1998*;
 - *Local Government Act 1995*;
 - *Mines Safety and Inspection Act 1995*;
 - *Mines Safety and Inspection Regulations 1995*;
 - *Rights in Water and Irrigation Act 1914*;
 - *Rights in Water and Irrigation Regulations 2000*;

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

- *Soil and Land Conservation Act 1945;*
- *Soil and Land Conservation Regulations 1992;*
- *Titles (Validation) and Native Title (Effect of Past Acts) Act 1995;*
- *Wildlife Conservation Act 1950;*
- *Wildlife Conservation Regulations 1970;*
- Commonwealth Government of Australia Legislation
 - *Aboriginal and Torres Strait Islander Heritage Protection Act 1984;*
 - *Aboriginal and Torres Strait Islander Heritage Protection Regulations 1984;*
 - *Environment Protection (Sea Dumping) Act 1981;*
 - *Environmental Protection and Biodiversity Conservation Act 1999;*
 - *Environmental Protection and Biodiversity Conservation Regulations 2000;*
 - *Foreign Acquisitions and Takeovers Act 1975;*
 - *Foreign Acquisitions and Takeovers Regulations 1989;*
 - *National Greenhouse and Energy Reporting Act 2007;*
 - *National Greenhouse and Energy Reporting Regulations 2008;*
 - *Native Title Act 1993;*
- State Government of Queensland Legislation
 - *Coal Mining Safety and Health Act 1999;*
 - *Coal Mining Safety and Health Regulation 2001;*
 - *Environmental Protection Act 1994;*
 - *Environmental Protection Regulations 2008;*
 - *Sustainable Planning Act 2009;*
 - *Sustainable Planning Regulations 2009;*
 - *Mineral Resources Act 1989;*
 - *Mineral Resources Regulation 2003;*
 - *State Development and Public Works Organisation Act 1971;*
 - *State Development and Public Works Organisation Regulation 1999;*
 - *Transport Infrastructure Act 1994;*
 - *Transport Infrastructure (Rail) Regulation 2006;*
- State Government of South Australia Legislation
 - *Development Act 1993;*
 - *Development Regulations 2008;*
 - *Environment Protection Act 1993;*
 - *Environment Protection Regulations 2009;*
 - *Mining Act 1971;*
 - *Mining Regulations 1998;*
- the Accountants' Report on our Company prepared by Ernst and Young, set out in "Appendix I — Accountants' Report" of this prospectus;
- letter relating to the unaudited pro forma financial information issued by Ernst and Young, the text of which is set out in "Appendix II — Unaudited Pro Forma Financial Information";
- the material contracts referred to in "Statutory and General Information — Further Information About Our Business — Summary of Material Contracts" of this prospectus;
- the written consents referred to in "Statutory and General Information — Further Information About Our Directors, Substantial Shareholders and Experts — Consents" of this prospectus;

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

- the audited consolidated financial statements of our Company for the period from 6 March 2009 (date of incorporation) to 30 June 2009 and for the year ended 30 June 2010;
- the audited consolidated financial statements of the Company and its subsidiaries for the years ended 30 June 2008, 2009 and 2010 and the six-month period ended 31 December 2010;
- the letters from Ernst & Young and the Sole Sponsor relating to the loss forecast, the texts of which are set out in “Appendix III — Loss Forecast”;
- the report of the coal project’s geologist, Xenith Consulting, set out in “Appendix IV-A — Independent Geologist’s Reports — Coal” of this prospectus;
- the report of the iron ore project’s geologist, Hellman & Schofield, set out in “Appendix IV-B — Independent Geologist’s Reports — Iron Ore” of this prospectus;
- the report of the coal project’s open-cut mining engineer, Xenith Consulting, set out in “Appendix V-A — Independent Reserves Statements — Coal Open-cut” of this prospectus;
- the report of the coal project’s underground mining engineer, Coffey Mining, set out in “Appendix V-B — Independent Reserves Statements — Coal Underground” of this prospectus;
- the report of the iron ore project’s mining engineer, ORElogy, set out in “Appendix V-C — Independent Reserves Statements — Iron Ore” of this prospectus;
- the report of the coal and iron ore projects’ technical expert, ProMet Engineers, set out in “Appendix VI — Independent Expert’s Report on the China First Coal Project and the China First Iron Ore Project” of this prospectus;
- the full feasibility report of the China First Iron Ore Project prepared by the iron ore project’s technical adviser, ProMet Engineers;
- the Tenement Report prepared by Blake Dawson, our legal advisers as to Australian law;
- Australian legal opinions issued by Blake Dawson, our legal advisers as to Australian law;
- letter prepared by Blake Dawson, our Company’s legal counsel on Australian law, summarising certain aspects of Australian company law referred to in “Summary of the Constitution of Our Company and the Australian Corporations Act” of this prospectus; and
- letters prepared by Blake Dawson and Hickey Lawyers, our Company’s legal counsels on Australian law, summarising certain aspects of the Australian foreign investment regime referred to in “Summary of the Constitution of Our Company and the Australian Corporations Act” of this prospectus.

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



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

30 May 2011

The Directors
Resourcehouse Limited
BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information regarding Resourcehouse Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the six-month period ended 31 December 2010 (the “Relevant Periods”), and the six month period ended 31 December 2009 (the “31 December 2009 Financial Information”) for inclusion in the prospectus of the Company dated 30 May 2011 (the “Prospectus”) in connection with the issuance of 5,716,220,000 shares (the “Global Offering”) and proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Queensland, Australia with limited liability on 6 March 2009. The Company became the holding company of the subsidiaries now comprising the Group as set out in the table below pursuant to a group reorganisation as set out in Section II Note 1 to the Financial Information (as defined below).

The Group principally engages in the exploration and evaluation of coal, magnetite iron ore and oil and gas mining tenements. Following the disposal of Chinampa Exploration Pty Ltd and Kingsway Oil Limited on 31 March 2011, the Group ceased its oil and gas explorations. The exploration and evaluation is undertaken to identify commercial exploitable mineral reserves and resources for development and extraction. The registered office and principal place of business of the Company is located at Level 7, 380 Queen Street, Brisbane, Queensland, Australia. All of the companies within the Group have adopted 30 June as their financial year end date.

As of 31 December 2010, the Company had direct or indirect interests in the following subsidiaries:

Name	Place and date of incorporation and operation	Number of shares held by the Group	Percentage of equity interest attributable to the Company	Principal activities
China First Pty Ltd	Australia 26 February 2009	2	100%	Coal resource development
Cosmo Developments Pty Ltd	Australia 8 March 1988	2	100%	Iron ore exploration
Chinampa Exploration Pty Ltd	Australia 7 January 1998	2	100%	Oil and gas exploration
China First Iron Ore Pty Ltd	Australia 30 December 1992	1,002	100%	Iron ore resource development

The statutory financial statements, from the date of the incorporation to 30 June 2010, of the Company and the Group were audited by Ernst & Young Brisbane, Chartered Accountants registered in Australia.

For the purposes of this report, we, Ernst & Young Hong Kong, have audited the consolidated financial statements of the Group for the three years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the six-month period ended 31 December 2010, prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

The financial information set out in this report, including the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for the Relevant Periods and the statements of financial position of the Company as of 30 June 2009, 30 June 2010 and 31 December 2010, together with the notes thereon (collectively referred to as the "Financial Information"), has been prepared from the audited consolidated financial statements of the Group in accordance with IFRSs and is presented on the basis set out in Section II Note 2.1 to the Financial Information. In preparing this report, no adjustments were considered necessary to restate the audited consolidated financial statements of the Group.

The directors of the Company are responsible for the preparation and true and fair presentation of the audited consolidated financial statements and the Financial Information in accordance with IFRSs. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, that the judgements and estimates made are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

The 31 December 2009 Financial Information has been prepared solely for the purpose of this report. The directors of the Company are responsible for preparing the 31 December 2009 Financial Information. It is our responsibility to form an independent review conclusion, based on our review on the 31 December 2009 Financial Information and to report our conclusion to you.

Procedures Performed in respect of the Relevant Periods

For the purpose of this report, we have undertaken an independent audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB") and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Procedures Performed in respect of the 31 December 2009 Financial Information

For the purpose of this report, we have also performed a review of the 31 December 2009 Financial Information in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 December 2009 Financial Information.

Opinion in respect of the Relevant Periods

In our opinion, the Financial Information set out below, for the purpose of this report, gives a true and fair view of the consolidated results and consolidated cash flows of the Group for the Relevant Periods, and of the state of affairs of the Group as of 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010 and the state of affairs of the Company as of 30 June 2009, 30 June 2010 and 31 December 2010.

Review conclusion in respect of the 31 December 2009 Financial Information

Based on our review, which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 December 2009 Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for the six-month period ended 31 December 2009 in accordance with IFRSs.

I. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	Notes	Six months ended 31 December		Year ended 30 June		
		2010	2009	2010	2009	2008
		A\$	A\$ (unaudited)	A\$	A\$	A\$
Revenue		—	—	—	—	—
Cost of sales		—	—	—	—	—
Gross profit		—	—	—	—	—
Other income and gains . .	4	5,973	19,054	22,682	29,619	—
Administrative expenses . .		(776,209)	(96,899)	(650,194)	(418,086)	(256,411)
Global offering expenses . .		(1,699,533)	(4,694,785)	(8,788,257)	—	—
Exploration and evaluation costs		(303,819)	(3,465,009)	(4,437,703)	(423,200)	(310,862)
Share of loss of an associate	14	(94,681)	(1,103,255)	(1,473,106)	(885,050)	—
Loss before tax	5	(2,868,269)	(9,340,894)	(15,326,578)	(1,696,717)	(567,273)
Income tax	8	—	—	—	—	—
Loss for the period/year, attributable to owners of the Company		(2,868,269)	(9,340,894)	(15,326,578)	(1,696,717)	(567,273)
Other comprehensive income (net of tax) . . .		—	—	—	—	—
Total comprehensive income for the period/ year, attributable to owners of the Company		<u>(2,868,269)</u>	<u>(9,340,894)</u>	<u>(15,326,578)</u>	<u>(1,696,717)</u>	<u>(567,273)</u>

* The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statements of financial position

	Notes	31 December 2010	30 June 2010	30 June 2009	30 June 2008
		A\$	A\$	A\$	A\$
Non-current assets					
Interests in an associate	14	567,846	662,527	2,135,633	—
Exploration and mining rights	15	25,704	128,526	343,056	—
Receivables from related parties	16	<u>2</u>	<u>2</u>	<u>2</u>	<u>—</u>
		<u>593,552</u>	<u>791,055</u>	<u>2,478,691</u>	<u>—</u>
Current assets					
Cash and cash equivalents	11	253,866	247,893	3,929,090	—
Deferred global offering transaction costs		6,080,599	5,095,245	—	—
Other assets	12	<u>143,850</u>	<u>209,809</u>	<u>270,096</u>	<u>—</u>
		<u>6,478,315</u>	<u>5,552,947</u>	<u>4,199,186</u>	<u>—</u>
Current liabilities					
Accrued liabilities	17	2,982,342	2,646,310	100,000	101,319
Convertible notes	18	5,000,000	5,000,000	5,000,000	—
Borrowings from related parties	19	<u>16,672,454</u>	<u>13,412,352</u>	<u>18,261,470</u>	<u>17,370,874</u>
		<u>24,654,796</u>	<u>21,058,662</u>	<u>23,361,470</u>	<u>17,472,193</u>
Net current liabilities		<u>(18,176,481)</u>	<u>(15,505,715)</u>	<u>(19,162,284)</u>	<u>(17,472,193)</u>
Net liabilities		<u>(17,582,929)</u>	<u>(14,714,660)</u>	<u>(16,683,593)</u>	<u>(17,472,193)</u>
Equity					
Issued capital	20	2	2	2	3
Capital reserve	21	19,780,829	19,780,829	2,485,318	—
Accumulated losses		<u>(37,363,760)</u>	<u>(34,495,491)</u>	<u>(19,168,913)</u>	<u>(17,472,196)</u>
Total deficits		<u>(17,582,929)</u>	<u>(14,714,660)</u>	<u>(16,683,593)</u>	<u>(17,472,193)</u>

* The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Statements of financial position

	Notes	31 December 2010	30 June 2010	30 June 2009
		A\$	A\$	A\$
Non-current assets				
Interests in subsidiaries	13	401,005	401,005	400,003
Interests in an associate	14	535,366	535,366	535,366
Receivables with related parties	16	<u>2</u>	<u>2</u>	<u>2</u>
		<u>936,373</u>	<u>936,373</u>	<u>935,371</u>
Current assets				
Cash and cash equivalents		253,866	247,893	3,929,090
Deferred global offering transaction costs		6,080,599	5,095,245	—
Other assets	12	<u>4,311</u>	<u>4,311</u>	<u>10,811</u>
		<u>6,338,776</u>	<u>5,347,449</u>	<u>3,939,901</u>
Current liabilities				
Accrued liabilities	17	2,982,342	2,646,310	100,000
Convertible notes	18	5,000,000	5,000,000	5,000,000
Borrowings from related parties	19	<u>15,798,321</u>	<u>12,538,912</u>	<u>123,638</u>
		<u>23,780,663</u>	<u>20,185,222</u>	<u>5,223,638</u>
Net current liabilities		<u>(17,441,887)</u>	<u>(14,837,773)</u>	<u>(1,283,737)</u>
Net liabilities		<u>(16,505,514)</u>	<u>(13,901,400)</u>	<u>(348,366)</u>
Equity				
Issued capital	20	2	2	2
Accumulated losses	22	<u>(16,505,516)</u>	<u>(13,901,402)</u>	<u>(348,368)</u>
Total deficits		<u>(16,505,514)</u>	<u>(13,901,400)</u>	<u>(348,366)</u>

* The above parent entity statements of financial position should be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

	Notes	Attributable to owners of the parent			
		Issued capital	Accumulated losses	Capital reserve	Total
		A\$	A\$	A\$	A\$
At 30 June 2007 and 1 July 2007.		3	(16,904,923)	—	(16,904,920)
Loss for the year.		—	(567,273)	—	(567,273)
Other comprehensive income		—	—	—	—
At 30 June 2008 and 1 July 2008.		3	(17,472,196)	—	(17,472,193)
Difference between fair value of an associate acquired and consideration paid.	21 (i)	—	—	2,485,317	2,485,317
Reorganisation		(1)	—	1	—
Loss for the year.		—	(1,696,717)	—	(1,696,717)
Other comprehensive income		—	—	—	—
At 30 June 2009 and 1 July 2009.		2	(19,168,913)	2,485,318	(16,683,593)
Difference between issued capital of a subsidiary acquired under common control and consideration paid.	21 (ii)	—	—	17,295,511	17,295,511
Loss for the year.		—	(15,326,578)	—	(15,326,578)
Other comprehensive income		—	—	—	—
At 30 June 2010 and 1 July 2010		2	(34,495,491)	19,780,829	(14,714,660)
Loss for the period		—	(2,868,269)	—	(2,868,269)
Other comprehensive income		—	—	—	—
At 31 December 2010		2	(37,363,760)	19,780,829	(17,582,929)
At 30 June 2009 and 1 July 2009		2	(19,168,913)	2,485,318	(16,683,593)
Difference between issued capital of a subsidiary acquired under common control and consideration paid	21 (ii)	—	—	17,295,511	17,295,511
Loss for the period (unaudited) . .		—	(9,340,894)	—	(9,340,894)
Other comprehensive income (unaudited)		—	—	—	—
At 31 December 2009 (unaudited)		2	(28,509,807)	19,780,829	(8,728,976)

* The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statements of cash flows

	Notes	Six months ended		Year ended 30 June		
		31 December		2010	2009	2008
		2010	2009	2010	2009	2008
		A\$	A\$	A\$	A\$	A\$
		(unaudited)				
Cash flows from operating activities						
Payments to suppliers and employees		(3,260,102)	(10,061,373)	(16,150,272)	(733,020)	(465,954)
Interest received		5,973	19,054	22,682	25,442	—
Net cash outflow from operating activities	11(b)	<u>(3,254,129)</u>	<u>(10,042,319)</u>	<u>(16,127,590)</u>	<u>(707,578)</u>	<u>(465,954)</u>
Cash flows from investing activities						
Acquisition of Chinampa Exploration Pty Ltd	11(c)	—	—	—	(400,000)	—
Acquisition of subsidiaries		—	(1,002)	(1,002)	(3)	—
Acquisition of an associate		—	—	—	(535,366)	—
Net cash outflow from investing activities		<u>—</u>	<u>(1,002)</u>	<u>(1,002)</u>	<u>(935,369)</u>	<u>—</u>
Cash flows from financing activities						
Proceeds from convertible notes	18	—	—	—	5,000,000	—
Advances from related parties		<u>3,260,102</u>	<u>6,361,716</u>	<u>12,447,395</u>	<u>572,037</u>	<u>465,954</u>
Net cash inflow from financing activities		<u>3,260,102</u>	<u>6,361,716</u>	<u>12,447,395</u>	<u>5,572,037</u>	<u>465,954</u>
NET INCREASE/(DECREASE)						
IN CASH HELD		5,973	(3,681,605)	(3,681,197)	3,929,090	—
Cash and cash equivalents at the beginning of the period/year		<u>247,893</u>	<u>3,929,090</u>	<u>3,929,090</u>	<u>—</u>	<u>—</u>
CASH AND CASH EQUIVALENTS AT PERIOD/YEAR END	11	<u><u>253,866</u></u>	<u><u>247,485</u></u>	<u><u>247,893</u></u>	<u><u>3,929,090</u></u>	<u><u>—</u></u>

* The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

II. NOTES TO FINANCIAL INFORMATION

1. Corporation information and reorganisation

The Company was incorporated in Queensland, Australia with limited liability on 6 March 2009.

On 17 March 2009, the Company acquired Cosmo Developments Pty Ltd from Mineralogy Pty Ltd (the Company's ultimate parent entity) for a consideration of A\$1. On 20 March 2009, the Company acquired Chinampa Exploration Pty Ltd from Resource Development International Limited for a consideration of A\$400,000. Mineralogy Pty Ltd and Resource Development International Limited are both beneficially owned by a director of the Company, Professor Clive F. Palmer. Cosmo Developments Pty Ltd was incorporated by Mineralogy Pty Ltd in 1988 while Chinampa Exploration Pty Ltd was acquired by Resource Development International Limited from an unrelated party in July 2008.

On 1 June 2009, the Company acquired China First Pty Ltd from Waratah Coal Pty Ltd, a wholly-owned subsidiary of Mineralogy Pty Ltd for a consideration of A\$2. China First Pty Ltd was incorporated by Waratah Coal Pty Ltd in February 2009.

On 30 April 2009, the Company acquired a 50% equity interest in Kingsway Oil Limited from Professor Clive F. Palmer for a total consideration of A\$535,366. Professor Clive F. Palmer acquired the 50% interest in Kingsway Oil Limited from an unrelated party in December 2007.

On 18 September 2009, the Company entered into an agreement with Mineralogy Pty Ltd to acquire 100% of the ordinary share capital of China First Iron Ore Pty Ltd (formerly known as Brunei Steel Pty Ltd and Anshan Resources Pty Ltd, a wholly-owned subsidiary of Mineralogy Pty Ltd) for a total consideration of A\$1,002.

On 31 March 2011, the Company disposed of all its equity interests in Chinampa Exploration Pty Ltd and Kingsway Oil Limited to Mineralogy Pty Ltd (refer to Note 30(c)).

2.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Interpretations of the Standing Interpretations Committee approved by the International Accounting Standards Committee (the "IASC") that remain in effect and the disclosure requirement of the Hong Kong Companies Ordinance. The Financial Information has been prepared on the historical cost basis.

The IASB issued a number of new and revised IFRSs which are generally effective for annual periods beginning on or after 1 July 2007, 1 July 2008, 1 July 2009 and 1 July 2010. For the purpose of preparing and presenting the Financial Information, the Group has early adopted all these new and revised IFRSs that are relevant to the Group's operations as at the beginning of the Relevant Periods.

In preparing the Financial Information, the pooling of interest method has been applied to account for the acquisitions of Cosmo Developments Pty Ltd, China First Pty Ltd and China First Iron Ore

Pty Ltd (refer to Note 2.4(a)) as both these companies and the Company are controlled by Professor Clive F. Palmer. The acquisition of Chinampa Exploration Pty Ltd has been accounted for as an acquisition of assets and liabilities (refer to Note 11(c)). The acquisition of the 50% interest in Kingsway Oil Limited has been accounted for using the purchase method of accounting.

As of 31 December 2010, the Group had net current liabilities of A\$18,176,481 and a net deficit of A\$17,582,929 and the Company had net current liabilities of A\$17,441,887 and a net deficit of A\$16,505,514. On 15 May 2011, Professor Clive F. Palmer, the beneficial owner of Mineralogy Pty Ltd and director of the Company, irrevocably exercised his right to convert all the convertible notes into 6,600,000,000 ordinary shares of the Company, such conversion to be effective upon listing of the Company's ordinary shares on The Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). Moreover, Mineralogy Pty Ltd has undertaken not to demand repayment of amounts due from the Company and the Group until the Company and the Group are in a position to meet all their debts as and when they become due and payable within the next 12 months. In addition, Mineralogy Pty Ltd has undertaken to provide financial support to the Company and the Group to ensure they are able to meet their debts as and when they become due and payable. (Mineralogy Pty Ltd retains the right to demand repayment of the amounts due from the Company and the Group and revoke the guarantee of financial support if the Global Offering is successful.) The directors of the Company are of the opinion that the Group and the Company have adequate working capital to satisfy all liabilities of the Group and the Company as and when they fall due. Accordingly, the Group's and the Company's Financial Information has been prepared on a going concern basis.

2.2 Basis of consolidation

The Financial Information comprises the financial statements of Resourcehouse Limited (the "Company" or "Parent Entity") and its subsidiaries (the "Group"). Investments in associate are equity accounted and are not part of the consolidated Group (refer to Note 2.4 (c)).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the Financial Information, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries by the Group from entities under common control are accounted for using the pooling of interest method (refer to Note 2.4(a)). The acquisition of subsidiaries by the Group from entities other than those under common control are accounted for using the acquisition method of accounting (refer to Note 2.4(b)).

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the statements of comprehensive income and within equity in the consolidated statements of financial position, separated from the parent shareholder's equity. For the Relevant Periods, the Group did not have any non-controlling interests.

2.3 Impact of Issued but not yet Effective IFRSs

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

IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of HKFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ²
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments — Disclosure — Transfer of Financial Assets ²
IFRS 9	Financial Instruments ⁴
IAS 12	Amendments to IAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets ³
IAS 24 (Revised)	Related Party Disclosures ¹
IFRIC 14 Amendments	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement ¹

Apart from the above, the IASB issued *Improvements to IFRSs* in May 2010.

Improvements to IFRSs issued in May 2010:

Except for the amendments to IFRS 3 and IAS 27 which are effective for annual periods beginning on or after 1 July 2010 and have been early adopted by the Group as at the beginning of the Relevant Periods, amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

¹ Effective for financial years beginning on or after 1 January 2011

² Effective for financial years beginning on or after 1 July 2011

³ Effective for financial years beginning on or after 1 January 2012

⁴ Effective for financial years beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers these new and revised IFRSs are not likely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of significant accounting policies

(a) Business combinations — entities or businesses under common control

The pooling of interest method is used to account for business combinations involving entities under common control. The pooling of interest method, otherwise referred to as merger accounting, has been applied by the Company as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, that would otherwise be done under the purchase method. The only adjustments that are made are to harmonise accounting policies;
- No “new” goodwill is recognised as a result of the business combination;
- The statements of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined.

(b) Business combinations — entities or businesses not under common control

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group’s net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(c) Investments in associates

The Group’s investments in associates are accounted for using the equity method of accounting in the Financial Information and at cost in the parent entity. Associates are entities over which the Group has significant influence and are neither subsidiaries nor joint ventures.

Under the equity method, investments in associates are carried on the consolidated statements of financial position at cost plus any post-acquisition changes in the Group’s share of the net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group’s net investments in associates.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The

cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statements of comprehensive income, while in the Financial Information they reduce the carrying amount of the investment.

When the Group's share of losses equals or exceeds its interest in the associate, including any unsecured long term receivables or loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical. If associates' accounting policies differ from those of the Group, adjustments are made to measure the post-acquisition changes in net assets of the associate (profits, losses or other changes in reserves) using accounting policies which conform to those used by the Group for like transactions and events in similar circumstances.

(d) Impairment of non-financial assets other than goodwill

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

(e) Related parties

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

1. The party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
2. The party is an associate;
3. The party is a jointly-controlled entity;
4. The party is a member of the key management personnel of the Group or its parent;
5. The party is a close member of the family of any individual referred to in (1) or (4);
6. The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (4) or (5); or
7. The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(f) Prepaid tenement rentals

Prepaid tenement rentals represent payments for the right to access and conduct exploration, evaluation and mining activities in respect of the tenement area. Prepaid tenement rentals are amortised to the profit or loss on a straight-line basis over the rental period.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- Researching and analysing historical exploration data;
- Conducting topographical, geochemical and geophysical studies;
- Conducting exploratory drilling, trenching and sampling;
- Examining and testing extraction and treatment methods; and/or
- Compiling prefeasibility and feasibility studies.

Exploration expenditure relates to the initial search for mineral and petroleum deposits with economic potential. Evaluation expenditure arises from detailed assessment of deposits or other projects that have been identified as having economic potential.

Exploration and evaluation expenditure is charged to the profit or loss as incurred unless there is a high degree of confidence in the project's technical and commercial feasibility and hence it is probable economic benefits will flow to the Group, in which case expenditure may be capitalised. The Group is often not able to confidently assess a project's technical or commercial feasibility until the completion of prefeasibility or feasibility studies.

Capitalised exploration and evaluation expenditure is treated as a tangible asset and is recorded as a component of property, plant and equipment at cost, depreciated accordingly and less any impairment charges. If the asset is not available for use, it is not depreciated.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment. An impairment review is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed its recoverable amounts. To the extent that this occurs, the excess is fully provided for, in the financial year in which this is determined.

(h) Exploration and mining rights

Exploration and mining rights acquired separately or in a business combination are initially measured at cost. The cost of the exploration and mining rights in a business combination is their fair value as at the date of acquisition. Following initial recognition, the rights are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Exploration and mining rights are amortised over the useful lives and tested for impairment annually or when there is an indication that the assets may be impaired. The amortisation period and the amortisation method for an exploration and mining right is reviewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption of the economic benefit embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

Papua New Guinea Petroleum Prospecting Licences were acquired in the acquisition of Chinampa Exploration Pty Ltd by the Company on 20 March 2009. The licences are amortised on a straight-line basis over the remaining useful life of the petroleum prospecting licences, being approximately two years.

(i) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at bank and short term deposits with maturities of three months or less that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

During the Relevant Periods, the Company and the Group did not have any bank overdrafts or other interest-bearing liabilities.

(j) Investments and other financial assets

(i) Classification

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end.

When financial assets are recognised initially they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

During the Relevant Periods, the Group had only loans and receivables.

(ii) Recognition and derecognition

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

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. The effective interest rate amortisation is included in the finance income of the statements of comprehensive income. These are included in current assets, except those with maturities greater than 12 months after the statements of financial position date, which are classified as non-current.

(iv) Impairment of financial assets (including other receivables)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the profit or loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(k) Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, convertible notes, borrowings from related parties and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the statements of comprehensive income.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(i) Derecognition of financial liabilities

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

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

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in “finance costs” in the statements of comprehensive income.

(m) Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted.

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

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

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

(n) Tax consolidation

Resourcehouse Limited and its wholly-owned Australian controlled entities are members of a tax consolidated group under the Australian tax law.

The head entity of the tax consolidated group is Mineralogy Pty Ltd. Resourcehouse Limited is a wholly-owned subsidiary of Mineralogy Pty Ltd.

The tax consolidated group has applied the “stand-alone taxpayer” approach in determining the appropriate amount of current and deferred taxes to allocate to members of the tax consolidated group. As such, Resourcehouse Limited and the wholly-owned Australian controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts.

As the head entity in the tax consolidated group, Mineralogy Pty Ltd recognises its own current and deferred tax amounts as well as the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

No tax funding arrangement exists between Mineralogy Pty Ltd and the members of the tax consolidated group (including Resourcehouse Limited and its wholly-owned Australian controlled entities). As a result, current tax liabilities (or assets) and the deferred tax assets arising from unused losses and unused tax credits are assumed by the head entity for no compensation. Any difference between the current tax liabilities (or assets) and deferred tax assets arising from unused tax losses or unused tax credits assumed by the head entity and the amount of current and deferred tax recognised by members of the tax consolidated group (in their separate financial statements) through application of the “stand-alone taxpayer” method is recognised as an equity contribution to (or distribution from) wholly-owned tax consolidated group members.

(o) Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority, in this case it is recognised as part of the cost of acquisition of the asset or as a part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statements of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statements of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for equivalent non-convertible notes; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset) to the net carrying amount of the financial asset.

(r) Foreign currency transactions

The Company's and its subsidiaries' functional currency is the Australian dollar, being the currency of the primary economic environment in which they operate. The Financial Information is presented in Australian dollars ("A\$").

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the appropriate exchange rates ruling at that date. Exchange differences are dealt with in the profit or loss.

(s) Global Offering transaction costs

Transactions costs which are directly attributable to the issue of shares as part of the Company's Global Offering are accounted for as a deduction from equity.

Transaction costs jointly attributable to:

- (i) The issue of shares under the Company's Global Offering (the "New Shares"); and
- (ii) The listing of the Company's existing shares on the Stock Exchange of Hong Kong Limited (the "Existing Shares")

are allocated to those transactions based on the relative proportion of the New Shares sold and the Existing Shares compared with the total number of shares on issue immediately after the Global Offering.

Joint transaction costs attributed to the New Shares are accounted for as a deduction from equity. Joint transaction costs attributed to listing the Existing Shares are recognised as an expense as incurred.

For the period to 31 December 2010, the Company has incurred significant expenditure associated with its Global Offering. At 31 December 2010, the portion of total expenditure expected to be accounted for as a deduction from equity has been accounted for as deferred global offering transaction costs. This asset will be allocated as a reduction from equity when the shares are issued and proceeds are received as part of the Global Offering.

3. Significant accounting judgements and estimates

The preparation of the Financial Information in conformity with IFRSs requires management to make estimates and judgements that affect the amounts reported in the Financial Information and accompanying notes. Actual results could differ from those estimates.

The following judgements have the most significant effect on the amounts recognised in the Financial Information.

(a) Impairment of exploration and mining rights

The carrying value of exploration and mining rights, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of Note 2.4. The recoverable amount of these assets, or, where appropriate, the cash-generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value in use.

Significant assumptions are made in performing impairment testing of exploration and mining rights. The significant assumptions include recoverable reserves and resources, commodity prices and discount rates. Changes to these assumptions may alter the results of impairment testing, impairment charges recorded in the profit or loss and the resulting carrying value of assets.

(b) Capitalisation and impairment of exploration and evaluation costs

Exploration and evaluation expenditure is charged to the profit or loss as incurred unless there is a high degree of confidence in the project's technical and commercial feasibility and hence it is probable that economic benefits will flow to the Group, in which case the expenditure is capitalised.

Assessment of a project's technical and commercial feasibility requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as conditions impacting mineral prices and costs change.

The Group assesses whether there are any indicators of impairment for capitalised exploration and evaluation expenditure at the end of each reporting period. When an impairment test is undertaken, management judgement and estimates are required in determining suitable valuation factors as mentioned in the impairment test above.

4. Other income and gains

	Six months ended 31 December		Year ended 30 June		
	2010	2009	2010	2009	2008
	A\$	A\$	A\$	A\$	A\$
	(unaudited)				
Interest income earned from cash and cash equivalents	5,973	19,054	22,682	29,619	—
	<u>5,973</u>	<u>19,054</u>	<u>22,682</u>	<u>29,619</u>	<u>—</u>

5. Loss before tax

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

	Six months ended 31 December		Year ended 30 June		
	2010	2009	2010	2009	2008
	A\$	A\$	A\$	A\$	A\$
	(unaudited)				
Amortisation of exploration and mining rights	102,822	111,707	214,530	51,093	—
Amortisation of prepaid tenement rentals	57,777	72,629	144,619	41,446	—
Employee benefit expense (including directors' remuneration (Note 6)) . .	364,925	—	177,922	—	—
Auditors' remuneration	100,000	50,000	200,000	50,000	—
Foreign exchange differences, net	8,182	18,789	24,406	23,680	—
	<u>8,182</u>	<u>18,789</u>	<u>24,406</u>	<u>23,680</u>	<u>—</u>

6. Directors' and executives' emoluments

The names of the Directors of the Company are as follows:

Executive directors:

Professor Clive F. Palmer (appointed on 6 March 2009)

Mr Clive Mensink (appointed on 6 March 2009, resigned on 23 March 2010, reappointed on 13 August 2010)

Mr Peter Lynch (appointed on 4 May 2009, resigned on 29 January 2010)

Mr Philip McNamara (appointed on 1 January 2010, resigned on 25 June 2010)

Mr James Doherty (appointed on 24 March 2010, removed on 17 August 2010)

Non-executive directors:

Mr Alexander Downer (appointed on 4 May 2009)

Mr Baohua Bai (appointed on 4 May 2009)

Dr Zhengrong Shi (appointed on 4 May 2009)

Mr Dominic Martino (appointed on 6 March 2009)

Mr Heting Shen (appointed on 20 December 2010)

Mr John Elmore (appointed on 9 October 2009, resigned on 22 March 2010, reappointed on 3 September 2010)

(a) Directors' remuneration for the year, disclosed pursuant to the Hong Kong Main Board Listing Rules is as follows:

	Six months ended 31 December		Year ended 30 June		
	2010	2009	2010	2009	2008
	A\$	A\$	A\$	A\$	A\$
	(unaudited)				
Fee	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	55,779	—	124,164	—	—
Performance related bonuses	—	—	—	—	—
Pension scheme contributions	—	—	—	—	—
	<u>55,779</u>	<u>—</u>	<u>124,164</u>	<u>—</u>	<u>—</u>
	<u>55,779</u>	<u>—</u>	<u>124,164</u>	<u>—</u>	<u>—</u>

(b) Non-executive directors

During the Relevant Periods, no remuneration or other emoluments were paid to the non-executive directors by the Company, or by its ultimate parent entity, in respect of their services to the Company and the Group.

(c) Executive directors

During the year ended 30 June 2010, A\$124,164 of salaries, allowances and benefits in kind were paid to Mr James Doherty. With the exception of this amount, no other remuneration or other emoluments was paid to Mr James Doherty for this period.

During the six-month period ended 31 December 2010, A\$55,779 of salaries, allowances and benefits in kind were paid to Mr James Doherty. With the exception of this amount, no other remuneration or other emoluments was paid to Mr James Doherty for this period.

Other than the amounts received by Mr James Doherty, no remuneration or other emoluments were paid to the executive directors of the Company, or by its ultimate parent entity, in respect of their services to the Company and the Group for the year ended 30 June 2010 and the six-month period ended 31 December 2010.

During the years ended 30 June 2008 and 30 June 2009, no remuneration or other emoluments were paid to the executive directors of the Company, or by its ultimate parent entity, in respect of their services to the Company and the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the three years ended 30 June 2010 and the six-month period ended 31 December 2010.

7. Highest paid employees

Prior to the year ended 30 June 2010, the Company and the Group did not have any employees. During the year ended 30 June 2010 and the six-month period ended 31 December 2010, the Company had two (2) employees including one director, details of whose remuneration are set out in Note 6 above.

- (a) Details of the remuneration of the Company's two employees, being its highest paid employees for the year ended 30 June 2010 and the six-month period ended 31 December 2010 are as follows:

	Six months ended		Year ended 30 June		
	31 December		2010	2009	2008
	A\$	A\$	A\$	A\$	A\$
	(unaudited)				
Salaries, allowances and benefits in kind	353,361	—	172,463	—	—
Performance related bonuses	—	—	—	—	—
Pension scheme contributions	11,564	—	5,459	—	—
	<u>364,925</u>	<u>—</u>	<u>177,922</u>	<u>—</u>	<u>—</u>

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

	Number of employees				
	Six months ended 31 December		Year ended 30 June		
	2010	2009	2010	2009	2008
	(unaudited)				
Nil to HK\$1,000,000	—	—	1	—	—
HK\$2,000,001 to HK\$2,500,000	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

8. Income tax

- (a) The major components of the Group's income tax expense for the Relevant Periods are as follows:

	Six months ended 31 December		Year ended 30 June		
	2010	2009	2010	2009	2008
	A\$	A\$	A\$	A\$	A\$
	(unaudited)				
Current income tax charge	—	—	—	—	—
Deferred income tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income tax expense reported in the statements of comprehensive income .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(b) A numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable statutory tax rate is as follows:

	Six months ended		Year ended 30 June		
	31 December		2010	2009	2008
	2010	2009			
	A\$	A\$	A\$	A\$	A\$
	(unaudited)				
Loss before tax	(2,868,269)	(9,340,894)	(15,326,578)	(1,696,717)	(567,273)
At the statutory income tax rate					
of 30%	(860,480)	(2,802,268)	(4,597,974)	(509,015)	(170,182)
Loss attributable to an associate.	28,404	330,976	441,932	265,515	—
Non-deductible expenses.	30,847	33,512	64,359	18,290	—
Non-recognition of tax benefit					
attributable to temporary					
differences	351,222	969,069	1,810,789	7,104	—
Non-recognition of the tax					
benefit attributable to income					
tax losses.	<u>450,007</u>	<u>1,468,711</u>	<u>2,280,894</u>	<u>218,106</u>	<u>170,182</u>
Income tax expense reported in					
the statements of					
comprehensive income.	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

As detailed in Note 2.4 (n), the Company and its wholly-owned Australian controlled entities are members of a tax consolidated group under the Australian tax law. The head entity in the tax consolidated group is Mineralogy Pty Ltd. No tax funding arrangement exists between Mineralogy Pty Ltd and the members of the tax consolidated group (including the Company and its wholly-owned Australian controlled entities). As a result, current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses are assumed by the head entity for no compensation. In this way, the tax losses as of 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010 cannot be claimed by the Group.

As of 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010, the Group has deductible temporary differences of A\$nil, A\$23,680, A\$6,059,642 and A\$4,453,680 and tax losses attributable to an associate of A\$nil, A\$885,050, A\$2,358,157 and A\$2,452,837. Deferred tax assets have not been recognised in respect of these deductible temporary differences and tax losses attributable to an associate as the Group did not consider recovery is probable at 30 June 2009, 30 June 2010 and 31 December 2010.

9. Loss per share

The presentation of loss per share during the Relevant Periods, for the purpose of this report, is not considered meaningful by the directors of the Company and is not presented.

10. Dividends

The Company has not paid or declared any dividends during the Relevant Periods.

11. Cash and cash equivalents**(a) Reconciliation of cash**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents (as defined in Note 2.4(i)), net of outstanding bank overdrafts. During the Relevant Periods, the Group did not have any bank overdrafts.

	31 December		30 June	
	2010	2010	2009	2008
	A\$	A\$	A\$	A\$
Cash at bank	253,866	247,893	3,929,090	—
	<u>253,866</u>	<u>247,893</u>	<u>3,929,090</u>	<u>—</u>

The cash at bank is deposited with creditworthy bank with no recent history of default.

(b) Reconciliation of loss for the year to net cash flows used in operating activities

	Six months ended		Year ended 30 June		
	31 December		2010	2009	2008
	A\$	A\$	A\$	A\$	A\$
		(unaudited)			
Loss for the period/year	(2,868,269)	(9,340,894)	(15,326,578)	(1,696,717)	(567,273)
Adjustment for non-cash items:					
Share of loss of an associate	94,681	1,103,255	1,473,106	885,050	—
Amortisation of exploration and mining rights	102,822	111,707	214,530	51,093	—
Unrealised foreign exchange loss	8,182	18,789	24,406	23,680	—
	(2,662,584)	(8,107,143)	(13,614,536)	(736,894)	(567,273)
Change in operating assets and liabilities:					
Decrease/(increase) in other assets	—	6,786	6,500	(10,811)	—
Decrease in prepaid tenements and rentals	57,777	72,629	29,381	41,446	—
Increase in deferred global offering transaction costs	(985,354)	(2,721,936)	(5,095,245)	—	—
Decrease/(increase) in accrued liabilities	336,032	707,345	2,546,310	(1,319)	101,319
Net cash flows used in operating activities	<u>(3,254,129)</u>	<u>(10,042,319)</u>	<u>(16,127,590)</u>	<u>(707,578)</u>	<u>(465,954)</u>

(c) Acquisition of Chinampa Exploration Pty Ltd

On 20 March 2009, Resourcehouse Limited acquired 100% of the share capital of Chinampa Exploration Pty Ltd. The transaction represented an acquisition of assets and liabilities (as opposed to a business combination) as Chinampa Exploration Pty Ltd had not commenced business operation as at the date of acquisition. Except for the assets and liabilities identified below, there were no other assets and liabilities not being acquired by the Company. Total consideration of A\$400,000 was paid for the acquisition of the following assets and liabilities:

	A\$
Security deposits	180,337
Prepaid tenement rentals	144,074
Papua New Guinea petroleum prospecting licences	394,149
Non-interest-bearing related party loans	<u>(318,560)</u>
	<u>400,000</u>

(d) Non-cash financing and investing activities

On 18 September 2009, China First Iron Ore Pty Ltd capitalised its amount due to Mineralogy Pty Ltd of A\$17,296,511 by issuing 1,000 shares to Mineralogy Pty Ltd (refer to Note 23(6)). Other than the foregoing, the Group had no significant non-cash financing or investing activities during the financial years ended 30 June 2008, 2009 and 2010 and the six-month period ended 31 December 2010.

12. Other assets**Group**

	31 December		30 June	
	2010	2010	2009	2008
	A\$	A\$	A\$	A\$
Prepaid tenement rentals	15,470	73,247	102,628	—
GST receivable	4,311	4,311	10,811	—
Security deposits	<u>124,069</u>	<u>132,251</u>	<u>156,657</u>	—
	<u>143,850</u>	<u>209,809</u>	<u>270,096</u>	<u>—</u>

Company

	31 December	30 June	
	2010	2010	2009
	A\$	A\$	A\$
GST receivable	4,311	4,311	10,811
	4,311	4,311	10,811

13. Interests in subsidiaries

Company

	31 December	30 June	
	2010	2010	2009
	A\$	A\$	A\$
<i>Unlisted investments, at cost</i>			
China First Pty Limited	2	2	2
Chinampa Exploration Pty Limited	400,000	400,000	400,000
China First Iron Ore Pty Ltd	1,002	1,002	—
Cosmo Developments Pty Limited	1	1	1
	401,005	401,005	400,003

As further explained in Note 30(c), Chinampa Exploration Pty Limited was disposed of subsequent to the end of the Relevant Periods.

14. Interests in an associate

Group

	31 December	30 June		
	2010	2010	2009	2008
	A\$	A\$	A\$	A\$
<i>Unlisted investment accounted for using the equity method</i>				
Share of net assets -				
Kingsway Oil Limited	567,846	662,527	2,135,633	—
	567,846	662,527	2,135,633	—

Company

	31 December	30 June	
	2010	2010	2009
	A\$	A\$	A\$
<i>Unlisted investment, at cost</i>			
Kingsway Oil Limited	535,366	535,366	535,366
	535,366	535,366	535,366

Particulars of an associate are as follows:

Name and principal activity	Number of issued shares held by the Group	Place of incorporation	Percentage of:		
			Ownership interest	Voting power	Profit sharing
Kingsway Oil Limited (Oil and gas exploration)	53,536,555	Australia	50%	50%	50%

The above interest in Kingsway Oil Limited is directly held by the Company.

The following table summarises the Group's share of assets and liabilities of Kingsway Oil Limited:

	31 December	30 June		
	2010	2010	2009	2008
	A\$	A\$	A\$	A\$
Current assets	689,164	729,615	2,741,443	—
Non-current assets	—	—	31,111	—
Current liabilities	(121,318)	(67,088)	(636,921)	—
Non-current liabilities	—	—	—	—
Net assets	567,846	662,527	2,135,633	—

As further explained in Note 30(c), Kingsway Oil Limited was disposed of subsequent to the end of the Relevant Periods.

The Group's share of loss of an associate:

	Six months ended 31 December		Year ended 30 June		
	2010	2009	2010	2009	2008
	A\$	A\$ (unaudited)	A\$	A\$	A\$
Revenue	—	—	—	—	—
Other income and gains	8,292	20,573	38,000	65,727	—
	8,292	20,573	38,000	65,727	—
Total expenses	(102,973)	(1,123,828)	(1,511,106)	(950,777)	—
Income tax	—	—	—	—	—
Loss for the period/year	<u>(94,681)</u>	<u>(1,103,255)</u>	<u>(1,473,106)</u>	<u>(885,050)</u>	<u>—</u>

15. Exploration and mining rights

Group

	31 December		30 June	
	2010	2010	2009	2008
	A\$	A\$	A\$	A\$
Papua New Guinea petroleum prospecting licences	394,149	394,149	394,149	—
Accumulated amortisation	<u>(368,445)</u>	<u>(265,623)</u>	<u>(51,093)</u>	—
	<u>25,704</u>	<u>128,526</u>	<u>343,056</u>	—
				30 June 2009
				A\$
Cost at 1 July 2008, net of accumulated amortisation				—
Additions (refer to Note 11 (c))				394,149
Amortisation provided for during the year				<u>(51,093)</u>
At 30 June 2009				<u>343,056</u>
				30 June 2010
				A\$
Cost at 1 July 2009, net of accumulated amortisation				343,056
Amortisation provided for during the year				<u>(214,530)</u>
At 30 June 2010				<u>128,526</u>

	31 December 2010
	A\$
Cost at 1 July 2010, net of accumulated amortisation	128,526
Amortisation provided for during the period	<u>(102,822)</u>
At 31 December 2010	<u><u>25,704</u></u>

16. Receivables from related parties

Group

	31 December		30 June	
	2010	2010	2009	2008
	A\$	A\$	A\$	A\$
Receivable from the ultimate parent entity	<u>2</u>	<u>2</u>	<u>2</u>	<u>—</u>
	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>—</u></u>

Company

	31 December		30 June	
	2010	2010	2009	2009
	A\$	A\$	A\$	A\$
Receivable from a subsidiary	290,694	290,694	152,279	
Less: impairment	(290,694)	(290,694)	(152,279)	
Receivable from the ultimate parent entity	<u>2</u>	<u>2</u>	<u>2</u>	
	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	

Receivables from related parties are unsecured, interest-free and repayable on demand.

17. Accrued liabilities**Group**

	<u>31 December</u>		<u>30 June</u>	
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>A\$</u>	<u>A\$</u>	<u>A\$</u>	<u>A\$</u>
Accruals	<u>2,982,342</u>	<u>2,646,310</u>	<u>100,000</u>	<u>101,319</u>
	<u>2,982,342</u>	<u>2,646,310</u>	<u>100,000</u>	<u>101,319</u>

Company

	<u>31 December</u>		<u>30 June</u>	
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	<u>A\$</u>	<u>A\$</u>	<u>A\$</u>	<u>A\$</u>
Accruals	<u>2,982,342</u>	<u>2,646,310</u>	<u>100,000</u>	<u>100,000</u>
	<u>2,982,342</u>	<u>2,646,310</u>	<u>100,000</u>	<u>100,000</u>

18. Convertible notes

On 16 March 2009, the Company issued 6,000,000 convertible notes each with a face value of A\$0.833 to Professor Clive F. Palmer, the beneficial owner of Mineralogy Pty Ltd and a director of the Company. The total consideration received by the Company on issuing the notes was A\$5,000,000. The convertible notes are non-interest-bearing and can be redeemed at any time prior to the maturity date (the fifth anniversary from its issue date) with written demand by the noteholder. On receipt of written notice from the noteholder, each convertible note can be converted to 1,100 ordinary shares of the Company.

The fair value of the liability component was estimated at the date of issuance using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity. The notes issued by the Company are repayable on demand and as such the fair value of the liability component of the notes was determined to be equivalent to their face value.

Group and Company

	31 December		30 June	
	2010	2010	2009	2008
	A\$	A\$	A\$	A\$
Convertible notes issued to a related party	5,000,000	5,000,000	5,000,000	—
	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>—</u>

19. Borrowings from related parties**Group**

	31 December		30 June	
	2010	2010	2009	2008
	A\$	A\$	A\$	A\$
Borrowings from a company controlled by the ultimate parent entity	—	—	115,787	—
Borrowings from the ultimate parent entity	16,672,454	13,412,352	18,145,683	17,370,874
	<u>16,672,454</u>	<u>13,412,352</u>	<u>18,261,470</u>	<u>17,370,874</u>

Company

	31 December		30 June	
	2010	2010	2009	2009
	A\$	A\$	A\$	A\$
Borrowings from other related parties	—	—	115,787	—
Borrowings from the ultimate parent entity	15,798,321	12,538,912	7,851	—
	<u>15,798,321</u>	<u>12,538,912</u>	<u>123,638</u>	<u>—</u>

Borrowings from related parties are unsecured, interest-free and repayable on demand. The directors of the Company confirmed that all borrowings from related parties (the Company and the Group) will be fully settled upon the Listing.

20. Issued capital

The Company was incorporated on 6 March 2009. Upon incorporation, the Company issued 2 ordinary shares to Mineralogy Pty Ltd (its ultimate parent entity). Other than the issue of the above shares, there have been no movements in the Company's ordinary share capital during the years ended 30 June 2009 and 30 June 2010 and six-month period ended 31 December 2010. As of 30 June 2008, the issued capital of the Group represented the paid-up capital of Cosmo Developments Pty Ltd and China First Iron Ore Pty Ltd.

21. Capital reserve

Capital reserve represents the combined amount of:

- (i) The difference between the consideration of A\$535,366 paid by the Company to Professor Clive F. Palmer for its acquisition of its 50% interest in Kingsway Oil Limited, and the Company's share of fair value of the assets and liabilities of Kingsway Oil Limited of A\$3,020,683 on 30 April 2009 (being the date of acquisition); and
- (ii) The difference between the consideration of A\$1,002 paid by the Company to Mineralogy Pty Ltd for its acquisition of 100% interest in China First Iron Ore Pty Ltd and the carrying amount of China First Iron Ore Pty Ltd's ordinary share capital of A\$17,296,513 on 18 September 2009 (being the date of acquisition).

22. Accumulated losses

Movement in accumulated losses represents the Company's losses for the respective financial year/period ended 30 June 2009, 30 June 2010 and 31 December 2010.

23. Related party transactions**(a) Ultimate parent entity**

Resourcehouse Limited is a wholly-owned subsidiary of Mineralogy Pty Ltd. Mineralogy Pty Ltd is incorporated and domiciled in Australia. Mineralogy Pty Ltd is the ultimate parent entity of Resourcehouse Limited and its subsidiaries. 100% of the issued share capital of Mineralogy Pty Ltd is owned by Professor Clive F. Palmer.

(b) Transactions with the Group's fellow subsidiaries, other related parties and the ultimate parent entity

In addition to transactions and/or balances detailed in Note 1, Note 2.1, Note 16, Note 18, Note 19, Note 24 and Note 25, the Company and its subsidiaries had the following significant transactions with related parties during the Relevant Periods:

1. On 17 March 2009, the Company acquired 100% of the ordinary share capital of Cosmo Developments Pty Ltd from Mineralogy Pty Ltd and Professor Clive F. Palmer. The total consideration for the acquisition was A\$1. The transaction was accounted for as a business combination of an entity under common control (refer to Note 2.4(a)).
2. On 20 March 2009, the Company acquired 100% of the ordinary share capital of Chinampa Exploration Pty Ltd from Resource Development International Limited (a wholly-owned subsidiary of Mineralogy Pty Ltd). The total consideration for the acquisition was A\$400,000. The transaction was accounted for as an acquisition of assets and liabilities (refer to Note 11(c) for the details of the assets and liabilities acquired).
3. On 30 April 2009, the Company acquired 50% of the ordinary share capital of Kingsway Oil Limited from Professor Clive F. Palmer. The total consideration for the acquisition was A\$535,366.
4. On 16 March 2009, the Company issued 6,000,000 convertible notes with a face value of A\$0.833 (per note) to Professor Clive F. Palmer. The total consideration received for the issue of the convertible notes was A\$5,000,000. The terms and conditions of the convertible notes are set out in Note 18.

5. On 1 June 2009, the Company acquired 100% of the ordinary share capital of China First Pty Ltd from Waratah Coal Pty Ltd (a wholly-owned subsidiary of Mineralogy Pty Ltd). The total consideration for the acquisition was A\$2. The transaction was accounted for as a business combination of an entity under common control (refer to Note 2.4(a)).
6. On 18 September 2009, the Company acquired 100% of the ordinary share capital of China First Iron Ore Pty Ltd (formerly known as Brunei Steel Pty Ltd and Anshan Resources Pty Ltd, a wholly-owned subsidiary of Mineralogy Pty Ltd) from Mineralogy Pty Ltd for a total consideration of A\$1,002. The transaction was accounted for as a business combination of an entity under common control (refer to Note 2.4 (a)). Immediate before the acquisition of China First Iron Ore Pty Ltd by the Company, China First Iron Ore capitalised the entire balances due to Mineralogy Pty Ltd of approximately A\$17,296,511 by issuing 1,000 ordinary shares to Mineralogy Pty Ltd.

(c) Compensation of key management personnel of the Group

The Group's key management personnel are its executive directors. The compensation paid to key management personnel of the Group is disclosed in Note 6.

24. Royalty and other arrangements

- (a) On 19 August 2008, Chinampa Exploration Pty Ltd executed an Overriding Royalty Deed with Finder Exploration Pty Ltd and Fugro Holdings (Australia) Pty Ltd (neither of which are related to the Group). Pursuant to the terms and conditions of the Deed, Chinampa Pty Ltd is required to pay to each of Finder Exploration Pty Ltd and Fugro Holdings (Australia) Pty Ltd a royalty equal to 0.75% of the proceeds from the sale of any petroleum produced, recovered or sold from wells within the boundaries of Papua New Guinean Petroleum Prospecting Licences 254, 255 and 256. There is no minimum royalty payable and the royalty only becomes payable as and when petroleum is produced, recovered or sold.
- (b) On 8 July 2009, China First Pty Ltd executed a Mining Right Agreement with Waratah Coal Pty Ltd (a wholly-owned subsidiary of Mineralogy Pty Ltd). Inter alia, the Agreement grants China First Pty Ltd the right to mine coal from a designated mine area, up to a total extraction limit. In consideration for the grant of the right, China First Pty Ltd will pay to Waratah Coal Pty Ltd an enduring royalty in respect of coal taken by China First Pty Ltd. In addition, China First Pty Ltd is required to pay to Waratah Coal Pty Ltd an amount equal to any government royalty payable by Waratah Coal Pty Ltd. There is no minimum enduring royalty payable to Waratah Coal Pty Ltd, and the royalty only becomes payable as and when the Company takes or mines coal. The Agreement provides a formula for the calculation of the enduring royalty.

- (c) On 22 July 2009, China First Pty Ltd executed a Framework Agreement with Metallurgical Corporation of China Limited (“MCC”) for the construction of the coal mine and offtake of 75% of the coal produced once the mine is in operation.¹ The Framework Agreement provides a schedule of activities and timetable for completion of those activities. The activities include the preparation of a technical study agreement for financing from the People’s Republic of China financial institutions, the implementation of the technical study and project financing up to 70% of the total capital cost including working capital for China First Pty Ltd’s coal project. Under the Framework Agreement, China First Pty Ltd agrees to pay a total of US\$3,000,000 for the preparation of the technical report. The monies are payable in the following instalments:
- (i) US\$1,500,000 within 5 business days of signing the Framework Agreement;
 - (ii) US\$1,000,000 within 5 business days of MCC providing a draft of the technical report to China First Pty Ltd; and
 - (iii) US\$500,000 within 5 business days of MCC providing the completed technical report to China First Pty Ltd to be provided to Chinese banks.
- As of 31 December 2010, the Group has paid all the instalments above through related party loans. The related party loans are non-interest-bearing and repayable on demand.
- (d) On 21 September 2009, China First Iron Ore Pty Ltd executed a Mining Right Agreement with Mineralogy Pty Ltd. Inter alia, the Agreement grants China First Iron Ore Pty Ltd the right to mine magnetite ore (iron ore) from a designated mine area, up to a total extraction limit, if and when magnetite ore is proven to exist. In consideration for the grant of the right, the Agreement provides that China First Iron Ore Pty Ltd will pay to Mineralogy Pty Ltd an enduring royalty in respect of magnetite ore taken by China First Iron Ore Pty Ltd. In addition, China First Iron Ore Pty Ltd is required to pay to Mineralogy Pty Ltd an amount equal to any government royalty payable by Mineralogy Pty Ltd. There is no minimum enduring royalty payable to Mineralogy Pty Ltd and the royalty only becomes payable as and when China First Iron Ore Pty Ltd takes or mines magnetite ore. The Agreement provides a formula for the calculation of the enduring royalty.
- (e) On 29 January 2010, China First Pty Ltd executed the EPCM Contract — China First Project (the “EPCM Contract”) with MCC Overseas Ltd (“MCC Overseas”). Under the EPCM Contract, China First Pty Ltd conditionally appoints MCC Overseas as the contractor for engineering, procurement and construction management services associated with the construction of a coal mine, coal handling facilities and a coal processing plant, coal rail transport system, deep water port and all associated infrastructure required for the development of China First Pty Ltd’s coal project. As the contractor under the EPCM Contract, MCC Overseas is entitled to receive reimbursement for all costs and expenses incurred in fulfilling its obligation under the contract plus other project fees. China First Pty Ltd is obliged to pay certain break fees if the contract is terminated for convenience or for any other matter.

Note:

- (1) Since the execution of this Framework Agreement, the offtake arrangement of the China First Coal Project has changed. China First Pty Ltd has subsequently entered into long-term offtake arrangements with Vitol S.A. and China Power International Holding Ltd (refer to Notes 24 (h),(j), (k) and (l)).

- (f) On 4 August 2010, China First Pty Ltd entered into a coal marketing and agency agreement with Fumel Investments Pty Ltd (“Fumel”), a third party, pursuant to which Fumel agreed to market and sell 20 Mtpa of thermal coal in return for a marketing fee of 2% of the sales actual price paid to China First Pty Ltd by Vitol S.A. (“Vitol”), a third party.
- (g) The Company entered into the Consultancy Contract with Hatch Associates Pty Ltd (“Hatch”), a third party, on 16 September 2010 for the provision of project management services by Hatch.
- (h) On 15 September 2010, China First Pty Ltd executed a Coal Supply Agreement (the “Coal Supply Agreement”) with Vitol. This Coal Supply Agreement was later amended pursuant to deeds of variation executed between the parties dated 2 November 2010 and 9 March 2011. Pursuant to the Coal Supply Agreement, Vitol conditionally agrees to purchase 50% of the coal produced by China First Pty Ltd’s coal project, which shall be no more than 20 million tonnes of thermal coal per annum.

The supply period under the contract will be 20 years from the date of the first coal shipment (unless otherwise varied by the parties). Furthermore, coal pricing will be agreed annually between the parties with reference to relevant benchmark prices.

- (i) On 28 October 2010, the Company executed a placing agreement (the “Placing Agreement”) with MCC. Pursuant to the Placing Agreement, MCC conditionally agrees to subscribe for US\$200 million of ordinary shares in the Company at the Company’s interest date. The Company’s interest date is defined to mean the later of eight months from the date of the Placing Agreement, five (5) business days after the satisfaction of all conditions precedent or at any other date agreed to in writing between the parties (the “Interest Date”). The subscription price for the ordinary shares is the lower of the closing price of the Company’s ordinary shares listed on the Stock Exchange of Hong Kong Limited on the Interest Date or the offer price. The offer price is defined as the final price at which the Company’s ordinary shares are issued pursuant to the Global Offering.
- (j) On 28 October 2010, China First Pty Ltd entered into a commission agreement (the “Commission Agreement”) with MCC Overseas Ltd (“MCC Overseas”). Under the Commission Agreement, China First Pty Ltd agrees to pay to MCC Overseas a commission equal to 2% of the payment it receives from China Power International Holding Limited in respect of coal produced and sold from China First Pty Ltd’s coal project and MCC Overseas agrees to use its reasonable endeavours to assist China First Pty Ltd to sell up to 20 million tonnes of thermal coal per year to China Power International Holding Ltd. The Commission Agreement has a term of 25 years unless varied by written agreement between the parties.
- (k) On 28 October 2010, China First Pty Ltd entered into a Coal Marketing and Agency Agreement (the “Agency Agreement”) with Global Coal Trading Pte. Ltd (“Global Coal”). Under the Agency Agreement, China First Pty Ltd conditionally agrees to appoint Global Coal as its exclusive agent responsible for marketing activities in respect of coal to be supplied to China Power International Holding Ltd. In consideration for performing the required marketing activities, Global Coal receives a marketing fee equal to 2% of the sale price actually paid to China First Pty Ltd by China Power International Holding Ltd and any customer to whom China Power International Holding Ltd assigns a portion of its coal supply.

- (l) On 1 November 2010, China First Pty Ltd entered into the Sino-Australian Long Term Coal Purchase and Supply (Alliance and Take or Pay Arrangement) Agreement (the “Coal Purchase and Supply Agreement”) with China Power International Holding Ltd (“China Power”). Pursuant to the Coal Purchase and Supply Agreement:
- (i) China Power conditionally agrees to purchase 50% of the coal produced by China First Pty Ltd’s coal project, which shall be no more than 20 million tonnes of thermal coal for the period commencing the first shipment date (expected to be in 2014 but no later than 31 December 2016) and ending on the full capacity date, being the earlier of China First Pty Ltd’s coal project achieving annual production of 40 million tonnes of thermal coal per year or 30 months from the first shipment date; and
 - (ii) On and from the full capacity date, China Power conditionally agrees to purchase 20 million tonnes of thermal coal per year.

The supply period under the contract will be 21 years from the date of the first coal shipment. Pursuant to the Coal Purchase and Supply Agreement, China First Pty Ltd agrees to hold China Power harmless from any direct loss, liability or damage that may be incurred or suffered by China Power up to:

- (i) An amount of A\$20.7 million (equivalent to US\$20 million) for coal supply delays beyond the confirmed first shipment date; and
- (ii) An amount of A\$41.4 million (equivalent to US\$40 million) for coal supply delays beyond the first shipment deadline being 31 December 2016.

25. Operating lease, finance lease and other capital expenditure commitments

- (a) China First Iron Ore Pty Ltd has entered into a facilities deed with Mineralogy Pty Ltd (the “Facilities Deed”) on 26 October 2001 (as amended by a variation deed dated 21 September 2009) and an amendment deed between China First Iron Ore Pty Ltd, Mineralogy Pty Ltd and Professor Clive F. Palmer dated 1 December 2010 and confirmed by a deed of confirmation between China First Iron Ore Pty Ltd and Mineralogy Pty Ltd dated 20 December 2010, in relation to the access, development and utilisation of facilities to enable the export of iron ore products. Under the Facilities Deed, China First Iron Ore Pty Ltd will pay:
- (i) All rent, application fees and all other costs and outgoings incurred by Mineralogy Pty Ltd in respect of titles and tenements which Mineralogy Pty Ltd sets aside for the purposes of developing such facilities;
 - (ii) An access fee of approximately A\$18.8 million (equivalent to US\$18.1 million) to Mineralogy Pty Ltd each year commencing from the year where all debt funding required for the mining of iron ore are approved and the first of the debt funding is available for drawn down; the obligation to pay the access fee ceases once China First Iron Ore Pty Ltd has paid a total of approximately A\$56.3 million (equivalent to US\$54.4 million) as access fees to Mineralogy Pty Ltd;
 - (iii) Contributions to Mineralogy Pty Ltd’s administrative and sinking funds based on budgets prepared by Mineralogy Pty Ltd; and
 - (iv) All operational and maintenance costs of the facilities in direct proportion to China First Iron Ore Pty Ltd’s use of them.

The Facilities Deed terminates automatically at midnight on the date on which China First Iron Ore Pty Ltd exports the last shipment of magnetic iron ore after reaching the 10 billion tonnes total extraction limit under the Mining Right Agreement entered into between China First Iron Ore Pty Ltd and Mineralogy Pty Ltd dated 21 September 2009 and completes any other obligations under the Mining Right Agreement, the agreement between the State of Western Australia, Mineralogy Pty Ltd and China First Iron Ore Pty Ltd or the terms of any other approvals related to the project, subject to other provisions for early termination provided for in the Facilities Deed.

- (b) On 28 July 2010, Chinampa Exploration Pty Ltd executed a contract for the provision of 3D marine seismic integrated services with BGP Geoprospector Pte Ltd. The estimated exploration expenditure commitment under the arrangement is A\$36.2 million (equivalent to US\$35.0 million) over a period of 2 years.
- (c) Other than the matters set out above, neither the Group nor the Company had any operating lease, finance lease or capital expenditure commitments at 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010.

26. Contingent liabilities

As of 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010, neither the Group nor the Company had significant contingent liabilities.

27. Segment information

At 31 December 2010, the Group's operations consist principally of exploration and evaluation activities within Australia and Papua New Guinea, which are regarded as single reportable segment in a manner consistent with the way in which information is reported internally to the Group's management for the purposes of resource allocation and performance assessment. Accordingly, no segmental analysis is presented.

28. Financial instruments by category

The financial assets of the Group and the Company consist of loans and receivables which comprise cash and cash equivalents, GST receivable and security deposits. The financial liabilities of the Group and the Company which are carried at amortised cost, consist of other payables, convertible notes and borrowings with related parties. The carrying amounts of these financial assets and liabilities approximated to their fair values as of 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010.

29. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise borrowings from related parties, convertible notes and cash at bank. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as other receivables and other payables, which arise directly from its operations.

It is, and has been, throughout the Relevant Periods under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are liquidity risk and foreign currency risk. The directors review and approve policies for managing each of these risks and they are summarised below:

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of funding from its related parties. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures the availability of credit facilities from its related parties to address any short term funding requirements.

The Group's financial liabilities are substantially repayable on demand as of 30 June 2008, 30 June 2009, 30 June 2010 and 31 December 2010.

Foreign currency risk

The Group principally operates in Australia and its principal activities are transacted in Australian Dollars. The Group's financial assets and liabilities are not subject to foreign currency risk, except for some security deposits which are denominated in Papua New Guinea Kina. Since the security deposits denominated in foreign currency are insignificant, the fluctuation in the exchange rate of A\$ against foreign currency would not materially affect the Group's results.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support its business and maximise shareholders' value. The Group considers capital as total equity plus convertible notes.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may consider issuing bonds/convertible notes or issuing new shares.

The Group is not subject to externally imposed capital requirements.

30. Subsequent events

- (a) On 19 January 2011, the Company executed a placing agreement (the "CREC Placing Agreement") with China Railway Group Limited ("China Railway"). Pursuant to the Placing Agreement, China Railway conditionally agrees to subscribe for US\$200 million of ordinary shares in the Company as part of the Company's Global Offering. The subscription price for the ordinary shares is the final price at which the shares are issued pursuant to the Company's Global Offering.
- (b) On 19 January 2011, the Company executed the China First Coal Project Railway EPC Framework Agreement (the "Railway Framework Agreement") with China Railway. Under the Railway Framework Agreement, the Company conditionally agrees to appoint China Railway as the EPC contractor for the construction of the railway required for the China First Pty Ltd's coal project in Queensland, Australia, subject to, inter alia, a condition precedent that China Railway participates in the Global Offering as a cornerstone investor.

- (c) On 31 March 2011, the Company disposed of all its equity interests in Chinampa Exploration Pty Ltd and Kingsway Oil Limited to Mineralogy Pty Ltd for a consideration of A\$400,000 and A\$535,366, respectively.
- (d) On 15 May 2011, Professor Clive F. Palmer, the beneficial owner of Mineralogy Pty Ltd and the director of the Company, irrevocably exercised his right to convert all of the convertible notes (refer to Note 18) into 6,600,000,000 ordinary shares of the Company, such conversion to be effective upon the Listing.

31. Subsequent financial statements

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 31 December 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected the consolidated net tangible assets of the Group after the completion of the Global Offering. The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2010. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group.

The following illustrative statement of our Group's unaudited pro forma adjusted consolidated net tangible assets is based on the audited consolidated net deficits at 31 December 2010 as set out in "Appendix I — Accountants' Report" of this prospectus and is adjusted as described below:

	Audited consolidated net tangible deficits attributable to equity holders of the Company as of 31 December 2010 ¹	Estimated net proceeds from the Global Offering ^{2, 5}	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share ^{3, 4, 5}	
	A\$'000	A\$'000	A\$'000	A\$	HK\$
Based on an Offer Price of HK\$4.48 per Share.	(17,609)	2,932,924	2,915,315	0.237	1.96
Based on an Offer Price of HK\$4.93 per Share.	(17,609)	3,229,104	3,211,495	0.261	2.16

Notes:

- (1) The audited consolidated net tangible deficits attributable to the owners of the Company as of 31 December 2010 have excluded the exploration and mining rights of A\$25,704 from the consolidated net deficits attributable to the owners of the Company as of 31 December 2010 of A\$17,582,929. These figures are extracted from the Accountants' Report set forth in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$4.48 and HK\$4.93 per Share, respectively, after deduction of deferred global offering transactions costs as of 31 December 2010 of A\$6,080,599 and estimated related fees and expenses, and do not take into account any Shares that may be issued pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company and unaudited pro forma adjusted consolidated net tangible assets per Share will increase.

- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 12,316,220,002 Shares are issued and outstanding during the entire year, and that the Over-allotment Option has not been exercised.
- (4) No adjustment has been made to reflect any trading results or other transaction of our Group entered into subsequent to 31 December 2010.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share is translated to HK dollars at the exchange rate of A\$1=HK\$8.2941 prevailing on 13 May 2011. No representation is made that the Australian dollar amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for inclusion in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in connection with the Group's unaudited pro forma financial information.



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

30 May 2011

The Directors
Resourcehouse Limited
BOCI Asia Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Resourcehouse Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the global offering of 5,716,220,000 shares of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 30 May 2011 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as of 31 December 2010 or any future dates.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;
- (b) such bases are consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The consolidated loss attributable to shareholders of the Company for the year ending 30 June 2011 is set out in “Financial Information — Loss Forecast for the Year Ending 30 June 2011”.

BASES AND ASSUMPTIONS

The Directors have prepared the forecast loss attributable to shareholders of the Company for the year ending 30 June 2011 on the basis of the audited consolidated results of our Group for the six months ended 31 December 2010, the unaudited consolidated results of our Group for the four months ended 30 April 2011 and a forecast of the consolidated results of our Group for the two months ending 30 June 2011. The forecast has been prepared on a basis consistent in all material respects with the accounting policies normally adopted by us as summarised in “Appendix I — Accountants’ Report” and on the following principal assumptions.

- (i) There will be no material changes in existing political, legal or regulatory framework (including changes in legislation, laws or regulations, government policies or rules relating to exploration, development and exploitation of coal and iron ore), fiscal markets or economic conditions in Australia;
- (ii) There will be no material changes in inflation rates, interest rates and exchange rates from those prevailing as at the date of this prospectus;
- (iii) There will be no material changes in the bases or rates of taxation or duties in Australia;
- (iv) The Group’s operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters or catastrophes, epidemics or serious accidents;
- (v) There will be no material changes in project timetable and costs; and
- (vi) There will be no material change in timing of the Global Offering.

LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for inclusion in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in connection with the estimate of our consolidated loss attributable to owners of our Company for the year ending 30 June 2011.



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

30 May 2011

The Directors
Resourcehouse Limited
BOCI Asia Limited

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the forecast of the consolidated loss attributable to owners of Resourcehouse Limited (the “Company”, together with its subsidiaries, hereinafter collectively referred to as the “Group”) for the year ending 30 June 2011 (the “Loss Forecast”), as set out in the subsection headed “Loss Forecast for the Year Ending 30 June 2011” under the section headed “Financial Information” in the prospectus of the Company dated 30 May 2011 (the “Prospectus”) for which the directors of the Company (the “Directors”) are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 “Accountants’ Report on Profit Forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Loss Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the six months ended 31 December 2010, the unaudited consolidated results of the Group for the four months ended 30 April 2011 and a forecast of the consolidated results of the Group for the two months ending 30 June 2011.

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 30 May 2011, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

LETTER FROM THE SOLE SPONSOR



BOC INTERNATIONAL
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

30 May 2011

The Directors
Resourcehouse Limited

Dear Sirs,

We refer to the forecast of the consolidated loss attributable to owners of Resourcehouse Limited (the “Company”, together with its subsidiaries, the “Group”) for the year ending 30 June 2011 (the “Loss Forecast”) as set out in the section headed “Financial Information – Loss Forecast for the Year Ending 30 June 2011” in the prospectus issued by the Company dated 30 May 2011.

The Loss Forecast, for which the directors of the Company (the “Directors”) are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the six months ended 31 December 2010, the unaudited consolidated results of the Group for the four months ended 30 April 2011 and a forecast of the consolidated results of the Group for the two months ending 30 June 2011.

We have discussed with you the bases and assumptions upon which the Loss Forecast has been made. We have also considered the letter dated 30 May 2011 addressed to you and us from Ernst & Young regarding the calculations and accounting policies upon which the Loss Forecast has been made.

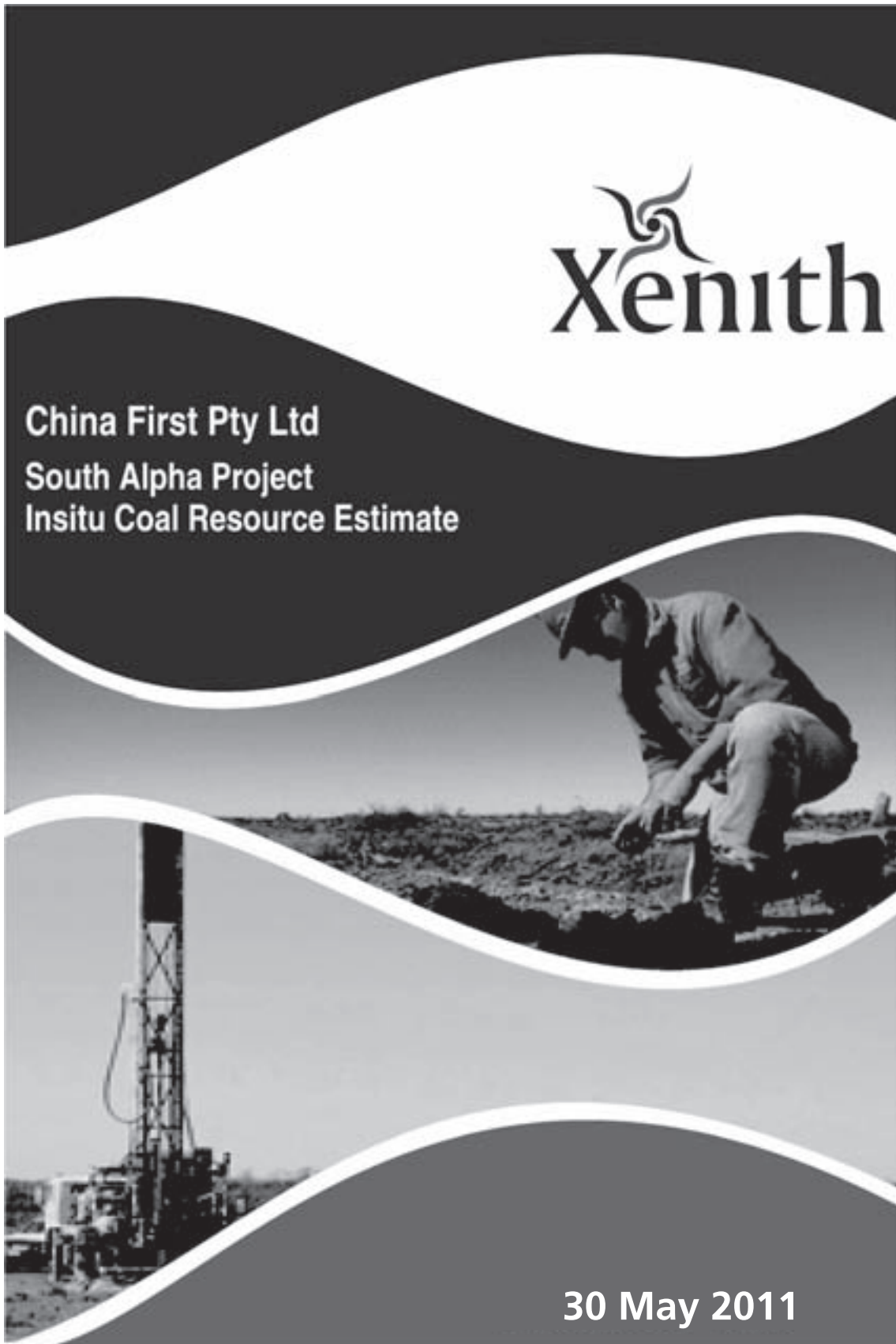
On the basis of the information comprising the Loss Forecast and on the bases and assumptions of the calculations and accounting policies adopted by you and reviewed by Ernst & Young, we are of the opinion that the Loss Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of

BOCI Asia Limited

Daniel Ng
Managing Director
Head of Corporate Finance
Vice Chairman,
Investment Banking Division

Kelvin Mak
Executive Director





Document Issue Approval

Project & Document No:	Date:
China First Pty Ltd – 0428WTAH	3.12.2010
Title:	Revision No:
South Alpha Project – Insitu Coal Resource Estimate	1
Client:	
China First Pty Ltd	

	Name	Position	Signature	Date
Prepared by:	Troy Turner	Manager - Resource Development	<i>T Turner</i>	3.12.2010
Reviewed by:	John Thrift	Director	<i>J Thrift</i>	3.12.2010
Approved by:	Ken Hill	Managing Director	<i>K Hill</i>	3.12.2010

Distribution

Organisation	Attention	No of hard copies	No of electronic copies	Actioned ¹
China First Pty Ltd	Clive Palmer	nil	1	

1 – To be initialed and dated by the person who actions the issue of the documents.

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1. EXECUTIVE SUMMARY

- The South Alpha Coal project is located in the Galilee Basin of Central Queensland, approximately 30 kilometres north-west of the township of Alpha.
- The deposit is within tenements EPC 1040 and EPC 1079 held by Waratah Coal.
- Xenith Consulting Pty Ltd has created a new geological model based on the updated data set provided by China First Pty Ltd up to 17th February 2010. The new model incorporates a seam ply naming convention to enable coal plies to be modelled separately which allows more detailed analysis of potential working sections in the open cut and underground mines.
- This report provides a Coal Resource Estimate in accordance with the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition*. The most recent previous estimate was conducted by Coffey Mining in June 2009.
- The target coal seams in the project area are found in the Late Permian age Bandanna Formation and the Colinlea Sandstone, and is known to be a low rank thermal type coal.
- The coal is found in 4 major seams — B, C, DU, DL with other thinner coal seams also existing but which are not included in the resource.
- As at 24th February 2010 the South Alpha deposit is estimated to contain a resource of 3.7 Billion tonnes.
- Of the total resource -
 - 2.0 Billion tonnes are classified in the Measured category,
 - 0.6 Billion tonnes in the Indicated category, and
 - 1.1 Billion tonnes are in the Inferred category.

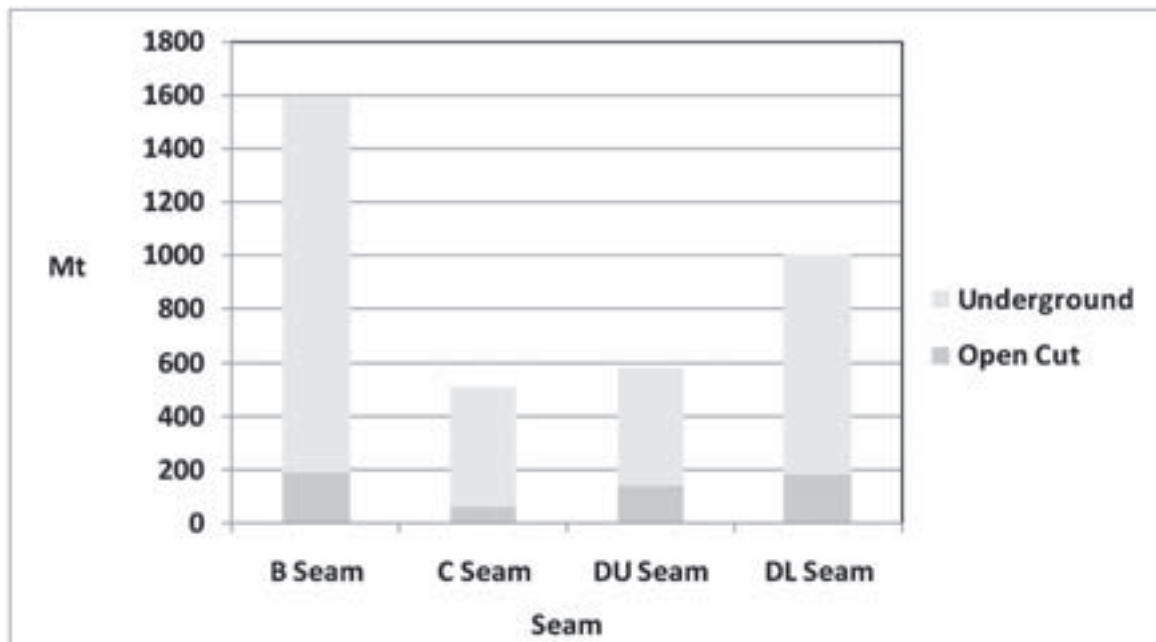
Summary results are shown in Table 1-1.

Table 1-1 — Resource Estimate Summary Results

Resource Category	Value	SEAM				Total
		B	C	DU	DL	Tonnes
		Feb-10	Feb-10	Feb-10	Feb-10	Feb-10
Measured	Volume (Mm ³)	572	159	264	294	
	Area (Ha)	9,685	11,400	13,651	12,276	
	Thickness (m)	5.10	1.40	1.94	2.40	
	Insitu Density (t/m ³)	1.62	1.38	1.38	1.40	
	Sub total Tonnes (Mt)	974	220	367	414	1,975
Indicated	Volume (Mm ³)	121	47	47	155	
	Area (Ha)	2,031	3,410	2,443	6,213	
	Thickness (m)	4.90	1.37	1.91	2.49	
	Insitu Density (t/m ³)	1.74	1.36	1.38	1.43	
	Sub total Tonnes (Mt)	219	64	65	221	569
Sub total Measured + Indicated	1,193	284	432	635	2,544	
Inferred	Volume (Mm ³)	197	165	114	261	
	Area (Ha)	3,343	10,939	6,331	11,463	
	Thickness (m)	4.69	1.51	1.80	2.26	
	Insitu Density (t/m ³)	1.87	1.36	1.34	1.42	
	Sub total Tonnes (Mt)	391	225	152	371	1,140
Grand Total Tonnes	1,584	509	584	1,006	3,684	

- It is estimated that 0.6 Billion tonnes are found within the conceptual open cut mine areas and the remaining 3.1 Billion tonnes are found in the underground areas. The resources per seam by mining type are presented in Figure 1-1.

Figure 1-1 — Resource Estimate Summary by Conceptual Mining Type



- Laboratory analytical results have been converted to a standardised moisture basis of 9% as per the previous resource estimates. All analytical results with the exception of product yield are presented at this moisture basis.
- Coal quality results show the total B seam to have the highest average raw ash of 44%, due to the inclusion of the banded top section of the seam. The C seam has an average raw ash of 15%, the DU seam 15% and the DL total section inclusive of the DLY and DLX stone bands averages 21%. When the DL stone bands are removed the average ash of the coal plies is reduced to a tight range from 15-17%.
- Raw specific energy ranges from 16 Mj/Kg to 25 Mj/Kg across the deposit.
- Product coal quality results have been determined at a single float sink cut point of F1.50.
- These float sink results show the B seams have much higher product ash values than the underlying C and D seams. The B seams have a product ash range from 15-20%, while the C seam averages 8.5%, the DU 8.5% and the DL approximately 8%.
- The B seams also have much lower laboratory yield results ranging from 37% for the B2 ply, to 74% for the B8 ply. If the B seam was considered as a total seam section (with stone bands included) the yield value is very low at 42%. The C and D seam laboratory yields are within a tight range of 74% to 84%.
- Product coal energy for the B seams are in the 22-24 Mj/Kg range, while for the C and D seams is 26-27Mj/Kg.

2. INTRODUCTION

2.1 Introduction

Xenith Consulting Pty Ltd (“Xenith”) has been commissioned by China First Pty Ltd (“China First”) to report an updated JORC compliant coal resource estimate for the South Alpha Coal project. The project is located in tenements EPC 1040 and EPC 1079, which are located approximately 30 kilometres north-west of the Alpha township in Central Queensland.

This report describes the methodology and results of the coal resource estimate as at 3rd December 2010, and incorporates all exploration results received up to 17th February 2010.

2.2 Scope of Work

This report provides a summary of the geological work undertaken and the results of the resource estimate based on the following scope of work -

- Review all drill hole data supplied by China First, including changes to the old data as well as new exploration data received.
- Creation of a new geological model with the updated data set, with particular emphasis on a seam ply naming convention to enable coal seams to be modeled as separate plies if necessary.
- Revise seam limits and other constraints parameters such as thickness and quality based on the new model, and
- Provide a Coal Resource Estimate based on the current geological model in accordance with the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition*.

2.3 Previous Studies

A number of previous published studies have been undertaken by Coffey Mining for China First on this area. The most recent Insitu Coal Resource Estimate completed by Coffey was in June 2009.

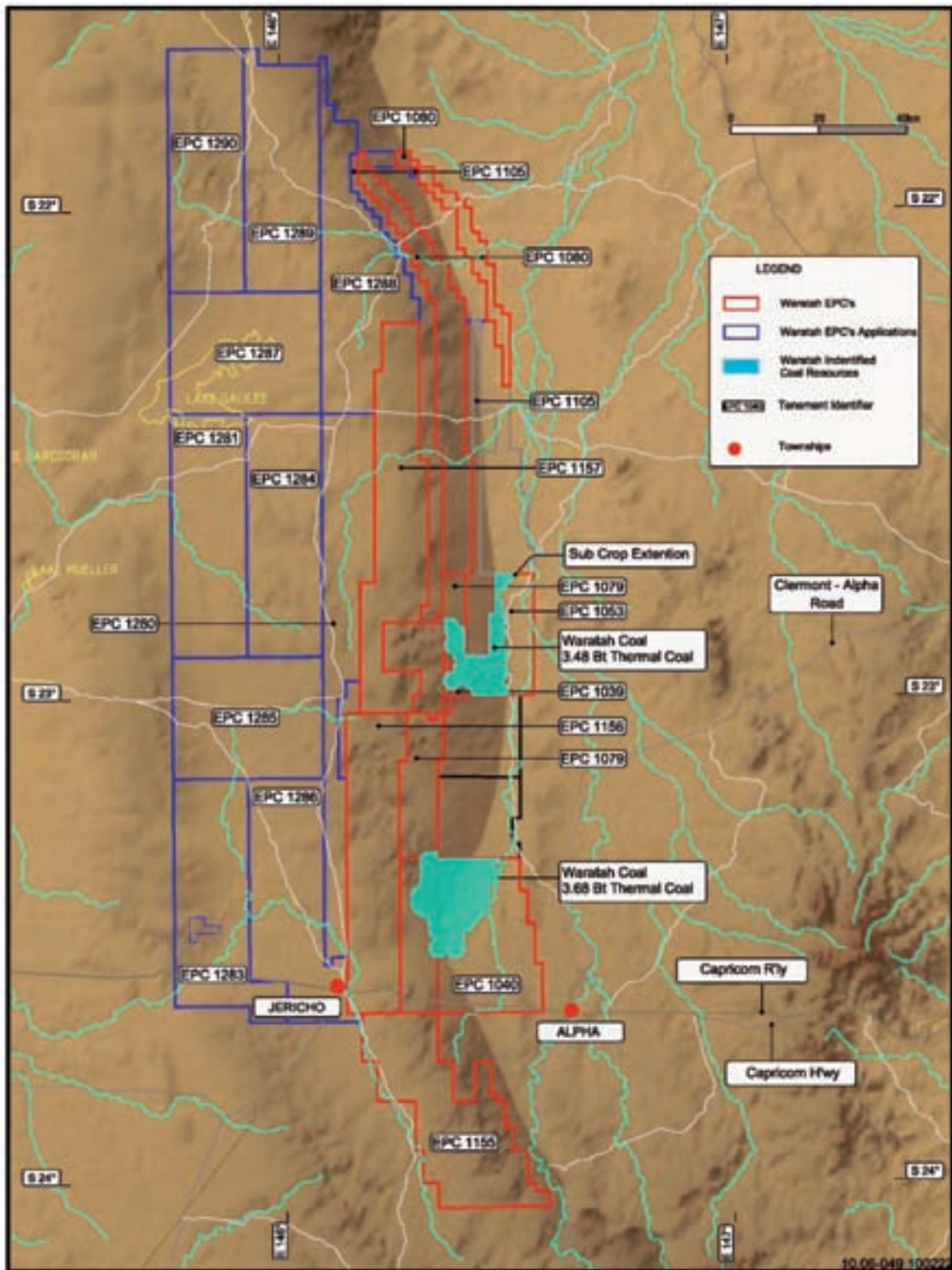
3. TENEMENT DETAILS

3.1 Deposit Location

The China First project is located in tenements EPC 1040 and EPC 1079, which are located approximately 30 Kms north-west of the Alpha township in Central Queensland. The Alpha township is in turn located approximately 150Km west of Emerald along the Capricorn highway.

The deposit location is shown in Figure 3-1.

Figure 3-1 - General Location and Tenement Plan



4. GEOLOGY

4.1 Topography and Drainage

The China First project area lies within an area that comprises generally flat grazing country with some gentle ridges in the Western section of the lease. The drainage of the site is to the north and east where the Belyando River is located which is part of the Burdekin River catchment.

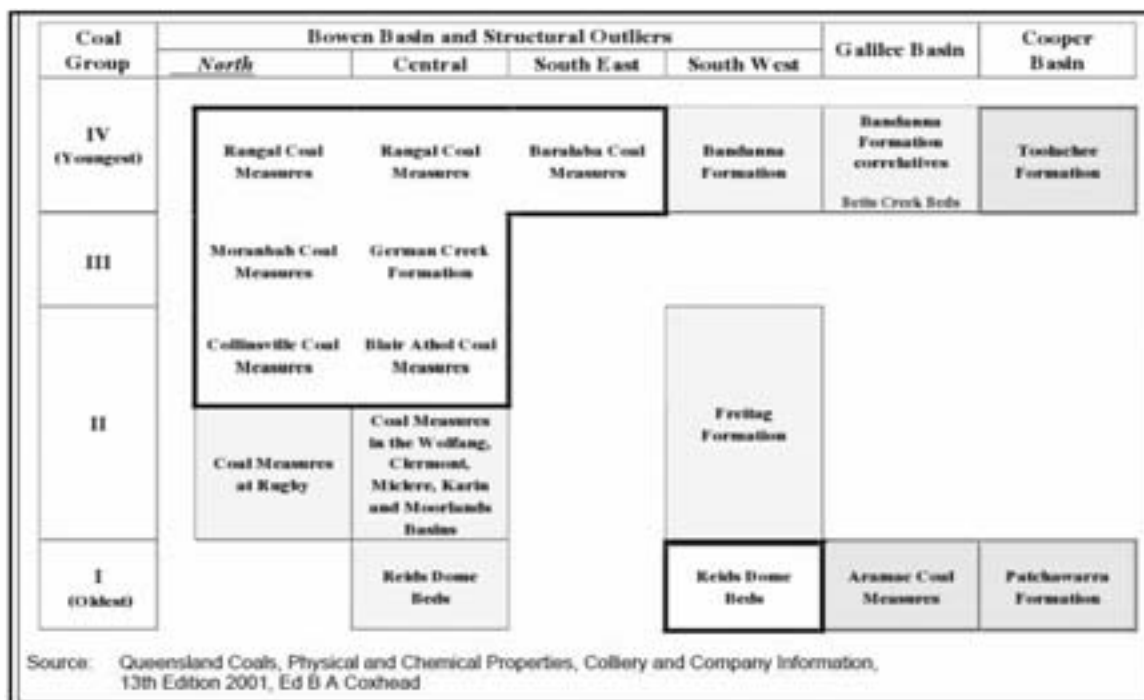
4.2 Basin Geology

The Galilee Basin is an intracratonic basin that covers approximately 247,000 km² in central Queensland. The maximum stratigraphic thickness is 2800 m and ranges from Late Carboniferous to Middle Triassic in age. The basin fill accumulated in alluvial plain environments and contains thick, widespread coal seams of Permian age. Permo-Triassic rocks are only exposed along the eastern margin of the basin with the remainder covered by fill of the Jurassic-Cretaceous Eromanga Basin. The Galilee Basin is connected to the Bowen Basin over the Springsure shelf south east of Alpha.

Coal seams are present in three Late Permian units of the Galilee Basin: the Colinlea Sandstone and overlying Bandanna Formation occur in the southern and NW parts of the basin; and the lateral equivalent of these two units, the Betts Creek Beds which exist in the northern section of the Galilee Basin near Pentland. Individual coal seams can attain thicknesses up to 20 m thick with an aggregate coal maximum thickness of 45 m developed in the western part of the Kiburra Trough.

The Basin geology is displayed in Figure 4-1.

Figure 4-1 — Galilee and Bowen Basin Schematic



4.3 Local Geology

The majority of the lease area is mantled by a sequence of unconsolidated Cainozoic sediments. The Cainozoic ranges in thickness from only a few metres up to approximately 90 metres in some central and eastern areas, and is comprised of unconsolidated sands, clays and silts which are generally red and yellow in colour and have been identified as partly lateritised in a number of areas. This formation overlies the Permo-Triassic sequence unconformably. The Cainozoic generally tends to thin towards the West

The Triassic sequence is unconformable on the Permian and in this area consists of the Rewan Formation with thicknesses of up to 200 metres of Triassic sediments penetrated in the deepest drill holes in the West of the lease. The Rewan Formation comprises interbedded grey-green, fine to medium-grained, lithic sandstone and grey-green mudstone.

The Late Permian sequence in the China First area is approximately 120-150 m thick and dominated by sandstones with coal seams and minor mudstone beds. Mudstone beds are generally thin and commonly carbonaceous, ranging in colour from dark grey through grey to fawn and brown. Fawn coloured carbonaceous mudstones are typically associated with coal seams, particularly in the B seam horizon.

The dip of the coal measures is very gentle at <1 degrees towards the west and appears to be free from any significant structures.

4.4 Coal Seam Geology

Coal seams occur in three (3) main seam groups in the project area.

They have been previously subdivided as follows -

- A and B seams in the Bandanna Formation
- C and D seams in the Colinlea Sandstone
- E and F seams tentatively allocated to the Colinlea Sandstone.

The geological sequence is displayed in Figure 4-5.

4.4.1 A Seam

The A seam only occurs in the far western parts of the deposit and as such hasn't been commonly intersected in the drilling to date. The A seam is generally poorly developed and contains a large percentage of carbonaceous mudstone partings. Maximum thickness of 1-2 metres is average for the A seam. The A seam is not included in the resource estimate.

4.4.2 B Seam

The B seam is the thickest seam in the South Alpha deposit, attaining a maximum thickness of 8 metres in drill hole W385155. The upper half of the B seam is highly banded with tuffaceous claystone/mudstone. This banding increases the raw ash of the upper part of the seam when compared to the lower part of the seam. The lower section of the seam is a lower ash section with >90% coal.

The B seam has been modelled as separate plies within the total seam based on the identified parting bands from the geophysical logs, and have been named as follows —

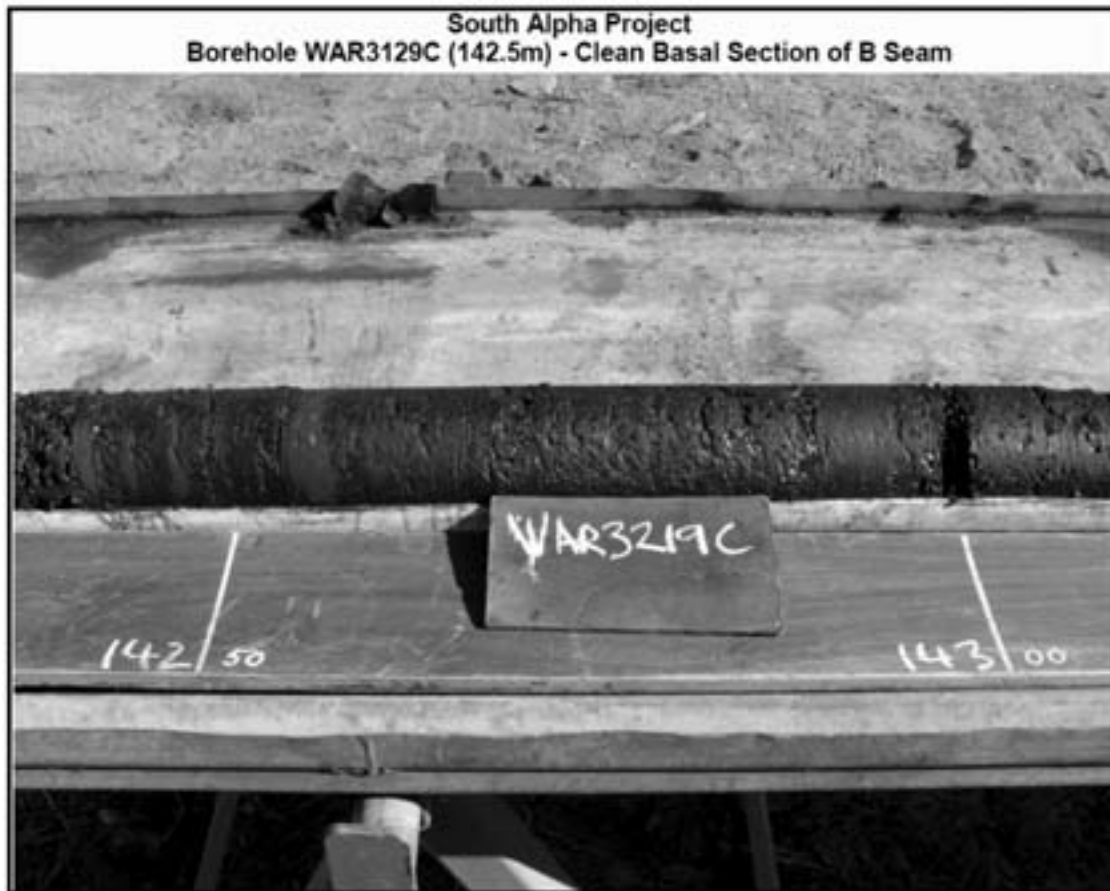
- B2 Seam — coal section with an average thickness of approximately 1.20m.
- B3 Seam — parting band with an average thickness of approximately 0.30m.
- B4 Seam — coal section with an average thickness of approximately 0.70m.
- B5 Seam — parting band with an average thickness of approximately 0.50m.
- B6 Seam — coal section with an average thickness of approximately 0.40m.
- B7 Seam — parting band with an average thickness of approximately 0.40m, and
- B8 Seam — thick coal section with an average thickness of approximately 2.70m. The B8 seam has been subset further into B81, B82 and B83 coal plies to allow for further analysis of the B underground working section if required.

Figures 4-2 and 4-3 display the upper and lower sections of the B seam.

Figure 4-2 — Photo of Upper Section of B seam in hole 3219C



Figure 4-3 — Photo of Lower Section of B seam in hole 3219C



4.4.3 C Seam

The C seam shows the greatest variability across the deposit with the thickness ranging from 0.25m up to a maximum of 2.50m. The seam has an upper section which is generally carbonaceous, and a lower part which is very bright low ash coal. The thickness of the seam is dependant on the transition of the upper part of the seam from being carbonaceous to being more coaly and adding to the overall thickness. The seam is poorly developed in a broad east west band in the northern part of the deposit with an average thickness of only 0.50m - 0.75m.

4.4.4 DU Seam

The DU seam lies between 5 and 15 metres below the C seam. The DU thickens towards the North and attains a maximum thickness of approximately 2.75m. The increased seam thickness is caused by the thickening of a number of carbonaceous bands in the middle of the seam which adversely affect the raw ash of the DU seam. The seam has very sharp roof and floor contacts and is easily identified on geophysical logs.

4.4.5 DL Seam

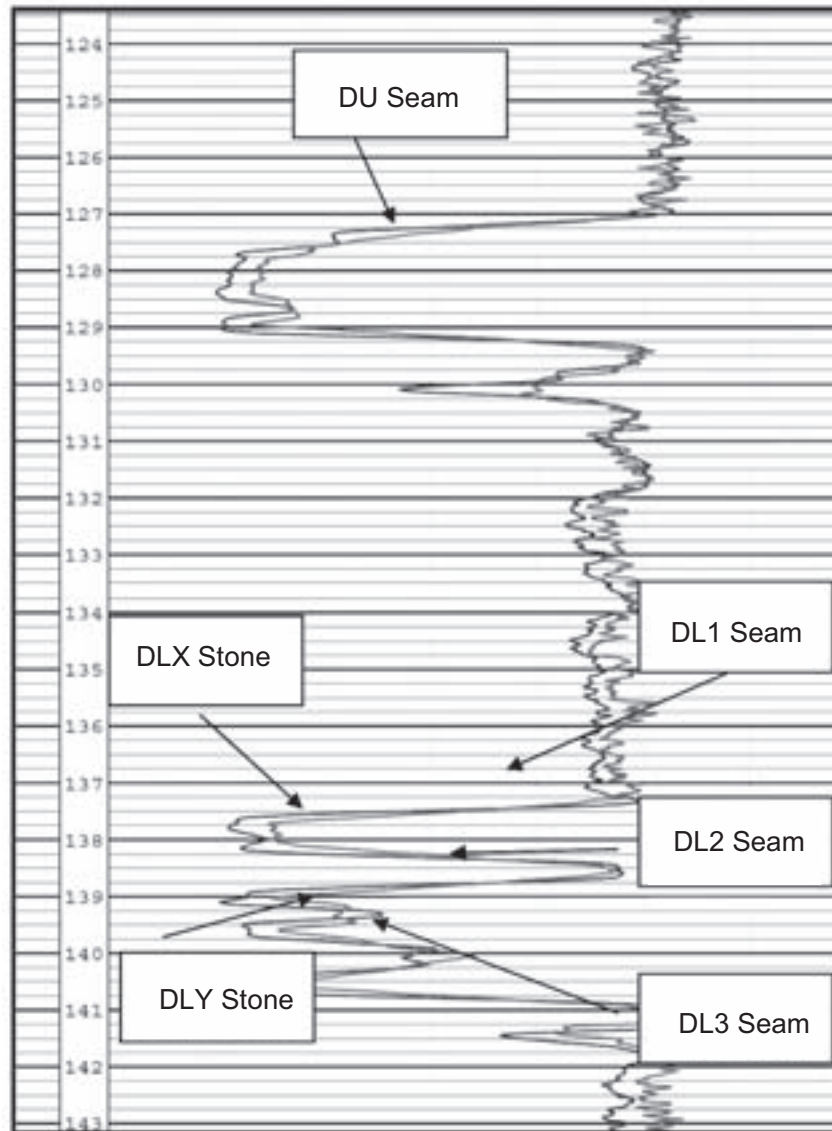
The DL seam lies between 8 and 15 metres below the DU seam. The total DL Seam attains a maximum thickness of 4.25m in the North East of the deposit. However due to the fact that the seam is made up of 3 coal bands and 2 parting bands it has been subdivided further as follows —

- DL1 Seam — coal ply with a thickness range of 0.10m ranging up to 0.90m in the North of the deposit.
- DLX Seam — stone band between the DL1 seam and the underlying DL2 seam. The DLX stone band has a thickness range of 0.15m to 0.75m and again this band shows thickening towards the North. The DLX band is described as average hardness carbonaceous mudstone.
- DL2 Seam — the thickest coal section of the DL total seam, with an average thickness of approximately 1.20m. The DL2 is at it's thickest in the South and West of the deposit.
- DLY Seam — stone band between the DL2 and underlying DL3 seam. The DLY stone band has a consistent average thickness of 0.25m with a slight thickening towards the West.
- DL3 Seam — the bottom coal section of the seam, with a thickness range from 0.50m in the South to 1.25m in the North of the deposit.

The cumulative coal only thickness of the DL seam ranges from 2.4m to 3.0m.

The coal and stone band relationships for the D seam are displayed in Figure 4-4 — Representative D Seam Section in Hole 3914C.

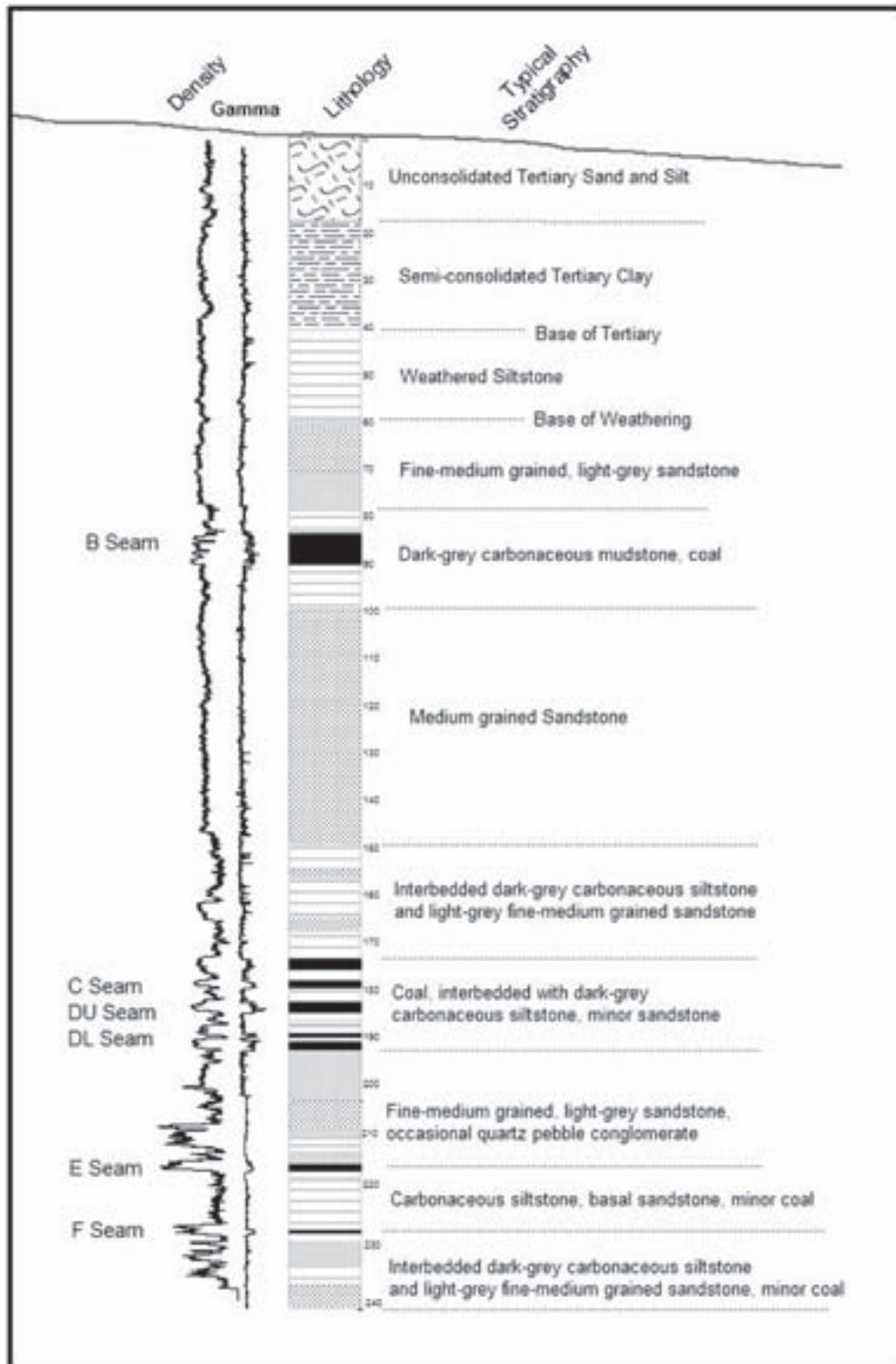
Figure 4-4 — Representative D Seam Section in Hole 3914C



4.4.6 E and F Seams

Both the E and F seams are approximately 1 metre thick and they generally lie approximately 15-20 metres below the DL seam. These seams are quite variable and split up depending on the area of the deposit. The E and F seams are only drilled through sporadically are not being considered for development at this stage and are not included in the resource estimate.

Figure 4-5 — Stratigraphic Column



4.5 Structural Interpretation

The general structure of the area shows a gradual gentle dip to the west with the seams sub-cropping along the eastern limit of the deposit. The 2 major seam subcrop lines the B and DL are separated by approximately 5,500 metres across the deposit.

No major faults are interpreted in the deposit, however smaller faults may exist but to determine their exact location further closer spaced drilling would be required.

The minimum overburden cover of the DL seam is approximately 40 metres near the eastern subcrop line and extends to a maximum of over 400 metres in the western part of the deposit.

The minimum overburden cover of the B seam is approximately 30 metres near the eastern subcrop line and extends to a maximum of over 300 metres in the western part of the deposit.

5. EXPLORATION DATA AND EVALUATION

5.1 Exploration Drilling History

Within the lease area the coal seams have been identified during previous exploration campaigns by the Bridge Oil Pty Ltd during scout drilling for coal resources in Queensland, conducted in the late 1970's. Waratah Coal and then China First have explored the leases since early 2007 and have drilled over 350 holes in total.

5.2 Exploration Data Summary

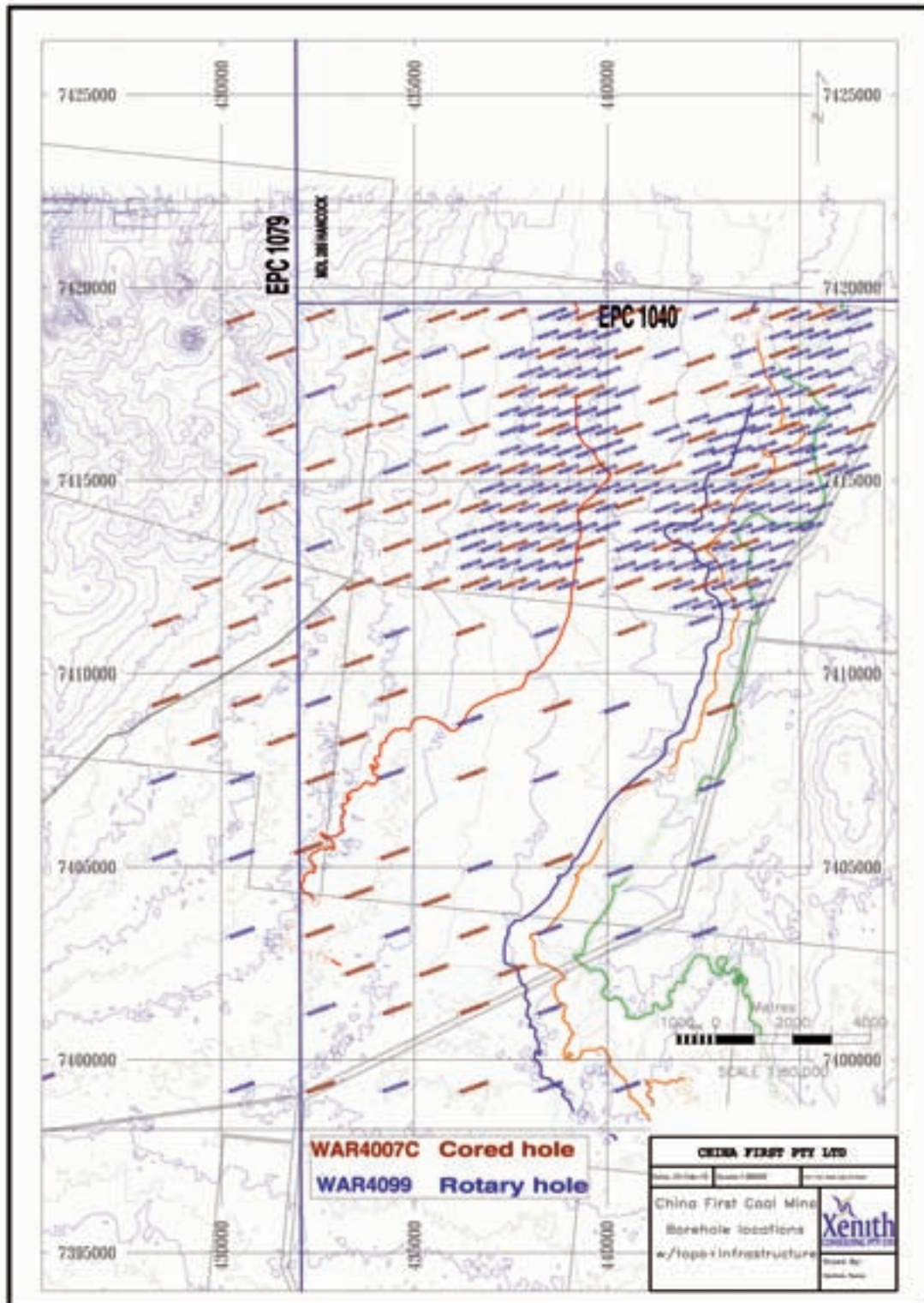
The current structural geological model is based on 334 drill holes, which are made up of 219 rotary chip holes and 115 partially cored holes.

The data is quite extensive with bore hole logs, geophysical logs, detailed descriptions and both raw and product coal quality data. The washability data that has been modelled was completed on a single Float/Sink cut point of F1.50.

All holes have been geophysically logged with a Density/Gamma/Caliper tool.

Bore holes and topography of the project area are displayed in Figure 5-1.

Figure 5-1 — Borehole Location Plan



5.3 Core Sampling Methodology

Core holes have been generally sampled on a ply basis. The plies have sometimes then been combined if required to give a seam sample for analysis. Generally any parting bands greater than 0.30 metre was sampled separately to allow these to be modelled as discreet parting zones in the geological model. However, some drill holes haven't been sampled into plies but instead sampled into major seams and not all of these samples have been used in the quality model due to the quality intervals not matching up to the modelled geological intervals.

Stone bands that were not sampled but discarded at the drill site have had default qualities applied to the interval to allow working section quality calculations if required.

5.4 Topography Surface and Survey Data

All drill holes have been periodically surveyed in batches throughout the life of the project with the latest survey pickup undertaken on the 19th December 2009.

The horizontal coordinates were surveyed in MGA94 (UTM) Zone 55 datum, and the vertical coordinates were surveyed in AHD.

The topographic surface used in the geological model is based on a Lidar radar flyover at 30m x 30m spacing across the site, carried out in mid 2009. The surface was validated against the surveyed borehole data and although shows some inconsistencies which are believed to result from heavy scrub country in the North of the lease, the majority of the drillholes are within acceptable limits to be used, generally +/- 2 metres.

5.5 Geological Model Parameters

The geological model is created in Mincom "Minescape" software.

The model is based on all relevant drillholes as discussed previously, with the Finite Element Method (FEM) interpolator used for Thickness, Surface and Trend characteristics. A grid cell size of 50 metres was used for this model.

The base of weathering surface has been applied as the uppermost limit parameter for the coal resource calculations.

The new geological model has been based on a seam naming convention with a parent-child relationship to allow working section assessments of the underground and open cut areas. The seam naming structure in the model is displayed in Figure 5-2.

Figure 5-2 — Model Seam Naming Convention



5.6 Geological Model Results

The final geological model for the project was built on the 19th February 2010. The model has included the 334 holes.

Results from the structural geological model shows the B seam to be the thickest coal seam in the sequence with an average thickness of 6.15 metres.

The C seam shows the greatest variability in the deposit and in most cases the upper part of the seam is carbonaceous and has therefore the upper part has been excluded from any resource classification. The C seam has an average thickness of 1.37m.

The DU and DL seams range from 2.0m — 3.5m in thickness with a general increase in thickness towards the North.

Results from the geological model show the following average coal seam thicknesses for each of the seams included in the Resource Estimate are —

Table 5-1 — Average Seam Thickness Results from Model

Coal Seam	Average Thickness in model (m)
B2	1.26
B3	0.32
B4	0.72
B5	0.46
B6	0.44
B7	0.36
B8	2.59
B total	6.15
C5	1.37
DU	2.03
DL1	0.62
DLX	0.62
DL2	1.21
DLY	0.14
DL3	0.71
DL total	3.30
Sum	12.85

(Note - Sum of thickness relates to Seams with values bolded in black)

Graphical output of the structural model is contained in the plots Appendix with plots of seam and overburden thickness and structure floor contours for the various seams and surfaces.

6. COAL QUALITY MODEL AND RESULTS

6.1 Quality Model

All coal samples taken from the drilling program were double bagged at the drill site and were sent to the laboratory to be analysed for proximate analysis, relative density, specific energy and total sulphur and results have been reported at an air dried moisture basis (adb). A correction has been made to take results to a standardised moisture basis of 9% as per the previous resource estimates.

With the quality results on a standard moisture basis the quality was composited against the structural seam intervals to calculate values for each quality parameter of the sampled seam in the core holes. A small tolerance of 0.15m was applied to the model to allow for sampling overlaps that have occurred — eg. B2 and B3 seams sampled together instead of separately.

Results included in this report are both raw coal and product coal results, with the product coal results determined from float sink testing at a F1.50 fraction. Not all core holes that have completed raw coal analysis have completed product coal analysis also, with numerous samples still at the laboratory.

Graphical output of the quality model is contained in the plots Appendix, with plots of the various seams quality parameters.

6.2 Raw Quality Results

Model results show the total B seam to have the highest average raw ash of 44%, due to the inclusion of the banded top section of the seam. It can also be seen from the results that when the stone bands are removed the ash of the coal plies reduces to a range of 28% for the B8 seam to 42% for the B2 seam.

The C seam has an average raw ash of 15%, the DU seam 15% and the DL total section inclusive of the DLY and DLX stone bands averages 20%. When the DL stone bands are removed the average ash of the coal plies is reduced to a tight range from 15-17%.

Raw specific energy ranges from 16 Mj/Kg to 25 Mj/Kg across the deposit.

Total raw sulphur results show some variation and lie in a range from 0.30% to 1.15%.

Raw coal qualities are presented in Table 6-1 — Average Raw Quality Results from Model.

Table 6-1 — Average Raw Quality Results from Model

Coal Seam	Relative Density (Insitu)	Average Raw Ash % @ 9% Moist.	Raw Total Sulphur % @ 9% Moist.	Raw Specific Energy (Mj/KG) @ 9% Moist.	Applicable Area
B2	1.59	41.7	1.00	15.62	Opencut
B4	1.43	24.2	0.46	21.41	Opencut
B6	1.50	31.2	0.36	18.91	Opencut
B8	1.46	25.0	0.44	20.82	Opencut
B8	1.48	27.6	0.39	19.86	UG Working Section
B total (B2 to B8 inclusive of stone bands)	1.83	44.6	0.29	14.13	Total Deposit
CS	1.37	15.0	0.66	24.63	Opencut
CS	1.37	14.2	1.15	24.84	Underground
DU	1.39	16.4	0.65	24.07	Opencut
DU	1.37	13.7	0.59	25.09	Underground
DL1	1.38	15.4	0.58	24.53	Opencut
DL2	1.40	17.7	0.56	23.67	Opencut
DL3	1.40	17.0	0.53	24.00	Opencut
DL	1.42	20.1	0.45	22.31	UG Working Section

6.3 Product Quality Results

Product Air Dried Moisture results show a range from 7-9%.

Model results show that the B seams have much higher product ash values than the underlying C and D seams. The B seams have a product ash range from 15-20%, while the C seam averages 8.5%, the DU 8.5% and the DL 8%.

The B seams also have much lower laboratory yield results ranging from 37% for the B2 ply, to 74% for the B8 ply. If the B seam was considered as a total seam section (with stone bands included) the yield value is very low at 42%. The C and D seam laboratory yields are within a tight range of 74% to 84%.

Product total sulphur values are generally found to be less than the raw total sulphur results indicating the sulphur types are amenable to washing to reduce their levels. Average product sulphur across all seams in the deposit is 0.52%.

Product coal energy for the B seams are in the 22-24 Mj/Kg range, while for the C and D seams is 26-27Mj/Kg at a 9% moisture basis.

Product coal qualities are displayed in Table 6-2 — Average Product Quality Results from Model.

Table 6-2 — Average Product Quality Results from Model

Coal Seam	Laboratory		Product Ash % @ 9% Moist.	Product Total Sulphur % @ 9% Moist.	Product Specific Energy (Mj/KG) @ 9% Moist.	Applicable Area
	Product Air Dried Moisture %	Product Yield (F1.50) adb				
B2	7.8	36.6	20.6	0.92	22.40	Opencut
B4	7.8	71.4	17.7	0.81	23.52	Opencut
B6	7.6	43.8	19.6	0.40	22.81	Opencut
B8	8.3	74.0	15.7	0.38	24.15	Opencut
B8	6.6	62.5	16.8	0.36	23.53	UG Working Section
B total (B2 to B8 inclusive of stone bands)	6.9	41.6	17.6	0.39	23.26	Total Deposit
C5	9.4	84.7	8.7	0.63	26.42	Opencut
C5	7.5	85.8	8.4	0.90	26.69	Underground
DU	8.5	74.4	9.0	0.62	26.22	Opencut
DU	7.3	82.3	7.5	0.52	27.08	Underground
DL1	7.1	83.6	8.9	0.52	26.49	Opencut
DL2	7.4	79.6	7.3	0.52	27.00	Opencut
DL3	8.1	81.4	7.1	0.53	26.97	Opencut
DL	6.7	75.8	7.3	0.44	27.21	UG Working Section

6.4 Total Moisture and Insitu Density

Due to the fact that the South Alpha coal is a low rank high moisture coal it is important that the relative density of the coal seams are corrected to account for the dilution of the density caused by the extra moisture insitu compared to the laboratory air dried density. The insitu density of the coal seams has been adjusted using the Preston Sanders calculation. An insitu moisture basis of 16% has been used for all seams to correct the relative density result from the laboratory.

7. COAL RESOURCE ESTIMATION

7.1 JORC Code Requirements

Coal Resources have been determined in a manner consistent with the “*Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ~ The JORC Code ~ 2004 Edition*” (*the Code*) and the associated 2003 edition of “*Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves*” (*the Guidelines*).

The code outlines minimum standards and includes guidelines to standardise terminology for reporting and checklists for criteria to be considered when reporting mineral exploration results.

The guidelines give definitions of the types of data points that can be used at different confidence levels to define resource categories as outlined below -

Measured Coal Resources being that part of the resource estimate in which the quantity and quality can be estimated with a high level of confidence. There are sufficient data points to reliably estimate coal extent, thickness, depth range, insitu quantity and quality. This level of confidence is high enough to support detailed mine plans.

Indicated Coal Resources being that part of the resource estimate in which the quantity and quality can be estimated with reasonable levels of confidence. There are sufficient data points to reasonably estimate coal extent, thickness, depth range, insitu quantity and quality.

Inferred Coal Resources being that part of the resource estimate that can only be estimated with a low level of confidence. There are sufficient data points to allow an estimate of the coal thickness and quality, but are at a level which is insufficient for mine planning purposes.

7.1.1 Observation Points

Valid points of observation for this estimate are —

- slim core holes that have been geophysically logged,
- have acceptable core recovery results (>90%), and
- have raw ash and relative density quality results as a minimum.

7.1.2 Measured Category

Resource categories qualify for measured status where points of observation are no more than 1400m apart. Measured resources are extrapolated a maximum of 700 metres beyond a point of observation. The 1400m distance was determined from the China First drilling pattern design which is essentially a diamond pattern, with the option of placing a hole in the middle of the diamond in the future to tighten the spacing to 1000 metres between core holes.

A minimum of three adjacent points of observation are required to define any measured resources. The zones of influence around each point were based on 700 metre radii and these zones had to touch or overlap to be included.

7.1.3 Indicated Category

Resource categories qualify for indicated status where points of observation are no more than 2000m apart. Indicated resources are extrapolated a maximum of 1000 metres beyond a point of observation.

A minimum of three adjacent points of observation are required to define any indicated resources. The zones of influence around each point were based on 1000 metre radii and these zones had to touch or overlap to be included. Indicated resources are contained within the limits of the inferred resource area for each coal seam.

7.1.4 Inferred Category

Resource categories qualify for inferred status where points of observation are no more than 4000m apart. Inferred resources have been extrapolated a maximum of 2000 metres beyond a point of observation.

7.2 Resource Estimate

Overall the China First project contains a JORC compliant resource of 3.7 Billion tonnes.

- A total measured resource of 2.0 Billion tonnes.
- A total of 0.6 Billion tonnes in Indicated status, and
- The remaining 1.1 Billion tonnes in Inferred status.

Coal resource tonnage results are summarised in Table 7-1.

Table 7-1 — Resource Estimate Summary Results

Resource Category	Value	SEAM				Total Tonnes
		B	C	DU	DL	
		Feb-10	Feb-10	Feb-10	Feb-10	
Measured	Volume (Mm ³)	572	159	264	294	
	Area (Ha)	9,685	11,400	13,651	12,276	
	Thickness (m)	5.10	1.40	1.94	2.40	
	Insitu Density (t/m ³)	1.62	1.38	1.38	1.40	
	Sub total Tonnes (Mt)	974	220	367	414	1,975
Indicated	Volume (Mm ³)	121	47	47	155	
	Area (Ha)	2,031	3,410	2,443	6,213	
	Thickness (m)	4.90	1.37	1.91	2.49	
	Insitu Density (t/m ³)	1.74	1.36	1.38	1.43	
	Sub total Tonnes (Mt)	219	64	65	221	569
Sub total Measured + Indicated		1,193	284	432	635	2,544
Inferred	Volume (Mm ³)	197	165	114	261	
	Area (Ha)	3,343	10,939	6,331	11,463	
	Thickness (m)	4.69	1.51	1.80	2.26	
	Insitu Density (t/m ³)	1.87	1.36	1.34	1.42	
	Sub total Tonnes (Mt)	391	225	152	371	1,140
Grand Total Tonnes		1,584	509	584	1,006	3,684

It can be seen from the results that the B seam makes up 43% of the total resource with a total of 1.6 Billion tonnes. The DL seam contributes a further 1.0 Billion tonnes, the DU is next with 0.6 Billion tonnes and the C seam contributes 0.5 Billion tonnes.

The total measured plus indicated subset is 2.5 Billion tonnes which is approximately 69% of the total insitu resource.

The A, E and F seams do not contribute any tonnes to the resource estimate due to the fact they are only occasionally drilled through and are generally thin and poor quality.

7.3 Classification by Conceptual Mining Method

China First have provided Xenith with a conceptual mine layout for use in the resource estimate. The mine layout shows two main open cut mines with one exploiting the B seam from its subcrop line and the other exploiting the C, DU and DL seams generally starting on the DL seam subcrop.

The layout essentially provides the down dip limits for the open cut resources of the B seam and the C, DU and DL group of seams with a barrier designed between the open cut and the underground long wall mines, which are planned to be directly down dip of the open cut pits.

Figure 7-1 — B Seam Conceptual Mine Layout

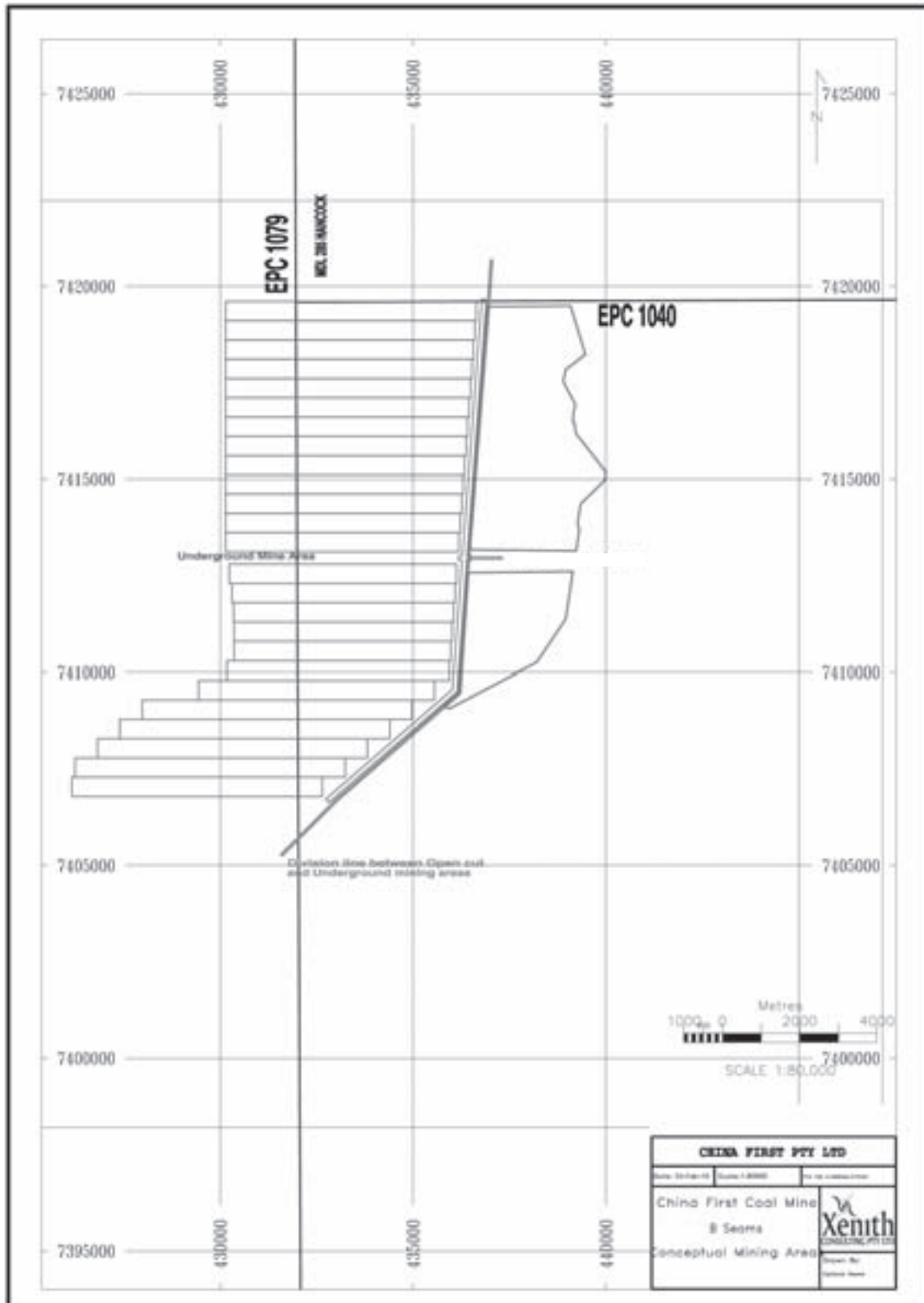
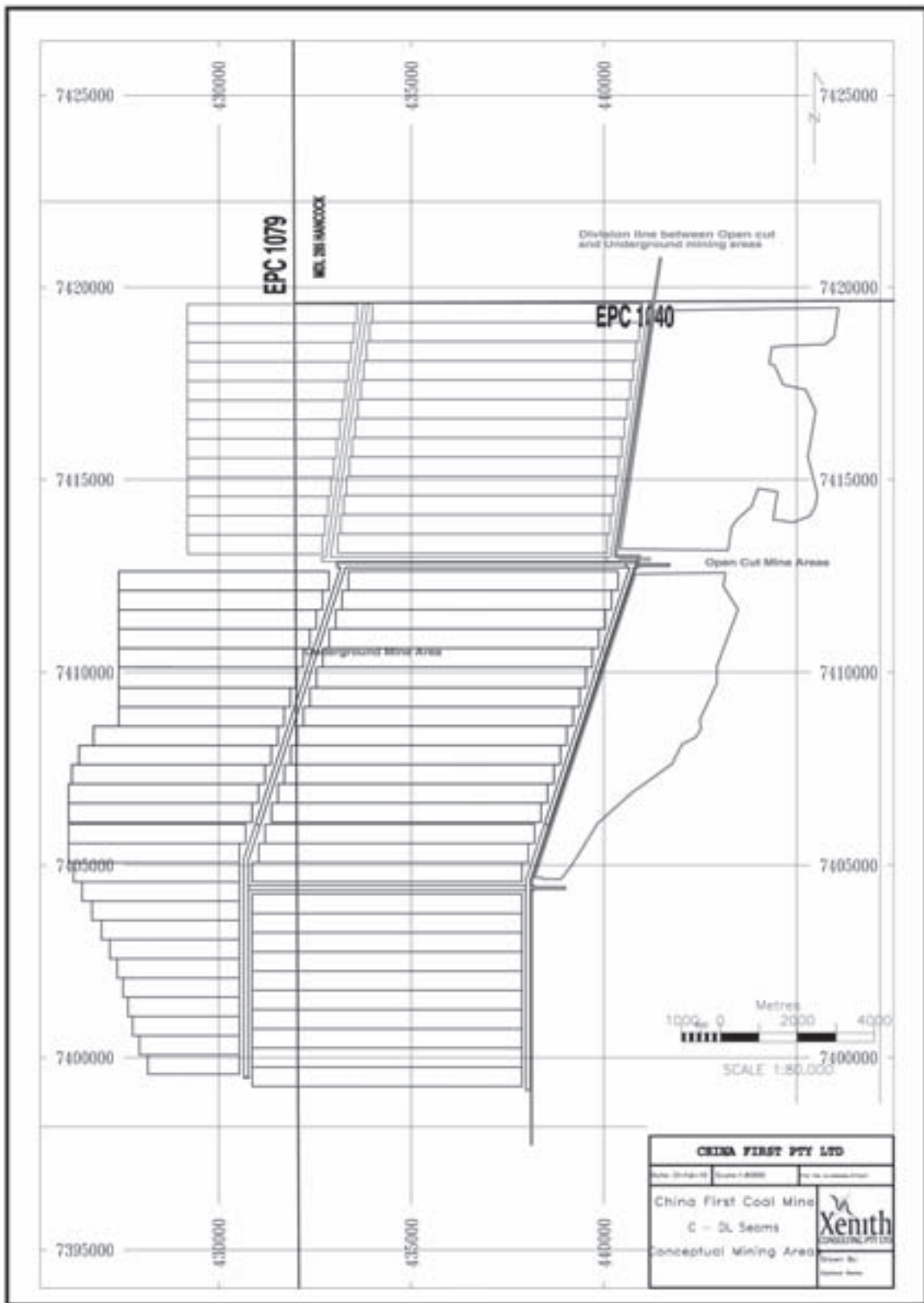


Figure 7-2 — D Seam Conceptual Mine Layout



Resources have been classified against the two mining categories and are presented in Table 7-2. The relevant limit parameters have been applied at this stage when determining the resources within each mining area.

Table 7-2 — Resource Estimate Summary by Conceptual Mining Type

Resource Category	Value	SEAM											Total Tonnes (Mt)		
		B			C			DU			DL				
		OPEN CUT	U/G	TOTAL	OPEN CUT	U/G	TOTAL	OPEN CUT	U/G	TOTAL	OPEN CUT	U/G	TOTAL	OPEN CUT	U/G
Measured . . .	Volume (Mm ³)	105	467		21	139		48	217		87	207			
	Area (Ha)	2,033	7,651		1,791	9,609		2,010	11,641		3,279	8,997			
	Thickness (m)	5.10	6.11		1.15	1.44		2.37	1.86		2.65	2.30			
	Insitu Density (t/m ³)	1.494	1.750		1.380	1.380		1.414	1.379		1.386	1.419			
	Sub total Tonnes (Mt)	156	818	974	28	192	220	67	300	367	121	293	414	372	1,603
Indicated . . .	Volume (Mm ³)	10	111		3	44		21	25		3	152			
	Area (Ha)	194	1,837		200	3,211		859	1,584		118	6,095			
	Thickness (m)	4.90	6.06		1.63	1.36		2.50	1.59		2.16	2.49			
	Insitu Density (t/m ³)	1.499	1.840		1.386	1.360		1.431	1.353		1.382	1.429			
	Sub total Tonnes (Mt)	14	205	219	5	59	64	31	34	65	4	218	221	53	516
Sub total Measured + Indicated		170	1,023	1,193	33	251	284	98	334	432	124	511	635	425	2,119
Inferred. . .	Volume (Mm ³)	14	183		22	144		33	81		42	219			
	Area (Ha)	292	3,051		1,167	9,773		1,626	4,705		2,036	9,427			
	Thickness (m)	4.69	5.99		1.87	1.47		2.00	1.73		1.92	2.32			
	Insitu Density (t/m ³)	1.494	2.020		1.363	1.360		1.340	1.340		1.418	1.421			
	Sub total Tonnes (Mt)	22	370	391	30	195	225	44	109	152	59	312	371	154	986
Total Tonnes per seam.		191	1,393	1,584	63	446	509	142	442	584	183	823	1,006	579	3,105
Grand Total Tonnes															<u>3,684</u>

The resource estimate by conceptual mining type shows a total open cut resource of 579 Mt, and an underground resource of 3,105 Mt.

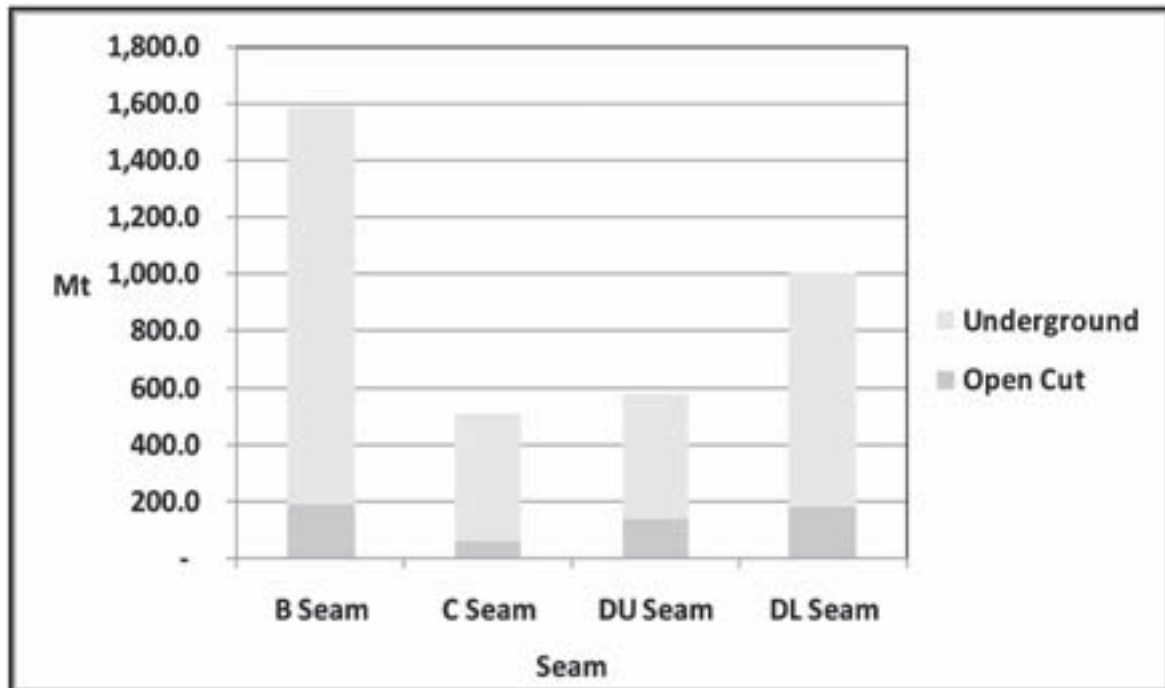
Of the total 579 Mt open cut resource, 425 Mt (73% of total) lies in the combined measured and indicated categories.

Of the total 3,105 Mt underground resource, 2,119 Mt (68% of total) lies in the combined measured and indicated categories.

This evaluation shows that the exploration core drilling has been carried out to a slightly greater density in the open cut areas when compared to the underground areas.

The resource of 579 Mt contained within the open cut areas equates to 16% of the total resource, with the remaining 84% of the resource existing in the underground areas.

Figure 7-3 — Resource Estimate Summary by Conceptual Mining Type



7.4 Resource Limit Parameters

Open cut coal resources were limited to coal seams greater than 0.30m thickness.

Underground coal resources were limited to seams with a thickness of 1.00m or greater. For the DL seam a working section constraint was also applied to reflect the interaction of the top coal band DL1 and the underlying stone band DLX. This constraint excluded DL1 coal and DLX stone from the resource estimate in areas where the DLX band was greater than 0.30m and the ratio of coal to stone was less than 2:1. There is a distinct area where this limit applies in the centre of the DL underground area and here the underground resources are contained in the DL2, DLY and DL3 seams.

A maximum raw ash cut off of 50% ash was also applied to both open cut and underground resources.

Seam subcrop lines were created during the modeling process and all seams are truncated at the Base of Weathering surface in the resource estimate.

The coal seam resource areas are presented in Figures 7-4 to 7-11.

Figure 7-4 — B2 Seam Resource Areas

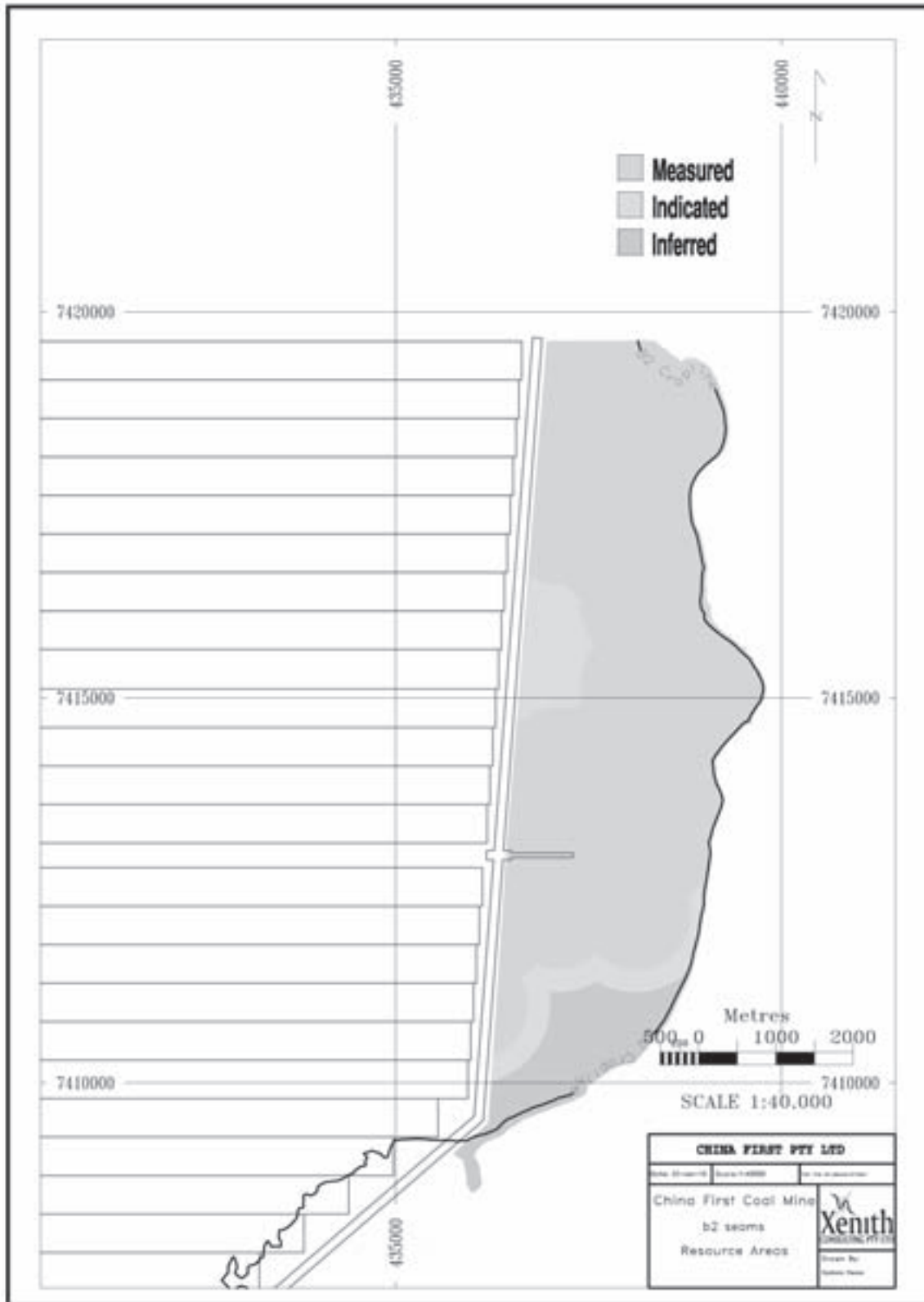


Figure 7-5 — B4 Seam Resource Areas

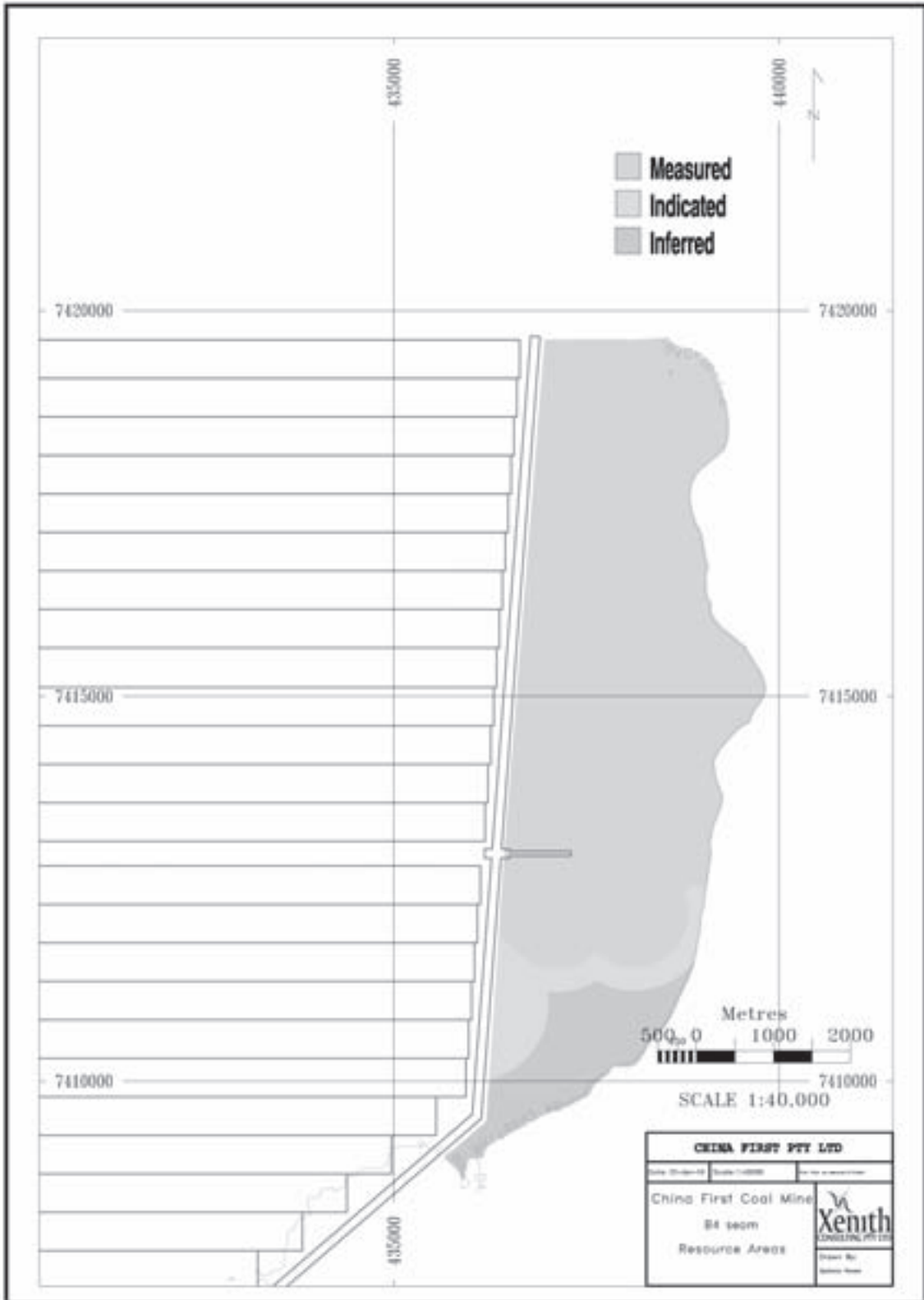


Figure 7-6 — B6 Seam Resource Areas

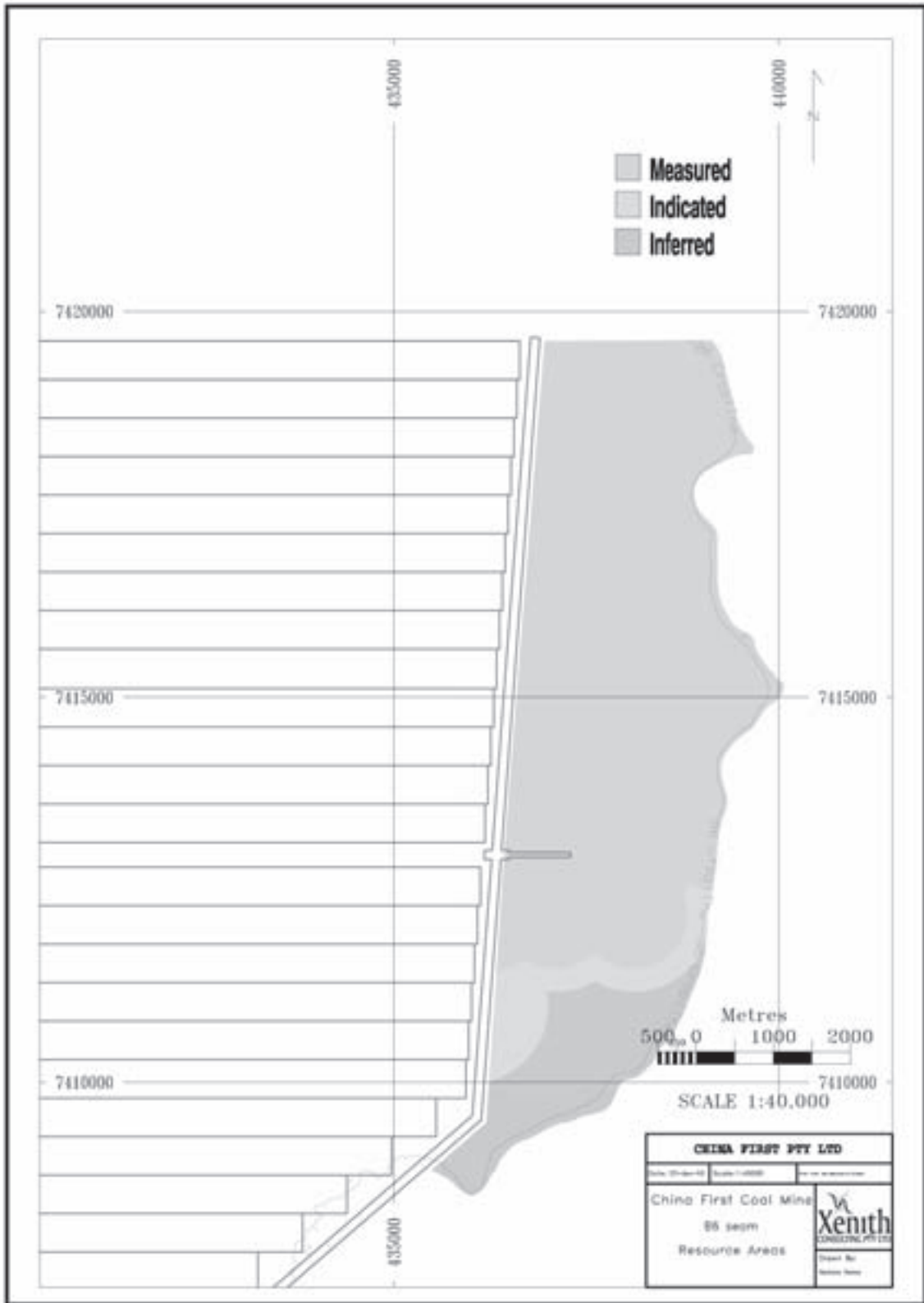


Figure 7-7 — B8 Seam Resource Areas

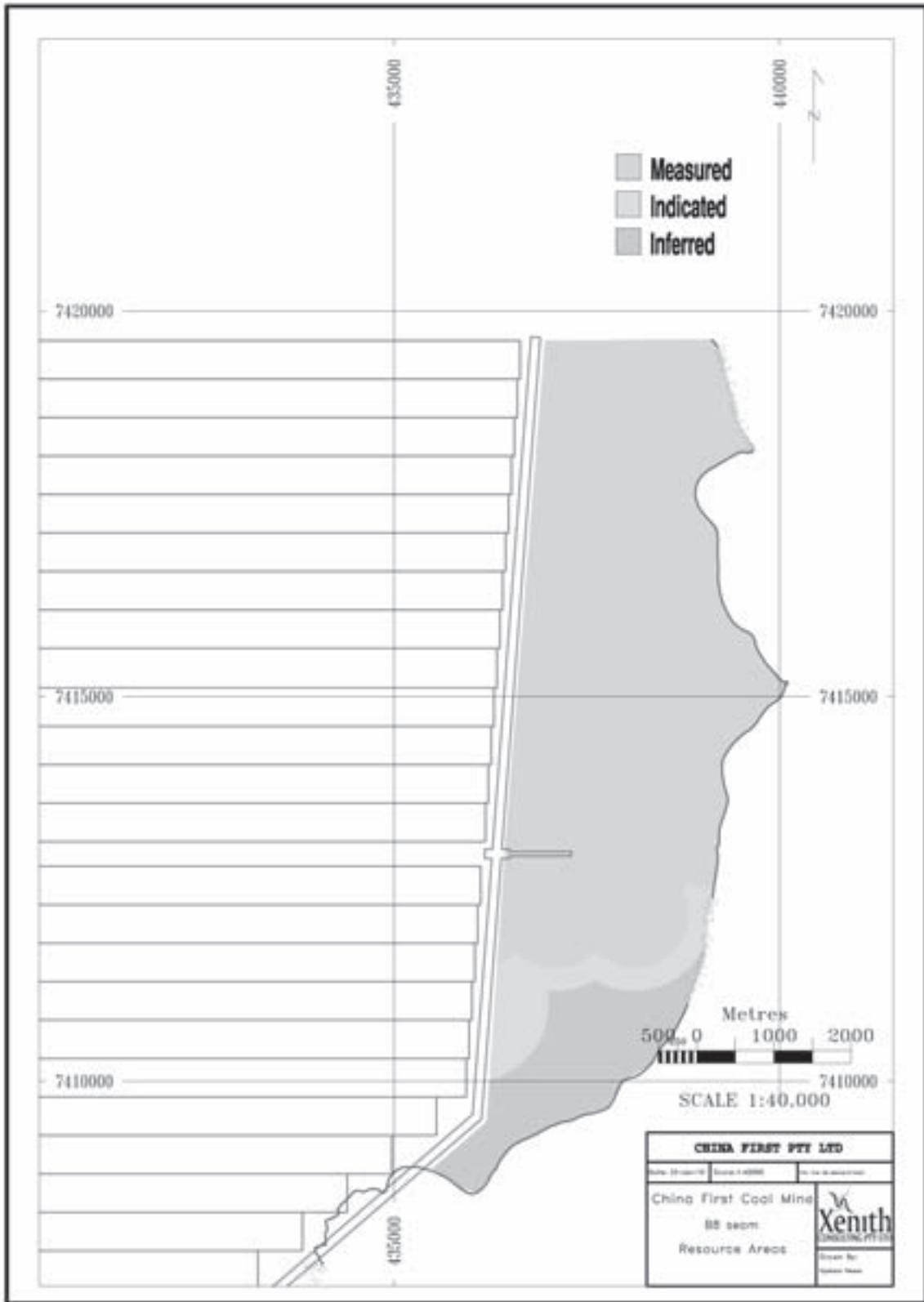


Figure 7-8 — Full B Seam Resource Areas

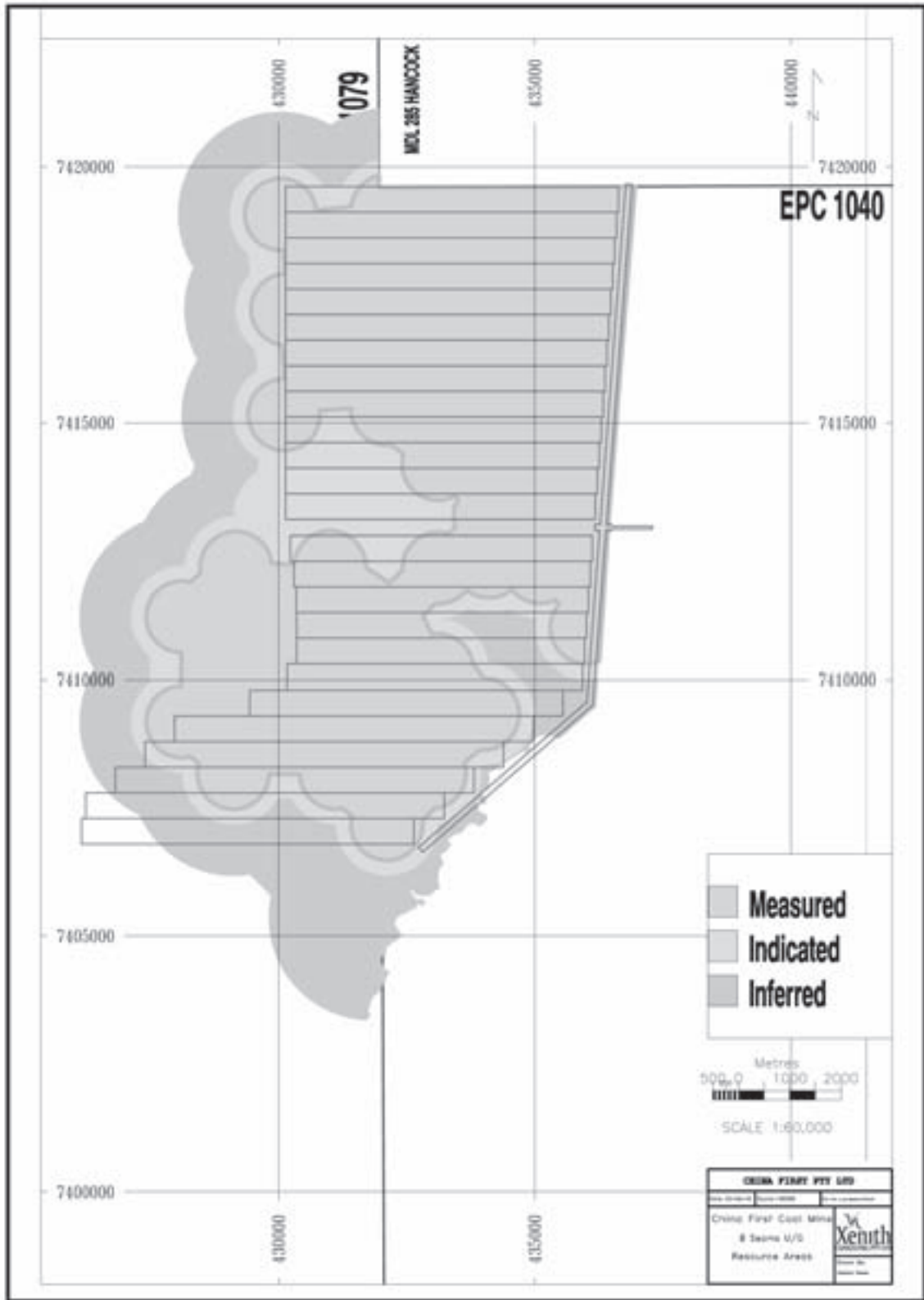


Figure 7-9 — C Seam Resource Areas

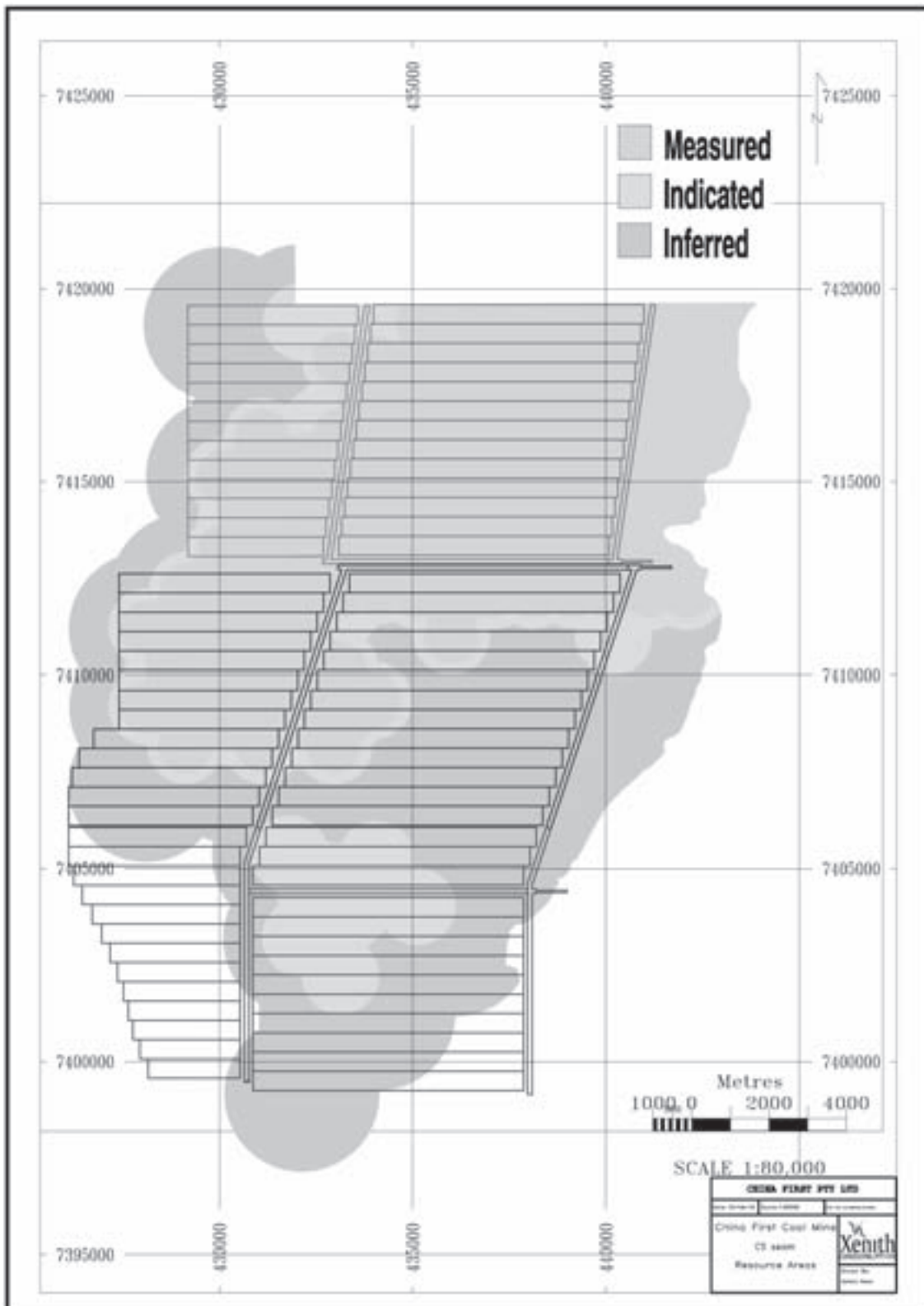


Figure 7-10 — DU Seam Resource Areas

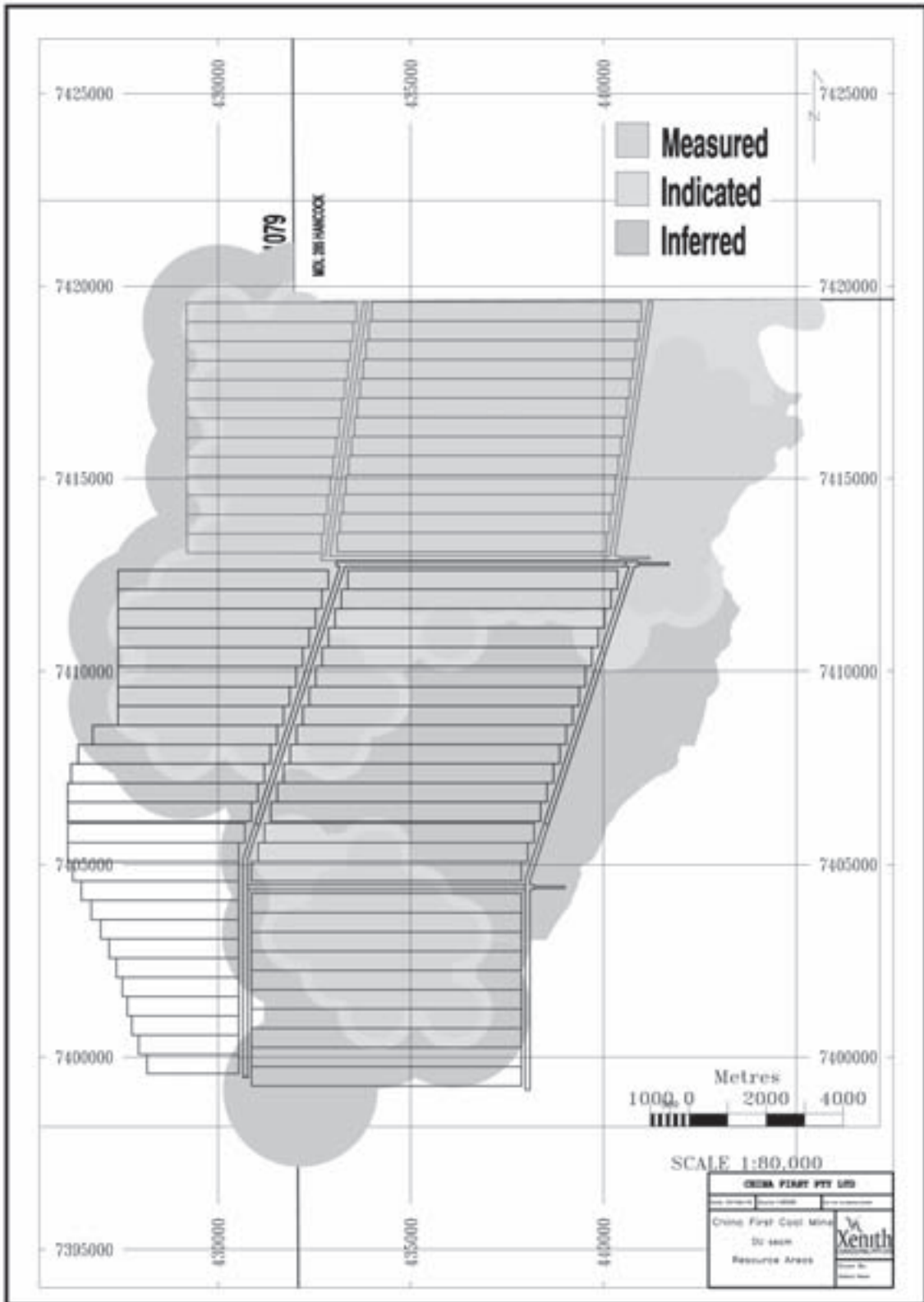
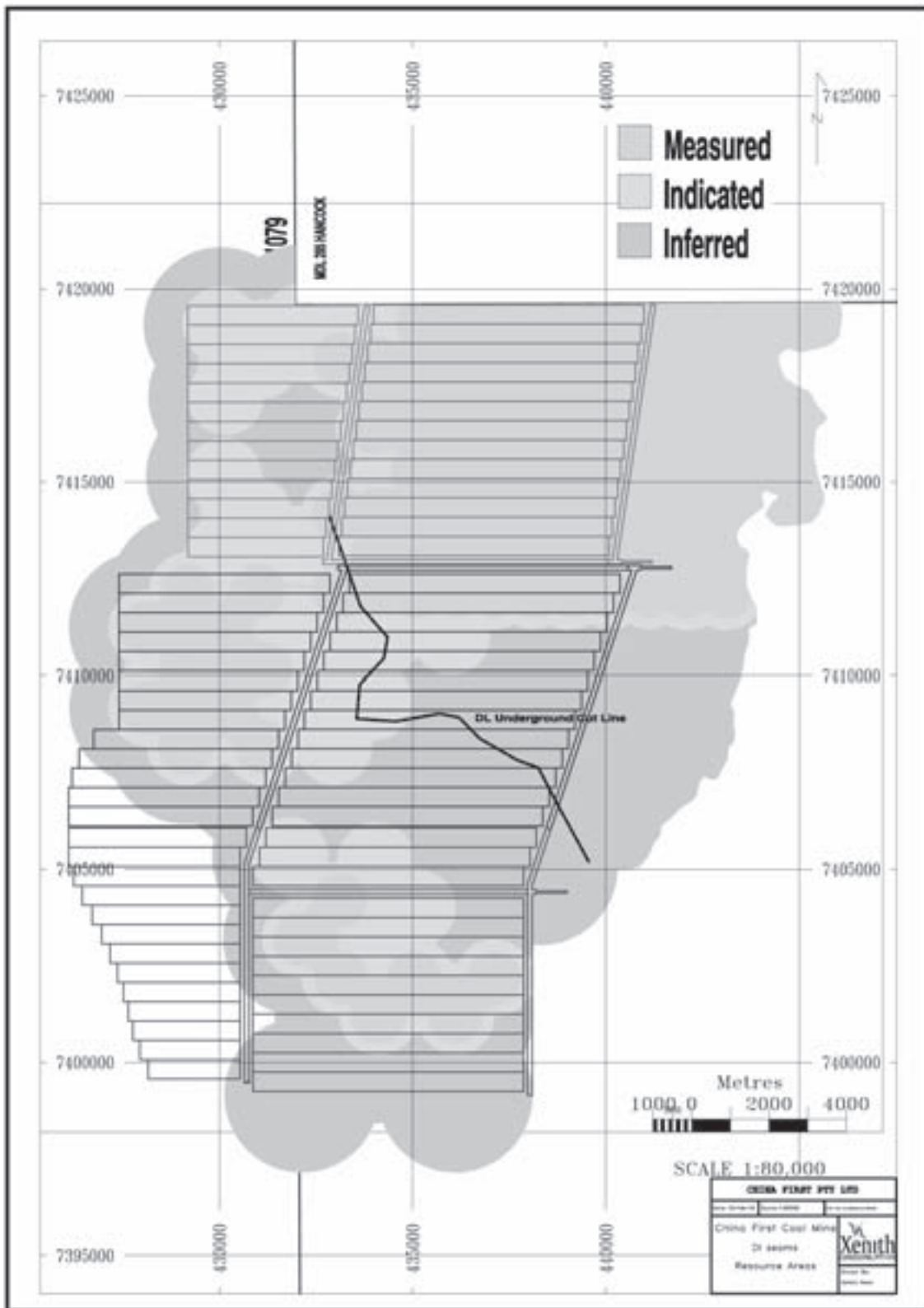


Figure 7-11 — DL Seam Resource Areas



7.5 Comparison to Previous Estimate

The previous resource estimate was undertaken in June 2009 by Coffey Mining. The total insitu coal resource reported was 3.9 Billion tonnes.

When the current resource estimate is compared to the previous it shows a reduction of 0.2 Billion tonnes (approximately 5%). The reduction is seen in 3 seams (C, DU and DL), with a slight increase in tonnes in the B seam. On a percentage basis the reduction is greatest in the C seam with a reduction of 35%.

Table 7-3 — Resource Comparison to June 2009 Estimate

Resource Category	Value	SEAM								Total Tonnes (Mt)		Difference in tonnage
		B		C		DU		DL		Jun-09	Feb-10	
		Jun-09	Feb-10	Jun-09	Feb-10	Jun-09	Feb-10	Jun-09	Feb-10			
Measured . . .	Volume (Mm ³)	148	572	150	159	88	264	116	294			
	Area (Ha)	2,505	9,685	4,213	11,400	3,112	13,651	3,857	12,276			
	Thickness (m)	5.90	5.10	1.90	1.40	2.20	1.94	2.70	2.40			
	Insitu Density (t/m ³)	1.66	1.62	1.47	1.38	1.41	1.38	1.40	1.40			
	Sub total Tonnes (Mt)	230	974	210	220	110	367	150	414	700	1,975	1,275
Indicated . . .	Volume (Mm ³)	425	121	59	47	105	47	129	155			
	Area (Ha)	7,033	2,031	2,300	3,410	4,655	2,443	4,913	6,213			
	Thickness (m)	6.00	4.90	2.60	1.37	2.30	1.91	2.60	2.49			
	Insitu Density (t/m ³)	1.64	1.74	1.48	1.36	1.46	1.38	1.45	1.43			
	Sub total Tonnes (Mt)	650	219	70	64	140	65	170	221	1,030	569	-461
Sub total Measured + Indicated		880	1,193	280	284	250	432	320	635	1,730	2,544	814
Inferred	Volume (Mm ³)	413	197	360	165	310	114	536	261			
	Area (Ha)	8,000	3,343	18,900	10,939	21,930	6,331	23,807	11,463			
	Thickness (m)	5.20	4.69	1.90	1.51	1.40	1.80	2.30	2.26			
	Insitu Density (t/m ³)	1.62	1.87	1.40	1.36	1.38	1.34	1.42	1.42			
	Sub total Tonnes (Mt)	600	391	500	225	400	152	700	371	2,200	1,140	-1,060
Grand Total Tonnes		1,480	1,584	780	509	650	584	1,020	1,006	3,930	3,684	-246
Difference in tonnage			104		-271		-66		-14		-246	

The reduction in the C seam can be explained by —

- Effect from the reduced seam thickness after review of the drill holes showed the upper part of the seam to be mainly carbonaceous (non coal) and the seam roof levels were adjusted accordingly.
- Smaller area of the overall resource polygon in the underground part of the deposit, where the C seam can thin to less than 1 metre and therefore is excluded where as it was included to a thickness of 0.3 metre in the previous estimate.

Smaller reductions in the DU and DL seams are due to the smaller overall resource polygons in the South of the deposit due to the different allocation of valid points of observation between the two estimates, specifically the use of open holes in June 2009.

When the comparison is undertaken on the Measured plus Indicated categories it can be seen that these categories have increased by a combined total of 814 Million tonnes when compared to the June 2009 estimate. This is a function of progressive exploration drilling allowing Inferred resources to be reclassified to higher categories with increased confidence in the resource.

8. RECOMMENDATIONS

Based on the interrogation of the geological model for the China First project area, we believe that there is a need to increase the geological confidence around the extent of the deposit towards the eastern subcrop boundary.

Further drilling is recommended to target this area to confirm the Tertiary unit thickness as it appears to show some thickness variations in this area that will affect the seam subcrop lines. Subcrop lines will be better understood with a series of drill lines perpendicular to the strike of these seams to show the extent of weathering beneath the unconformably overlying tertiary horizon.

Further work should also be considered to increase the understanding of the small changes in seam floor levels as displayed in the structure floor contours plots in the Appendix. These small level changes could be possibly interpreted as small fault structures in the deposit.

Xenith also recommend that a review of the coal and diluent moisture for the various stages of the production process should be considered. The total moisture of the coal and the impact on the final product quality needs to be better understood to confirm the insitu moisture values applied during this resource estimate.

9. REFERENCES

Preston.K, & Sanders.R, 2003 — Estimating the Insitu Relative Density of Coal.

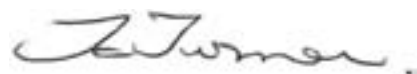
Coffey Mining, 2009. — South Alpha Coal Resource Estimate for China First Coal Pty Ltd.

10. JORC STATEMENT

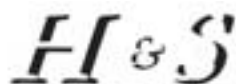
The information in this report relating to coal resources is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Xenith Consulting Pty Ltd.

Mr Turner is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2004 Edition of the “*Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.*”

Mr Turner consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.



Troy Turner
M AusIMM
227689.

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30 May 2011

The Directors
Resourcehouse Limited
Level 19
IFC 2
8 Finance St
Central
Hong Kong

Dear Sirs,

Resourcehouse Limited — Independent Geologist's Report

Please find attached the Hellman and Schofield Pty Ltd (H&S) Independent Geologist's report on Resourcehouse Limited's (RHL) 100% owned China First Iron Ore Project in Western Australia and its 100% owned Ooldea Magnetite Deposit in South Australia.

The properties comprise iron ore deposits currently held by Mineralogy Pty Ltd (Mineralogy) and Cosmo Developments Pty Ltd (Cosmo). These include:

1. Balmoral Magnetite BIF deposits in Western Australia (Mineralogy),
2. Bilanoo Magnetite BIF deposits in Western Australia (Mineralogy),
3. Ooldea Magnetite deposit in South Australia (Cosmo).

H&S personnel have visited the Balmoral and Bilanoo properties and performed a technical review of the Ooldea property without a site visit. We trust that the report adequately and appropriately describes all relevant geological aspects of the projects and addresses issues of significance.

The sole purpose of this H&S report is for the inclusion in the RHL prospectus dated on or before June 2011 and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without H&S's written consent to the form and context in which it appears.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Arnold van der Heyden', with a long horizontal flourish extending to the right.

Arnold van der Heyden
Consulting Geologist
HELLMAN & SCHOFIELD

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1 Important Information

H&S has completed an independent review of certain mineral assets for Resourcehouse Limited (RHL) at the request of the Directors of RHL. This report summarises this work, including an outline of the Mineral Resources and Exploration Results (potential mineralisation) for various mineral properties. This report is limited to the evaluation of mineral resources and mineral exploration potential.

H&S is an independent group of geoscientists specialising in resource evaluation and estimation. H&S personnel have visited the Balmoral and Bilanoo properties and performed a technical review of the Ooldea property, though without a site visit.

This report has been prepared in accordance with the rules and regulations of Australian JORC 2004 (Joint Ore Reserves Committee) and VALMIN 2005 codes.

The JORC code contains guidelines for reporting Ore Reserves, Mineral Resources and exploration results. Mineral Resources can be classified as Measured, Indicated or Inferred, in order of decreasing confidence. If there is insufficient information to define Mineral Resources, Exploration Results may be reported as potential targets, expressed as ranges for tonnage and grade. Ore Reserves can be classified as either Proved or Probable. A Proved Ore Reserve is the economically mineable part of a Measured Mineral Resource, while a Probable Ore Reserve is the economically mineable part of an Indicated, and in some cases, Measured Mineral Resource. Ore Reserves cannot be derived from an Inferred Mineral Resource.

The JORC code requires a suitably qualified “Competent Person” to take responsibility for Ore Reserves, Mineral Resources and exploration potential. Mr Arnold van der Heyden of H&S is the Competent Person responsible for the Mineral Resources and exploration potential at Balmoral North and South, Bilanoo and Ooldea.

The VALMIN code outlines the requirements for the technical assessment and valuation of mineral and petroleum assets and securities for Independent Expert Reports. This report is limited to a technical assessment of the mineral assets of RHL. Mr Arnold van der Heyden is the “Representative Expert”, who is the nominated representative of H&S with overall responsibility for this report.

H&S has charged a fee for the preparation of this report and has consented to the report being reproduced in a prospectus produced by RHL and distributed in accordance with its terms to coincide with the listing of RHL shares for quotation on the Hong Kong Stock Exchange.

H&S has relied on information provided by RHL regarding the status of mineral leases.

2 Executive Summary

The RHL properties (Figure 1) comprise iron ore deposits currently held by Mineralogy Pty Ltd (MIN) and Cosmo Developments Pty Ltd (Cosmo). These include:-

Western Australia

1. Balmoral North — M08/118 — M08/122
2. Balmoral South — M08/128 — M08/130
3. Bilanoo Magnetite BIF deposit — E08/118

South Australia

4. Ooldea Magnetite deposit — EL4565

MIN has granted to China First Iron Ore Pty Ltd, which is 100% owned by RHL, the right to mine up to 10 billion tonnes of magnetite ore from their Western Australian leases. This tonnage will be sourced initially from Balmoral North and Balmoral South, with the remainder coming from E08/118 at Bilanoo.

RHL holds 100% of Cosmo Developments Pty Ltd (Cosmo) which holds EL4565 in South Australia. This tenement is prospective for magnetite ore.

This right to mine does not imply that a Resource or a Reserve of this size has been delineated.

The Balmoral North and South deposits currently host JORC reportable mineral resources totalling around 3,770 million tonnes of magnetite BIF (Table 2).

The RHL Pilbara properties have the potential to provide well in excess of 10 billion tonnes of magnetite BIF, inclusive of defined Mineral Resources. This figure is below the lower end of the range of potential BIF mineralisation in the combined deposits (Table 3). This assessment of exploration potential demonstrates that the 10 billion tonnes of magnetite BIF allocated to RHL is a realistic and achievable target.

For this exploration potential, the quantity and grade of magnetite mineralisation is conceptual in nature there having been insufficient exploration to define a Mineral Resource on those parts of the properties.

Although there is some uncertainty in the quantity and grade of this potential magnetite mineralisation, it is considered likely that further appropriate exploration activity will define a substantial Mineral Resource on those parts of the properties.

Evidence for this statement can be found in the collective volume of exploration work that has been completed over 30 years including mapping and sampling of the Joffre member and presence of strong aeromagnetic anomalies.

There is also the potential for new resources to be discovered underneath surface cover using aeromagnetic surveying. An example of this is the significant new extension that has been found on the ML08/123 — M08/125 by CPMM, where drilling has confirmed new resources that were identified from aeromagnetic anomalies.

RHL's proposed inventory of magnetite resources will be upgraded to higher confidence categories through a staged infill drilling and exploration program, a common practice for large resource projects. The initial exploration programs for these areas are outlined in their respective sections of this report. These programs will also test areas of potential mineralisation with the aim of converting these to Mineral Resources.

The Balmoral and Bilanoo leases are subject to specific Western Australian state government legislation — the Iron Ore Processing (Mineralogy Pty. Ltd) Agreement Act 2002 and Agreement Amendment Act 2008. This bill gives MIN the rights to certain areas for a minimum period of 50 years (subject to review) including in the Balmoral/Bilanoo/Cape Preston area:

- Mining Leases 08/118 — 08/130 and 08/264 — 08/266,
- Exploration Licenses 08/117, 08/118, 08/636, 08/660 and 08/643,
- Leases for mining infrastructure between Balmoral and Cape Preston.

Cosmo holds the Ooldea deposit (EL4565) in South Australia which has the potential for BIF mineralisation in the range of 1 to 3 billion tonnes at grades around 18% MagFe under 40-120m of cover (Table 4).

It is understood that a substantial proportion of the funds sought by RHL will be used to develop the first of ten 12Mtpa magnetite projects, at either Balmoral or Balmoral South. Part of these funds will be used for mineral exploration and resource delineation for these projects.

RHL's proposed exploration drilling budget is summarised in Table 1 with a total proposed expenditure of around Aus\$21.5 million. These drilling programs could be completed within 12 months.

Table 1: RHL Proposed Exploration Drilling Budget

Deposit	Number of Holes	Average Depth	Total Metres	Cost per Metre	Total Cost (million \$Aus)
Balmoral North	40	330	13,200	\$450	\$ 5.9
Balmoral South	20	330	6,600	\$450	\$ 3.0
Bilanoo	30	330	9,900	\$450	\$ 4.5
Ooldea	73	247	18,000	\$450	\$ 8.1
Total	163	293	47,700	\$450	\$21.5

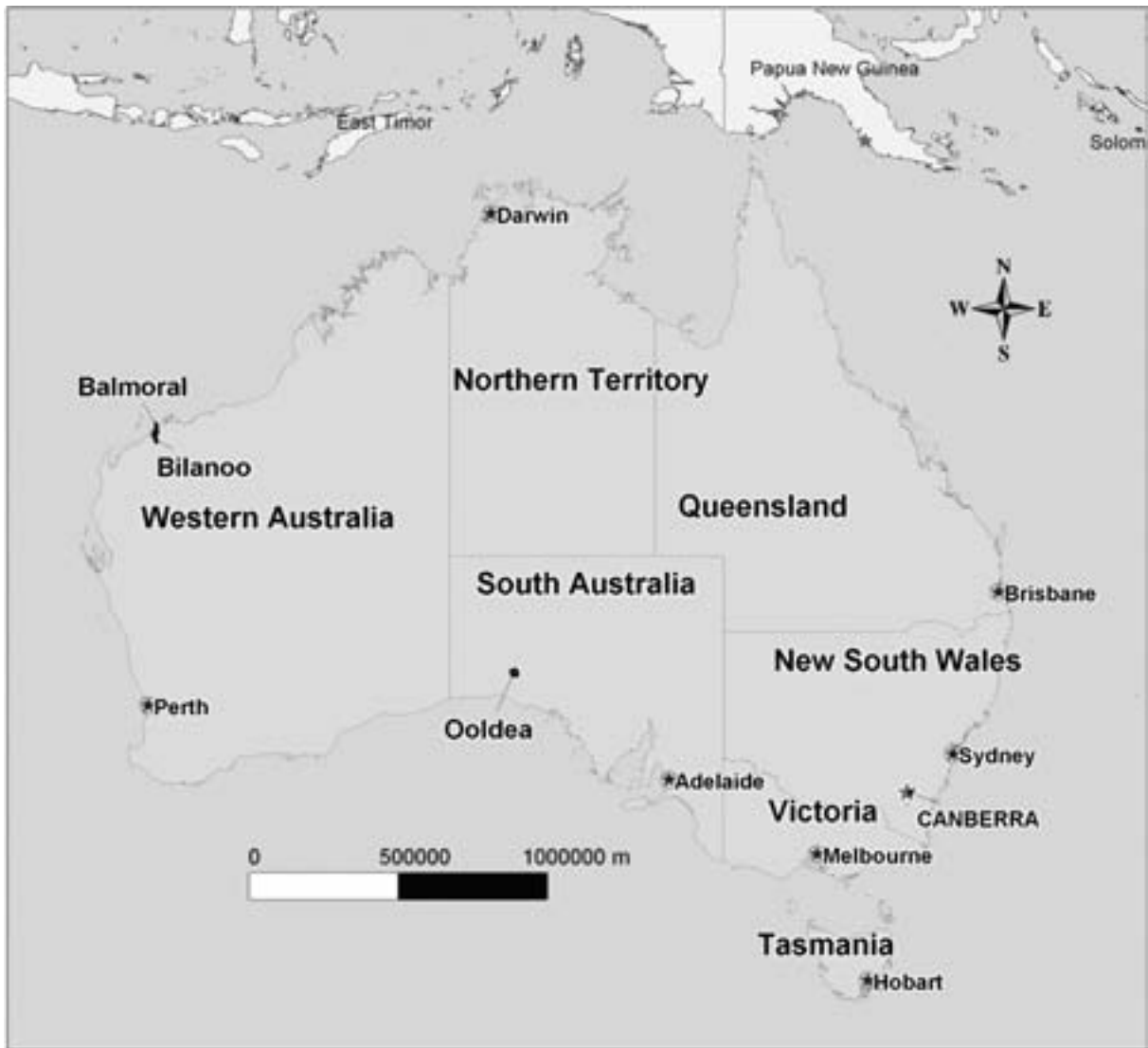


Figure 1: Location of RHL Iron Ore Projects

Western Australia - Balmoral Bilanoo

*Table 2: RHL Pilbara Magnetite BIF Total Mineral Resources
(at 15% MagFe Cutoff Grade)*

<u>Deposit</u>	<u>Million Tonnes</u>	<u>% Total Fe</u>	<u>% Mag Fe</u>
Balmoral North			
M08/118 — M08/122 inc.....	920	31.1	21.0
Balmoral South			
M08/128 — M08/130 inc.....	<u>2,846</u>	<u>30.5</u>	<u>21.6</u>
Grand Total	<u><u>3,766</u></u>	<u><u>30.6</u></u>	<u><u>21.4</u></u>

(resource breakdown in Sections 3.6 and 3.7)

*Table 3: RHL Pilbara Magnetite BIF Exploration Potential
(exclusive of Table 2)*

<u>Deposit/Lease</u>	<u>Tonnage Range (Billion Tonnes)</u>	
	<u>Lower</u>	<u>Upper</u>
Balmoral North		
M08/118 — M08/122 inc.....	2.7	6.5
Balmoral South		
M08/128 — M08/130 inc.....	1.3	1.8
Bilanoo/118.....	<u>28.5</u>	<u>50.5</u>
Total	<u><u>32.5</u></u>	<u><u>58.8</u></u>

Grades of Exploration Potential tonnages (Table 3) are considered to be similar to those quoted in Table 2.

South Australia - Ooldea

Table 4: RHL Ooldea Magnetite BIF Exploration Potential

<u>Deposit/Lease</u>	<u>Tonnage Range (Billion Tonnes)</u>	
	<u>Lower</u>	<u>Upper</u>
Ooldea EL4565.....	<u>1.0</u>	<u>3.0</u>

Grades of Exploration Potential tonnages (Table 4) are considered to be in the range of 16-20% MagFe.

3 Western Australia - Balmoral and Bilanoo

3.1 Introduction

The Balmoral magnetite BIF (banded iron formation) deposits are located near the mouth of the Fortescue River in the western Pilbara region, Western Australia, around 100km WSW of Karratha.

Mineralogy holds the thirteen mining leases (M08/118 — M08/130) over the Balmoral magnetite deposits. These leases are approximately 5km wide and cover an area 30km long, running in direction slightly east of north from Balmoral homestead in the south to James Point on the coast in the north (Figure 2). The leases are subject to specific state government legislation — the Iron Ore Processing (Mineralogy Pty. Ltd) Agreement Act 2002 and Agreement Amendment Act 2008.

The Balmoral area is divided into three deposits, the North (MLs 08/118-122), Central (George Palmer, MLs 08/123-125) and South (Susan Palmer, MLs 08/126-130) blocks, based on areas of outcrop separated by substantial creek drainages.

The Bilanoo magnetite BIF deposits occur immediately south of the coastal highway near the Fortescue River roadhouse, around 20km south of the Balmoral magnetite deposits. The Bilanoo deposits are located on two exploration licences E08/118 and E 08/117-1, formerly referred to as the Bilanoo and Southwest properties respectively by Hanna Mining. RHL, through its 100% owned subsidiary China First Iron Ore Pty Ltd, has the right to mine up to 10 billion tonnes of magnetite ore of which some will be sourced from E08/118 (Figure 2).

The Balmoral leases contain extensive outcrops of Brockman Iron Formation dipping at 45° to the WNW. The thicker Joffre BIF member (~300m true thickness) overlies and is separated from the thinner Dales Gorge BIF member (~150m thick) by the Whaleback Shale (~60m thick). The BIF units comprise magnetite and chert bands interbedded at millimetre scale, with shale bands (~1m thick) interspersed at intervals of tens of metres.

The Balmoral deposits are dissected by a series of faults, with two dominant sets trending NNW-SSE or NE-SW, which in some areas juxtapose the BIF units against themselves to give unusually wide areas of outcrop. Thin dolerite dykes, generally less than 5m but occasionally up to 30m thick, intrude along or parallel to the faults. Initially the faults and dykes were considered to dip steeply to the west, though more recent work suggests that they dip moderately to the east or south-east.

The Bilanoo deposit can be divided into four (4) blocks, with blocks 1 and 2 outcropping on E08/118 and blocks 3 and 4 outcropping on E08/117. Block 1 is 25km long by 2km wide and both Dales Gorge and part of the Joffre member occur as sub-horizontal to shallow west dipping strata. Block 2 is 5km long and up to 1km wide. In both blocks the Dales Gorge, Whaleback and Joffre members dip around 15-18° to the west.

It is apparent that a substantial proportion of the Joffre member has been lost to erosion in the Bilanoo area, so it is likely that the majority of the magnetite occurs in the Dales Gorge member. Thicker Joffre accumulations will tend occur to the west of each block due to the overall westerly dip of the sequence, though there may also be local blocks where thicker accumulations occur due to down faulting.

At both Balmoral and Bilanoo the magnetite BIF is oxidised at surface, with the replacement of magnetite by hematite and/or goethite accompanied by a loss of magnetism. Oxidation typically penetrates to a depth of 40-50m, rendering this portion of the deposits unrecoverable by magnetic separation.

Fibrous minerals (riebeckite, but not crocidolite) have recently been identified in drill samples from both the Central and South deposits, necessitating a change from RC to DD drilling and procedures to minimise the exposure of personnel.

H&S has worked on the Balmoral deposits since 2001, visited site and inspected drill samples on a number of occasions, planned drilling programs and estimated resources for all three deposits.

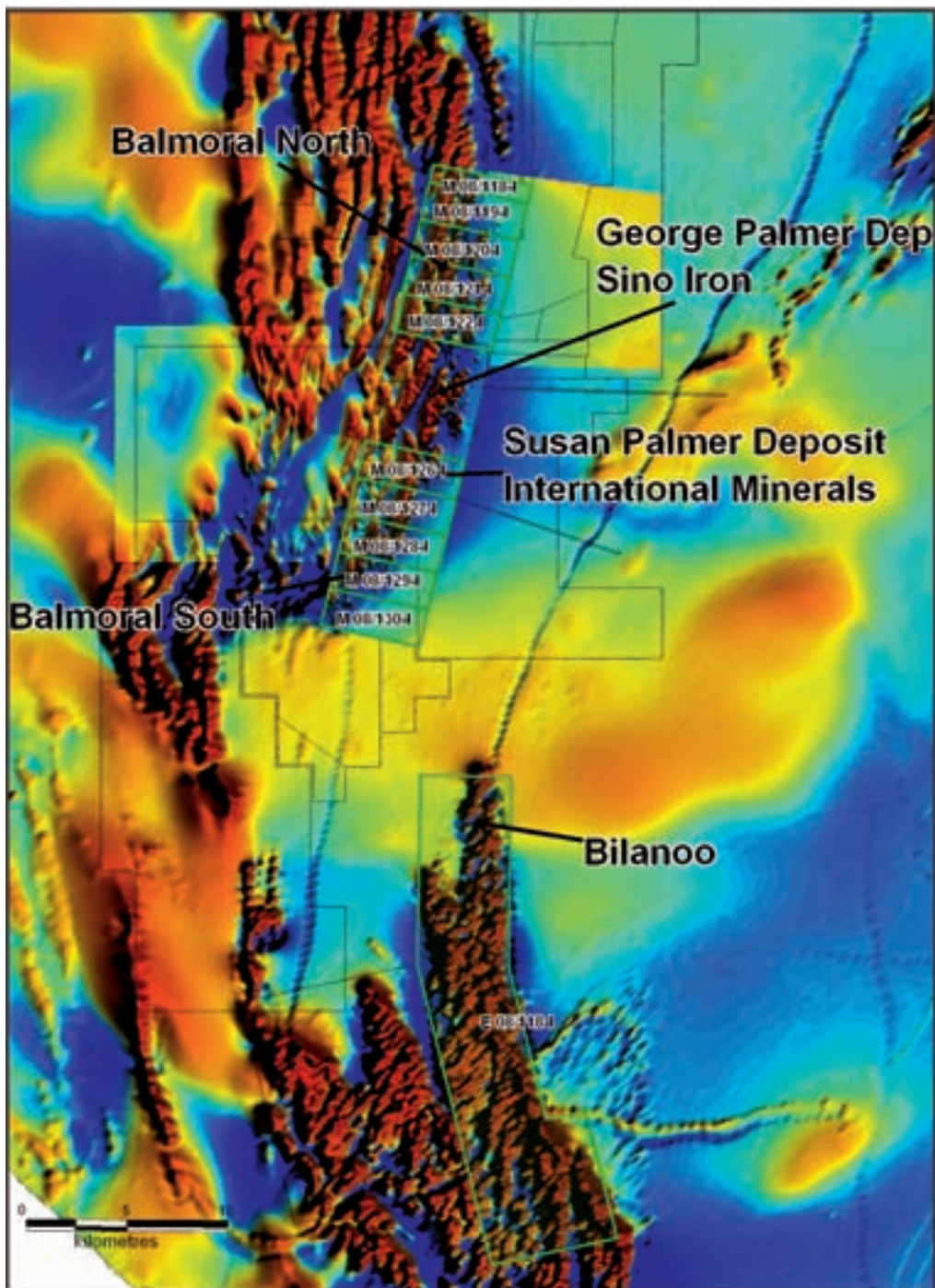
Unless otherwise indicated, all Davis Tube Recovery (DTR) tests reported here were performed using a nominal 325 mesh (45 micron) grind, i.e. less than 5g out of 150g (97%) passing this screen size.

The term MagFe used in this report is magnetically recoverable iron, defined as the product of DTR and concentrate Fe (total), expressed as a percentage: $\text{MagFe} = \text{DTR} \times \text{Conc_Fe} / 100$.

All assessments of potential magnetite mineralisation at Balmoral and Bilanoo are supported by aerial magnetic surveys (see Figure 3), which show a series of strong north-south trending magnetic anomalies representing the magnetite BIF.



Figure 2: RHL Balmoral and Bilanoo Tenements



*Figure 3: Aero-Magnetic Survey of RHL Balmoral and Bilanoo Properties
(magnetic highs in red-brown)*

3.2 Geology

3.2.1 Regional Geology

The Hamersley Province of the Pilbara region in the north-west of Western Australia is one of the major iron ore provinces in the world. The 2.4 billion year old Hamersley Group outcrops over an area approximately 400km long East-West and 200km long North-South (Figure 4) and contains a number of world class iron ore deposits.

The Hamersley Group consists of a range of rock types including a number of Banded Iron Formation (BIF) units. BIF consists of alternating bands of iron rich (typically magnetite or hematite) and silica rich (e.g. quartz) bands at a millimetre scale. Within the major BIF units, BIF and shale bands are interbedded at the scale of metres to tens of metres, and the major BIF units are separated by major sediment units on a scale of hundreds of metres.

The main unit of economic importance is the Brockman Iron Formation, which occurs below the middle of the Hamersley Group (Figure 5). This unit hosts a large proportion of the iron ore mined in the Pilbara, with the remainder occurring in the Marra Mamba Iron Formation and the later formed channel iron deposits (CID) of the Robe Pisolite.

The Brockman Iron Formation consists of two BIF and two shale members, with respective true thicknesses in the Balmoral area as indicated below:

- Yandicoogina Shale ~60m
- Joffre BIF ~300m
- Whaleback Shale ~60m
- Dales Gorge BIF ~150m

Within each of these BIF members there is a distinctive sequence of shale bands that can be identified using gamma-ray logging, which measures the natural radioactivity in the shales. These distinctive sequences of shale bands serve as a fingerprint for identifying the individual BIF units, as shown on the right-hand side of Figure 5.

The exceptional regional continuity of the macro (metre scale) and micro (millimetre scale) banding in the BIF units is well documented, with micro-bands correlated over hundreds of kilometres. This strong stratigraphic continuity translates into consistent grades for the primary magnetite BIF units, with little observed variation in grade across the Balmoral and Bilanoo areas for the Joffre member.

A range of different iron ore types are derived from the BIFs including:

- Magnetite (eg Balmoral and Bilanoo)
- Hematite (eg Mt Whaleback and Mt Tom Price)
- Marra Mamba (eg Marandoo and Orebody 29)
- Detritals (eg Brockman and Jimbelbar)
- Pisolite (eg Robe River and Cane River)

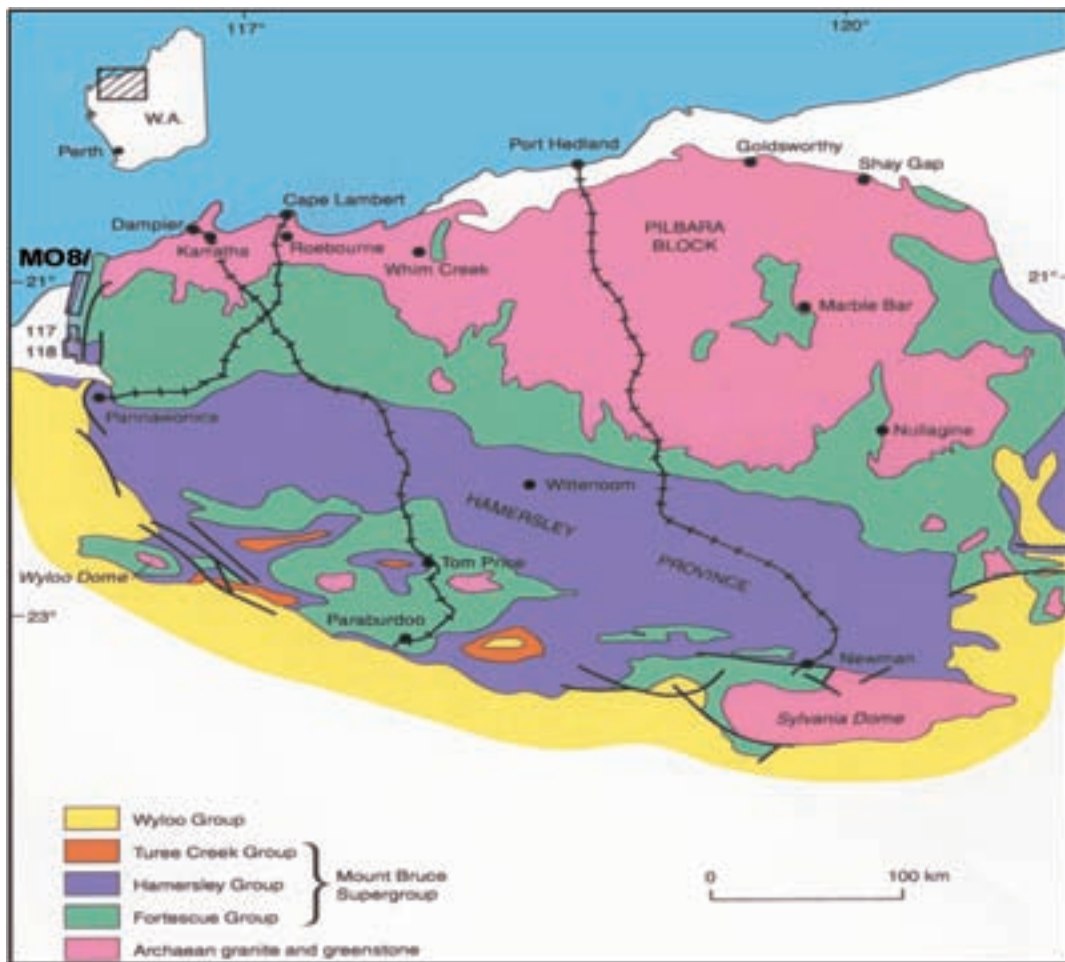


Figure 4: Regional Geology of Pilbara Region (Ypma 2001)

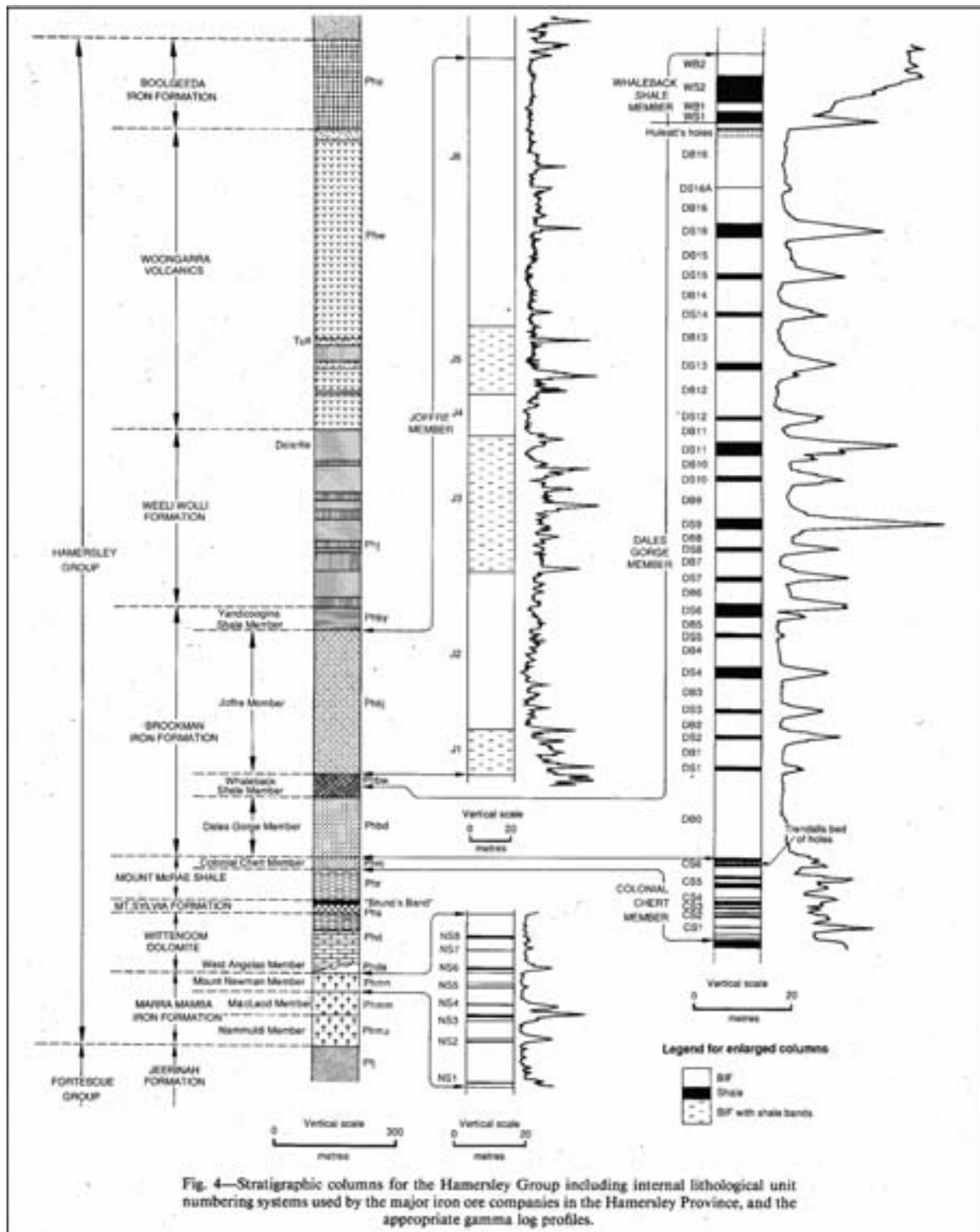


Figure 5: Stratigraphy of Hamersley Group

3.2.2 Local Geology

3.2.2.1 Balmoral

The BIF at Balmoral is exposed on surface and can be mapped from the North at James Point on M08/118 to the south of Balmoral Station homestead on M08/129, a distance of over 25km. The average strike direction of the units is around 15° East of North.

Faulting plays an essential role for the interpretation of the geology of the area and has led to the BIF units being juxtaposed against each other leading to a repetition of stratigraphy and an increase in the potentially minable widths. Faulting is quite extensive on the western side of the deposit with multiple repetitions of the Joffre member. Extension of the BIF to the South is limited by a fault that terminates the sequence.

Bedding of the units dips on average 45° to the west. The deepest the Joffre unit has been intercepted in drill holes at Balmoral South is around -288mRL, with the deepest Dales Gorge intercept being at -402mRL. Extrapolation of the units down dip below the drilling at Balmoral is reasonable given the drilling results obtained on the Balmoral Central project. Drilling here has been completed down to a depth below 700m with the deepest Joffre intercept being recorded at around -550mRL.

However, faulting commonly truncates the Joffre and Dales Gorge members at depth and the Joffre member generally pinches out at between 300 and 400m below surface. The Dales Gorge member pinches out somewhat deeper because it is lower in the stratigraphic sequence.

Large scale folds have not been observed in the Balmoral area. The many local variations in dip observed in drill cores are the result of sedimentary slumping due to the variations in density between the iron-rich and cherty bands within the formations. Numerous examples have been observed where the iron rich beds have distorted the underlying cherty and shaly beds. It can easily be verified that these features are sedimentary slump structures because the strata above and below the slump structure remain parallel.

Work by Ypma (2001) and McConchie (1984) have demonstrated that the units of the Hamersley Group at Balmoral and Bilanoo can be correlated with the units found throughout the Hamersley Basin.

Dolerite intrusions are common throughout the Hamersley Basin. They are generally post-tectonic in emplacement history and form linear dykes or sills. In the Hamersley ranges as a whole the dolerite dykes are common in competent rocks, such as the chert and banded iron lithologies. The Balmoral area is no exception to this rule with numerous thin dolerite dykes, although dolerite sills have not been identified in any of the drill holes.

It is believed that the dolerite dykes belong to a post Lower Wyloo extensional regime. The major dyke directions of this regime in the Southern Hamersley Basin are generally WNW and NNW. However, the major dyke directions in the Balmoral Area NNE and NE.

Dolerite dykes do not represent a significant volume at Balmoral however they do lead to a reduction in the quality of and quantity of proximal magnetite ore due to:

- Dolerite dykes are the main aquifers of the area. They alter quickly and are a source of wall rock alteration and thus result in deeper oxidation of the host rock.
- Large dykes have caused contact metamorphic reactions, resulting in an increase in the magnetic weight recovery and silica in concentrate in areas proximal to the dykes.

3.2.2.2 Bilanoo

The following geological description of the Bilanoo Area has been sourced from Ypma, 2001.

The Bilanoo Area (Figure 6) is an obvious example of vertical and lateral fault displacements. A cursory inspection would seem to indicate that the faults are largely normal faults with vertical displacements. Normal faults have been observed throughout the Hamersley Basin and are considered to be due to a period of extensional movement following the Ophthalmia Orogeny. The faults are probably re-activated basement faults from the initial subsidence of the Hamersley Basin.

It is quite obvious from the more detailed geological map of the Bilanoo Area that the faults are not simple normal faults with vertical displacements. Stratigraphic repetition and juxtaposition of the same stratigraphical horizons are indicated in Figure 6.

A main dextral (ie right hand lateral) shear is apparent throughout the Hamersley Basin and is the result of a regional wrench fault system. The strike slip faults with dextral movement have a NW trend in the Southern part of the Hamersley Basin trend but become more northerly in the Western part of the Basin, where the Bilanoo and Balmoral iron deposits within the Brockman Iron Formation are found.

The cross-section through the Bilanoo Hills in Figure 7 demonstrates significant vertical displacements in the order of 100 to 400 m. However, the horizontal displacements of Figure 7 indicate the strike slip movement was the dominant factor in the fault movement. Bedding of the units dips on average 15 - 18° to the west.

In the Bilanoo area, where the topographical relief is much more pronounced than in the Balmoral area, dolerite dykes constitute a very obvious topographical feature, showing deep straight-lined incisions in the terrain. The width of the incisions suggests that the dykes are of up to 50m wide. It is understood that the dolerite dykes do not represent a significant volume at Bilanoo although they do lead to a reduction in the quality of and quantity of proximal magnetite mineralisation due to contact metamorphism described in the previous section.

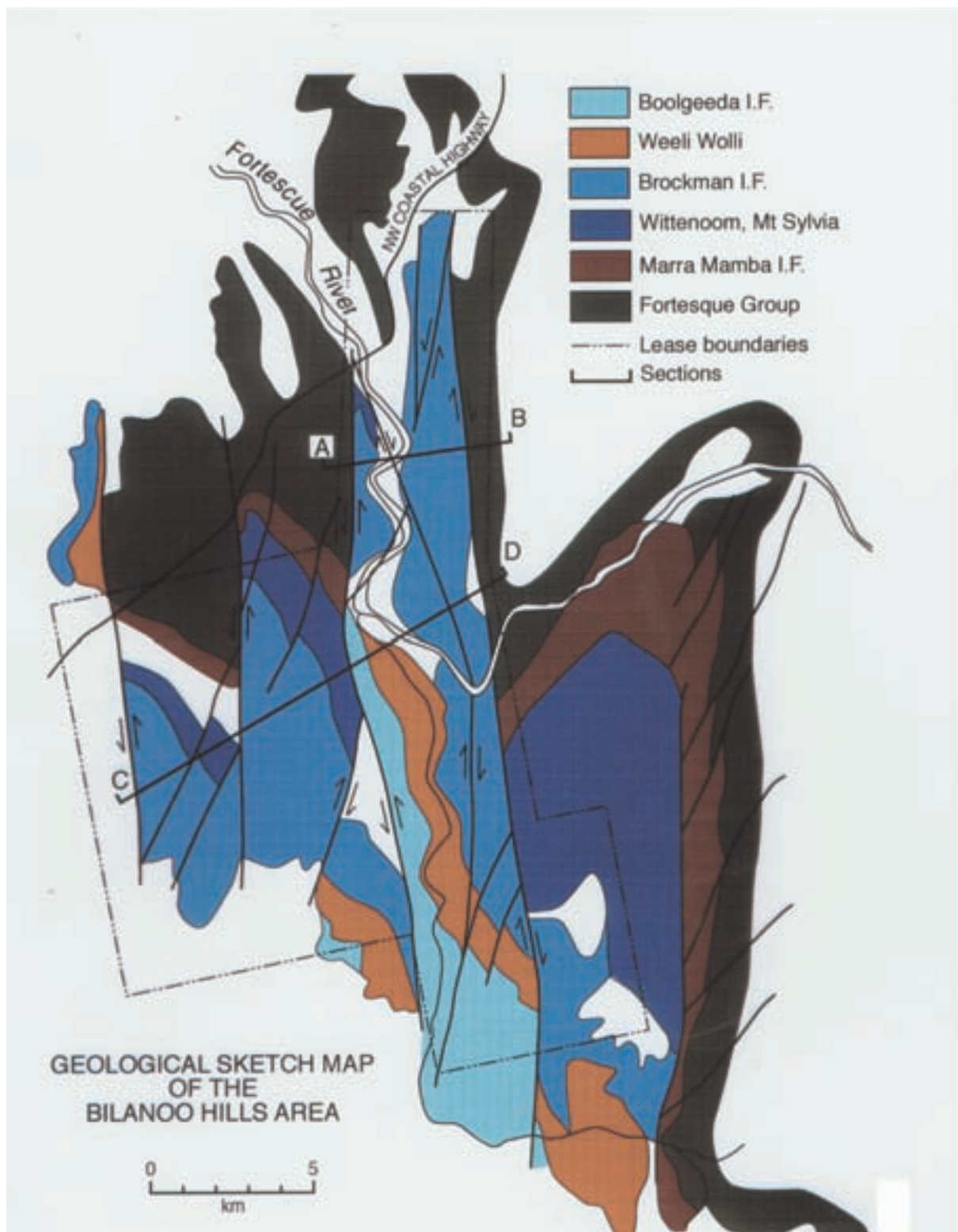


Figure 6: Geology of the Bilanoo Area (Ypma 2001)

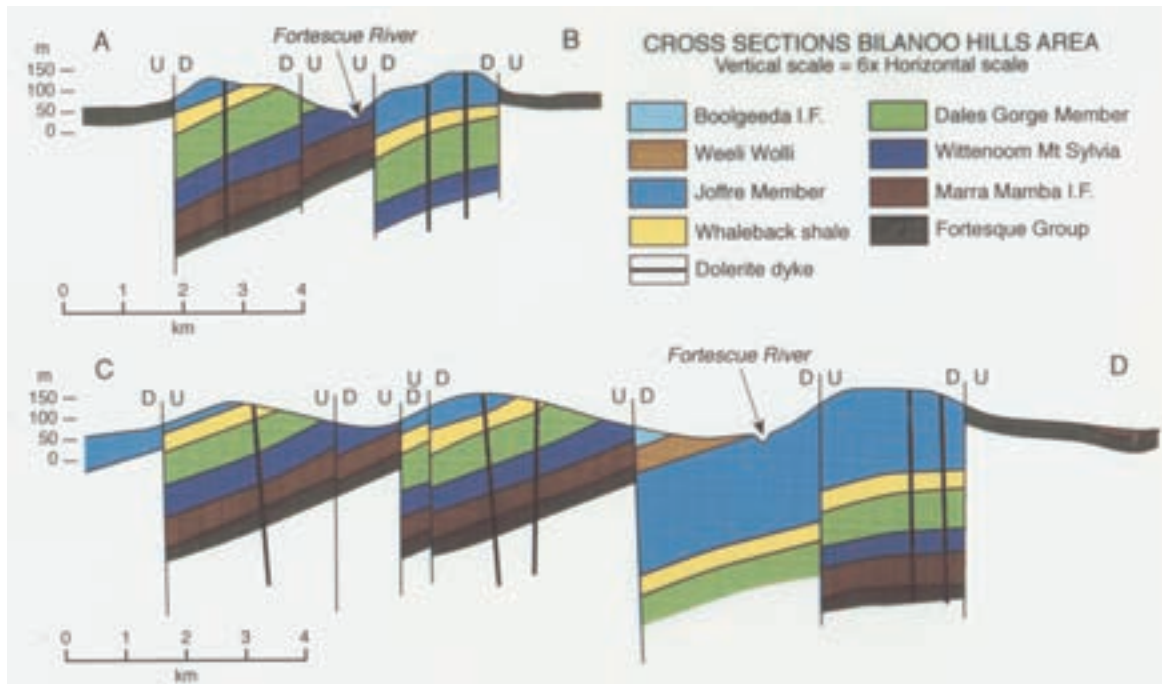


Figure 7: Cross-sections of the Bilanoo Area (Ypma 2001)

3.3 Mineralogy and Metallurgy

The iron mineral targeted for exploitation at Balmoral and Bilanoo is magnetite (Fe_3O_4), which is a constituent mineral of the BIF units present at Balmoral and Bilanoo. Magnetite is present in amounts varying from 15% to 45% by weight, averaging 35% in the Joffre BIF.

Ypma (2001) describes the present mineralogy of the Joffre and Dales Gorge members as being the product of metamorphism of the initial chemical precipitation products in an alkaline environment with T and P being around 300-350°C and 1-2K bar respectively. It is assumed that the metamorphism was essentially iso-chemical with only short range (cm scale) diffusion.

Significant studies have been completed into the liberation of magnetite from BIF using magnetite separation after crushing and grinding. Hanna conducted studies in the US into the concentration of the Balmoral BIF and produced reserve studies and process flowsheets over a period from the late 1970's to the early 1980's.

Upon acquiring the tenements MIN commissioned further test work to build on these earlier studies. Promet Engineers Australia (Promet) and Studiengesellschaft für Eisenerzaufbereitung (SGA) at Liebenburg in Germany were commissioned by MIN to conduct studies into the liberation of magnetite from the BIF. Tests were also carried out on bulk samples of iron ore which was recovered from a winze that was sunk on M08/124 in 2000.

The results of the combined work have demonstrated that a high grade, high quality concentrate could be recovered from Balmoral and Bilanoo BIF using commonly available technology. Average concentrate specifications are presented in Table 5.

Table 5: Typical Balmoral and Bilanoo concentrate grades

Element	DR Grade %	BF Grade %
Fe	71.0	69.5
Fe++	23.1	22.5
SiO ₂	1.5	3.5
Al ₂ O ₃	0.004	0.092
S	0.006	0.008
P	0.007	0.009
Na	0.015	0.019
K	0.017	0.028
Mn	0.010	0.013
CaO	0.07	0.096
MgO	0.148	0.202

3.4 Previous Work

3.4.1 Australian Hanna Ltd

The Hanna Mining Company of Cleveland Ohio, USA, established an Australian subsidiary, Australian Hanna Limited (Hanna), in 1976. Hanna acquired a number of exploration leases, as Temporary Reserves (TRs), covering Brockman Iron Formation outcropping along the western-most edge of the Hamersley Basin. These leases included TR Balmoral where most of Hanna's exploration effort was focussed.

Hanna exploration work included aerial photography, photogeology and ground verification, followed up by drilling. Eight diamond core holes and five reverse circulation percussion holes were drilled in the Balmoral TR.

Diamond core holes BAL 1 to 4 were drilled in the Central Block (George Palmer deposit), while core holes BAL 5 to 8 were drilled in the North Block. The cores were subjected to extensive Davis Tube and metallurgical testing, and the logs and assays are available.

Percussion holes PDH 9 and 10 were drilled on the Central block to depths of 80 and 64 metres respectively. These holes were sampled and logged, but no record of assay results or accurate collar locations could be found - only crude drill logs and a large scale map with approximate locations. Hole PDH9 was drilled near PH15, while DH10 was drilled about 150 metres west of PH4. It is unclear what the RC samples were used for, though it is possible that they were used as bulk metallurgical sample. Holes PDH 16, 17 and 18 were drilled on the North block. Hanna sold their Australian interests in 1985.

3.4.2 Mineralogy Pty Ltd

Mineralogy Pty Ltd acquired Hanna's TRs in 1985 and the accompanying data package in 1986. The TRs were converted to exploration leases (ELs); the Balmoral TR became EL E 08/119. Mineralogy has expanded the knowledge of the Balmoral resources substantially by extensive work in a number of areas:

1. Structural geological reinterpretation of the Balmoral EL to define high grade mining areas.
2. More detailed mine plans (than Hanna) for several targets on the Balmoral EL.
3. Detailed evaluation of surface oxidation by channel sampling and point counting.
4. Detailed geological assessment of Joffre Member to reduce waste mining by eliminating the need to mine Whaleback Shale.
5. Preparation of concentrates for evaluation of a beneficiation scheme for ore treatment, for pelletising tests and for iron carbide conversion.
6. Testing of revised structural interpretation with 7 diamond core holes in 1992 (CB1-3 and NB1-4, Central and Northern blocks respectively).
7. Pelletising tests to evaluate the effect of site specific impurities.
8. Bench scale grindability tests to assess mechanical properties of ore.
9. Marketing studies of final products, including concentrates and pellets, to enable construction of realistic exploitation scenarios.
10. Drilling of M-series percussion holes in 1993 to give more extensive stratigraphic coverage of the Joffre Member.
11. Drilling large diameter core hole BB1 for metallurgical sample.

12. Drilling of A-series diamond core and percussion holes in 2000 to extend and infill existing drilling information.
13. Sinking of shaft and adit for metallurgical bulk sample.
14. Drilling of PH-series holes in 2001 to upgrade resource to mostly Measured and Indicated status.
15. Metallurgical testwork on shaft bulk sample by SGA.
16. Optimisation of pelletisation by Lurgi.
17. Midrex test for production of DRI by Midrex, USA.
18. Diamond drilling in 2008 and 2009 over the Balmoral South and North.

3.5 Current Projects at Balmoral

Between the Balmoral North (M08/118 — M08/122) and South (M08/128 — M08/130) projects lie the Sino Iron project (M08/123 — M08/125), managed by Citic Pacific Mining Management (CPMM) and the International Minerals project (M08/126 — M08/127), managed by Australasian Resources Limited (ARL).

Both projects have Mining Right lease agreements with MIN to mine magnetite ore, 2 billion tonnes in the case of Sino Iron and 1 billion tonnes in the case of International Minerals.

The Sino Iron project is currently in construction and has commenced mining with first shipments expected in mid 2011. International Minerals are awaiting a final financing commitment prior to beginning construction.

It needs to be clearly understood the Sino Iron and International Minerals projects are **not** part of the RHL portfolio. However the following description of geology and resources is relevant to gaining a full understanding of the Balmoral North (M08/118 — M08/122) and South (M08/128 — M08/130) projects being contemplated by RHL.

3.5.1 Sino Iron George Palmer Deposit — M08/123 — M08/125

Exploration at Balmoral initially focussed on the Central (George Palmer) deposit because the extensive outcrop and structural repetition of the Joffre Member offered the potential of a low mine stripping ratio. Although the Central deposit is not owned by RHL, it serves as a direct analogy of the type of staged development strategy that might be used to progress the China First Iron Ore Project.

Mineralogy (1992-2005) and Hanna (1978) drilled 139 holes totalling 21,923m, with 17,921m of geophysical logging, 13,249m of XRF analyses and 10,163 metres of Davis Tube Recovery (DTR) tests. In December 2005, the resources at George Palmer totalled 2.5 billion tonnes of magnetite BIF based on this information.

As a result of this work, CPMM negotiated the right to mine 2.0 billion tonnes of magnetite BIF from the Central deposit. Since acquiring the rights to the Central deposit, CPMM have drilled a substantial number of holes on their renamed Cape Preston Iron Ore Project (CPIOP).

In 2008 CPMM reported (in the Citic Pacific Annual Report, 2008) Mineral Resource Estimates for the Joffre member only based on assay data at December 2007 as shown in Table 5.

Table 6: 2008 Total Joffre Resources for CPIOP

Class	Mt	%MagFe
Measured.....	193	22.4
Indicated.....	1,209	22.7
Inferred.....	<u>911</u>	<u>24.2</u>
Total.....	<u>2,314</u>	<u>23.3</u>

This information was not reported in accordance with the JORC code because Citic Pacific is listed on the Hong Kong Stock Exchange. The JORC code is not mentioned in this report and other issues include, but are not limited to, failure to report a cut-off grade for the resources and failure to nominate a competent person.

The author has reviewed the available data and finds that the new resource estimates appear reasonable and can be reported in accordance with the JORC code. H&S understands that a cut-off grade of 17% MagFe was used to define these resources. CPPM and their consultants are the Competent Persons for these estimates and their permission was sought by MIN to publish these resources but was not forthcoming.

There will to be additional resources at the Central deposit in the Dales Gorge member equivalent to approximately half of the Joffre resource because the Dales Gorge member is about half the thickness of the Joffre Member.

There is also substantial additional exploration potential at the Central deposit arising from undrilled surface outcrop and aeromagnetic anomalies. The anomalies were identified from a close spaced survey that was flown over the Balmoral deposits in 2007; interpretation of the survey indicated that there are repetitions to the west of the known out-cropping deposits, shown in Figure 8 as a 3000nT contour.

The identification of additional resources supports the assessment made by the author in 2005 of the magnetite BIF on the Central deposit to a depth of 300m below surface. This suggested that a total potential¹ tonnage of between 5.4 and 9.0 billion tonnes might exist (between the base case and expanded case — see Section 3.8 for further explanation of the methodology used). This would appear to be reasonable given the results being obtained from recent drilling.

The Cape Preston Iron Ore Project is currently under construction and the trial pit has successfully exposed fresh magnetite BIF at the expected depth of around 40m below surface. The first shipment of concentrate is forecast for mid 2011.

¹ See Section 6 regarding “exploration potential”.

3.5.2 International Minerals Susan Palmer Deposit — M08/126 — M08/127

International Minerals Pty Ltd (IM), a wholly owned subsidiary of Australasian Resources Limited (ARL), in late 2005 negotiated with Mineralogy the right to mine 1.0 billion tonnes of magnetite ore from the Balmoral South (Susan Palmer) deposit.

Subsequent drilling (124 holes) has defined a total resource of 1.6 billion tonnes of magnetite BIF (at a 15% MagFe cutoff grade) in the ARL area of interest (ML 08/126 and part of ML 08/127). This resource extends to around 430m below surface and excludes oxidised BIF within 40-50m of surface (Table 7).

*Table 7: IM April 2009 Balmoral South Resource Estimate
(at 15% MagFe Cutoff Grade)*

<u>Class</u>	<u>Mt</u>	<u>%MagFe</u>	<u>%DTR</u>	<u>%Fe Conc</u>	<u>%SiO₂ Conc</u>
Indicated	1,055	23.0	33.2	69.1	3.8
Inferred	<u>550</u>	<u>22.1</u>	<u>32.1</u>	<u>69.8</u>	<u>4.0</u>
Total	<u>1,605</u>	<u>22.6</u>	<u>32.8</u>	<u>69.0</u>	<u>3.9</u>

The author has reviewed the available data and finds that the new resource estimates appear reasonable. ARL staff and their consultants are the competent persons for these estimates and their permission was obtained to publish these resources.

There is clearly potential to define additional resources on these leases, as indicated by the magnetic anomalies shown in Figure 9. However, the author has not evaluated this exploration potential in detail.

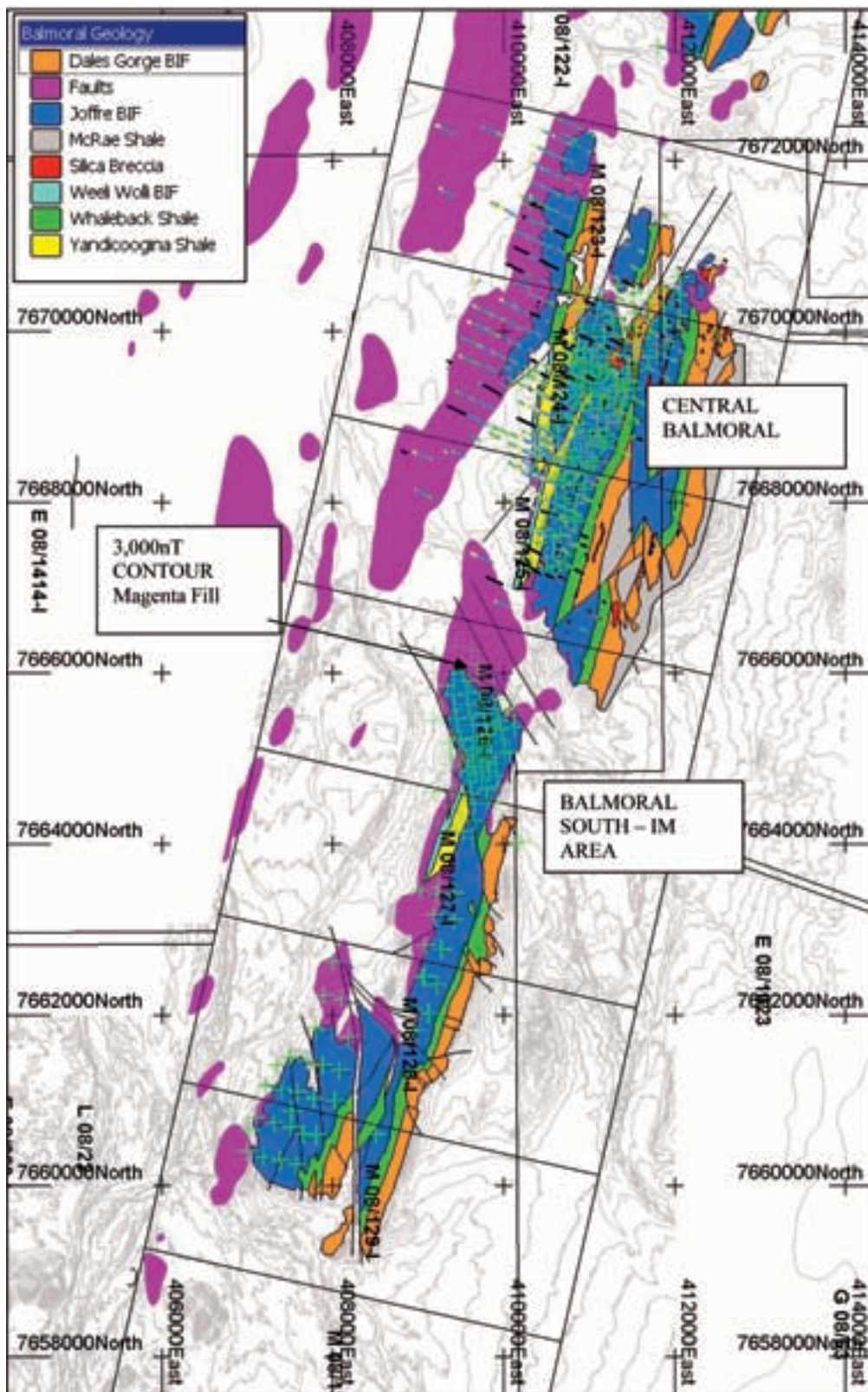


Figure 9: Balmoral Central and South — Surface mapping, drilling, 3000nT contour

3.6 Balmoral North Deposit — M08/118 — M08/122

The Balmoral North deposit has been the subject of limited exploration, which includes detailed surface mapping and DD drilling (4 holes totalling 868m) by Hanna Mining and DD drilling by Mineralogy (4 holes totalling 469m). Hanna also drilled 3 percussion holes (total 240m) but no test results are available for these holes.

MIN recently completed an additional 6 holes (2,060m) in early 2009 on MLs 121 and 122, these holes have not yet been incorporated into the resource model. The holes were geophysically and geologically logged and samples were submitted for Davis Tube and chemical analysis. A number of the holes intersected dolerite dykes however hole NBD001 intersected a full section of Joffre mineralisation. This hole is shown as a strip log plot in Figure 11. The quality of the DTR and chemical assays are within the range of expected values for the Joffre, Whaleback and Dales Gorge units.

An estimate of the Mineral Resource and an indication of potential² mineralisation were generated by H&S for the Balmoral North deposit using all data available at the time (2005). This included data for 11 drill holes, surface mapping and topography.

- The surface geology outlines were projected to 300m below surface at a dip of 40°>285°, as indicated by the Hanna cross-sections of the deposit.
- The surface and 300m depth outlines were linked to form a 3D solid of the BIF (see Figure 10). If the BIF solid intersected one of the major faults, the BIF solid was truncated at the fault. All faults were assumed to be vertical.
- This process was repeated for each area of BIF surface outcrop, to produce a 3D wireframe model of the BIF units. The Joffre and Dales Gorge members were coloured differently to distinguish them. (The diagram below shows a 3D view of the BIF model looking north (James Point at top of view) — Joffre in dark blue, Dales Gorge in orange, faults in magenta, dolerite dyke in light blue.)
- A block model was generated within the BIF wireframes with block grades estimated in the vicinity of the drill holes and blocks assigned average grades in the absence of nearby data — both total and magnetically recoverable iron were estimated.

The small number of drill hole intersections in the Balmoral North deposit may not be representative (one hole intersected a quartz veined fault zone) and there is no known geological reason why the grades in the North Block should differ significantly from the Central Block (George Palmer deposit).

2 See Section 6 regarding “exploration potential”.

The results of the resource estimate for the Balmoral North deposit (prepared by the Representative Expert) are presented in Table 7 (at a 15% MagFe cutoff grade to approximately 300m below surface):

*Table 8: Balmoral North Resources
(at 15% MagFe cutoff grade)*

<u>Member</u>	<u>Class</u>	<u>Million Tonnes</u>	<u>% Total Fe</u>	<u>% Mag Fe</u>
Dales Gorge.	Inferred	358	30.3	20.4
Joffre.	Inferred	<u>556</u>	<u>31.7</u>	<u>21.4</u>
Total		<u>914</u>	<u>31.1</u>	<u>21.0</u>

Outside of the Inferred mineral resource, extensive BIF outcrop indicates the potential for between 1.7 and 4.0 billion tonnes of Joffre member and between 1.0 and 2.5 billion tonnes of Dales Gorge member. This assessment is based on a consideration of aeromagnetic data and surface BIF outcrop area that is projected to 300m below surface at a density of 3.40t/m³, with 40m of oxidised surficial BIF removed.

Total potential tonnage of magnetite BIF outside the Balmoral North Inferred resource to 300m depth at Balmoral South is between 2.7 and 6.5 billion tonnes. If the known geology is projected an additional 100m below surface (to ~400m below surface), the potential mineralisation is increased by around 1.0 billion tonnes at similar grades. This assessment of exploration potential demonstrates that the 2 billion tonnes of magnetite BIF allocated to RHL at Balmoral North is a realistic and achievable target.

To the west of the BIF outcrops are substantial magnetic anomalies that suggest potential for additional magnetite mineralisation but the magnitude of this potential has not yet been assessed.

Mr Arnold van der Heyden of H&S is the Competent Person under JORC responsible for the estimates of Mineral Resources and exploration potential at Balmoral North.

There is clearly potential to define additional resources on these leases, as indicated by the magnetic anomalies shown in Figure 12. However, the author has not evaluated this exploration potential.

MIN has in place approval for a drilling program over the tenements that aim to upgrade the confidence classification of existing resources and convert exploration potential to resources. The proposed exploration drilling program comprises 40 holes with an average depth of 330m spaced at 200m (E-W) along 400m spaced (N-S) section lines. Total proposed expenditure is Aus\$5.9 million and this drilling could be completed within 12 months.



Figure 10: Block Diagram of Balmoral North deposit

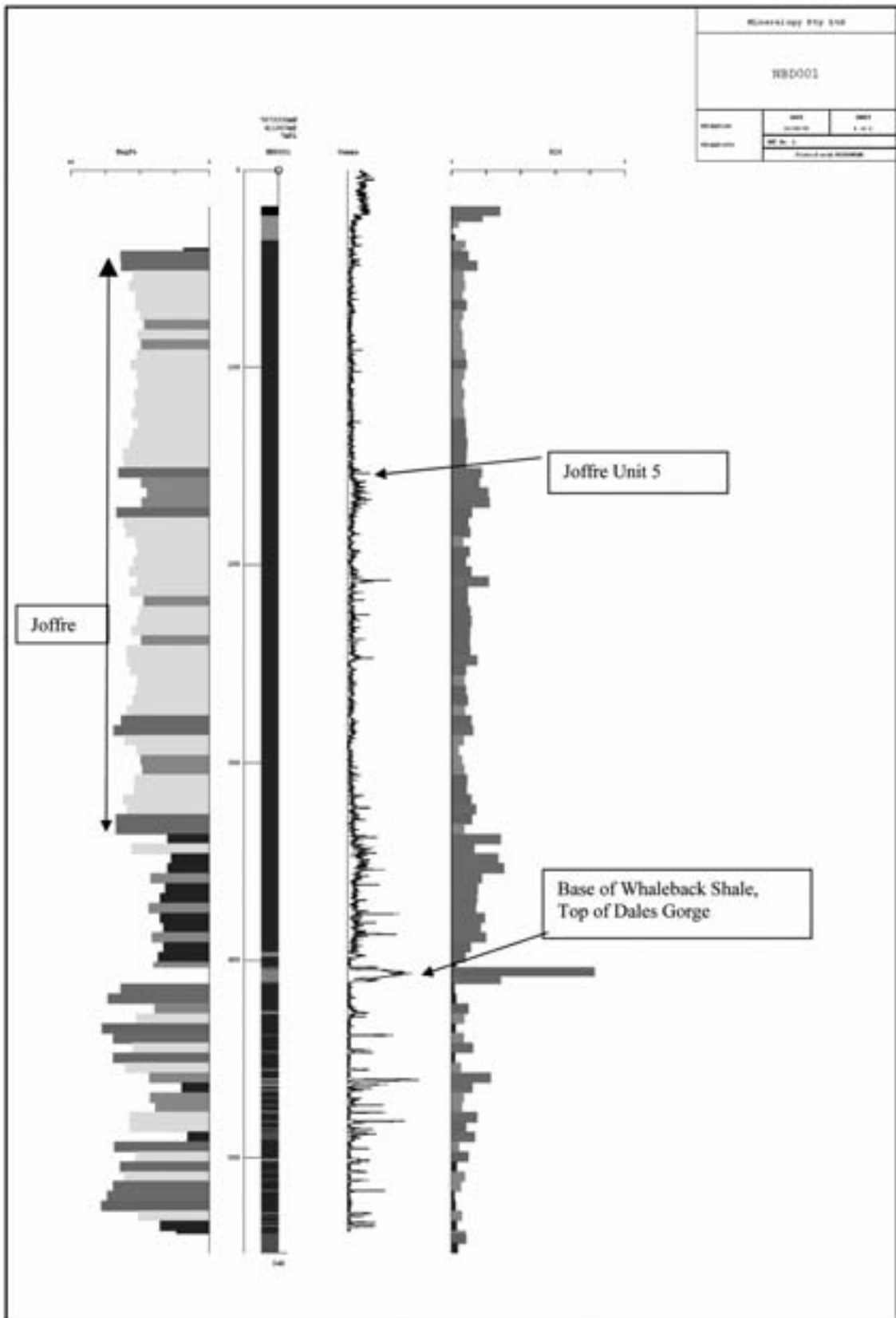


Figure 11: Strip Log of NBD001 - Balmoral North deposit

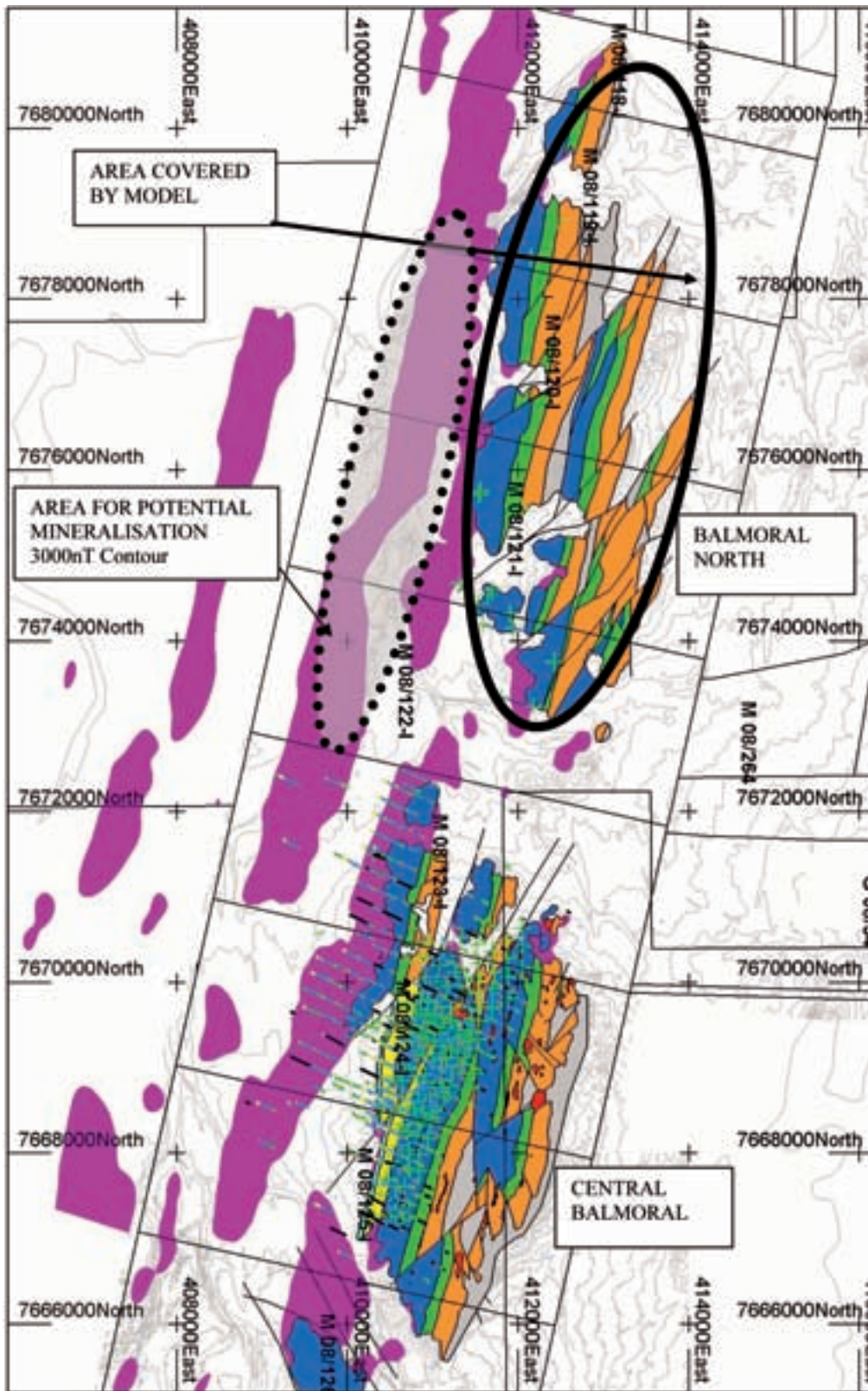


Figure 12: Balmoral North area covered by resource model and potential mineralisation

3.7 Balmoral South Deposit — M08/128 — M08/130

The Balmoral South deposit lies within leases M08/128 — M08/130 and is an extension of the IM project on M08/126 — M08/127. The BIF sequence can be readily mapped on the eastern ridge and on the west.

Faulting is quite extensive on the western side of the deposit with the Joffre units being juxtaposed against each other in several places. The BIF is limited to the south by a fault that cuts off the BIF sequence.

MIN has recently completed a drilling programme of 32 DD holes totalling 10,201m. The program was drilled using MIN diamond drill rig and crews. Drill collars and downhole locations have been surveyed using RTK GPS and gyro tools.

Drill core was logged and sampled in Perth by MIN contract geologists. The core was cut and tested for Davis Tube Recovery (DTR) and chemical analysis by ALS Laboratories in Malaga WA. Pulps and core are retained on site in MIN Balmoral Exploration shed.

The geophysical gamma logs were used to identify the different BIF sub units and these were interpreted on section (Figure 13). Outlines for the different units were digitised and average grades for DTR, Fe concentrate, SiO₂ concentrate and SG were assigned to the different units. The model was regularised to a 25m by 25m by 12m for block optimisation studies.

The first resource estimate for Balmoral South was prepared by Mr Mark Strizek of Mineralogy in June 2009 (Strizek, 2009) and extends to around 440m below surface. Indicated Resources were defined around the drilling that was on a nominal 200m E by 400m N grid. Inferred Resources were defined from surface outcrop and extended down dip from the drilling.

The author has reviewed the Balmoral South resource model and generally agrees with the conclusions of this work. H&S acknowledges that confidence categorisation is a matter of judgement by the Competent Person. In the opinion of H&S, the Indicated resources are within the bounds of accepted industry practise.

However, there is a substantial portion of the Inferred Resources that is not supported by drilling, which in the author's opinion should be classified as exploration potential. This mainly occurs in the south east of leases 128 and 129, east of the central north-south trending fault (~408,250mE) and south of the south-east trending faults in M08-128 (~7,661,500mN). This amounts to 820 million tonnes of the Inferred resource. Evidence for this material consists of surface outcrop and magnetic anomalies.

A tabulation of the resources (as modified by the author) within Balmoral South is presented in Table 9.

*Table 9: Balmoral South Resources
(at 15% MagFe cutoff grade)*

Member	Class	Million Tonnes	% Mag Fe
Dales Gorge.....	Indicated	560	18.8
Joffre.....	Indicated	790	22.8
Whaleback Shale.....	Indicated	40	16.2
Yandicoogina Shale.....	Indicated	9	15.9
Weeli Wolli.....	Indicated	4	15.9
Total Indicated.....		<u>1,402</u>	<u>21.0</u>
Dales Gorge.....	Inferred	210	18.8
Joffre.....	Inferred	1,210	22.9
Whaleback Shale.....	Inferred	23	16.2
Total Inferred.....		<u>1,443</u>	<u>22.2</u>
Grand Total.....		<u><u>2,846</u></u>	<u><u>21.6</u></u>

In addition to these resources, there is potential to define additional resources on these leases, as indicated by the magnetic anomalies to the west of the outcropping BIF units shown in Figure 14. Preliminary investigations by Strizek suggest that there is the potential to identify between 0.5 and 1.0 billion tonnes of magnetite mineralisation through additional drilling.

Based on current information, it is the author's opinion that there are mineral resources of 2.8 billion tonnes and exploration potential for a further 1.3 to 1.8 billion tonnes of magnetite BIF at Balmoral South.

The author, Mr Arnold van der Heyden of Hellman & Schofield, takes responsibility as the Competent Person for the mineral resources and exploration potential at Balmoral South and consents to the inclusion of this information in this report in the form and context that it appears. Mr van der Heyden is a full time employee of Hellman & Schofield and a member of the Australasian Institute of Mining and Metallurgy. Mr van der Heyden has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves".

The proposed exploration drilling program for Balmoral South comprises 20 holes with an average depth of 330m spaced at 200m (E-W) along 400m spaced (N-S) section lines. Total proposed expenditure is around Aus\$3.0 million and this program could be completed within 12 months.

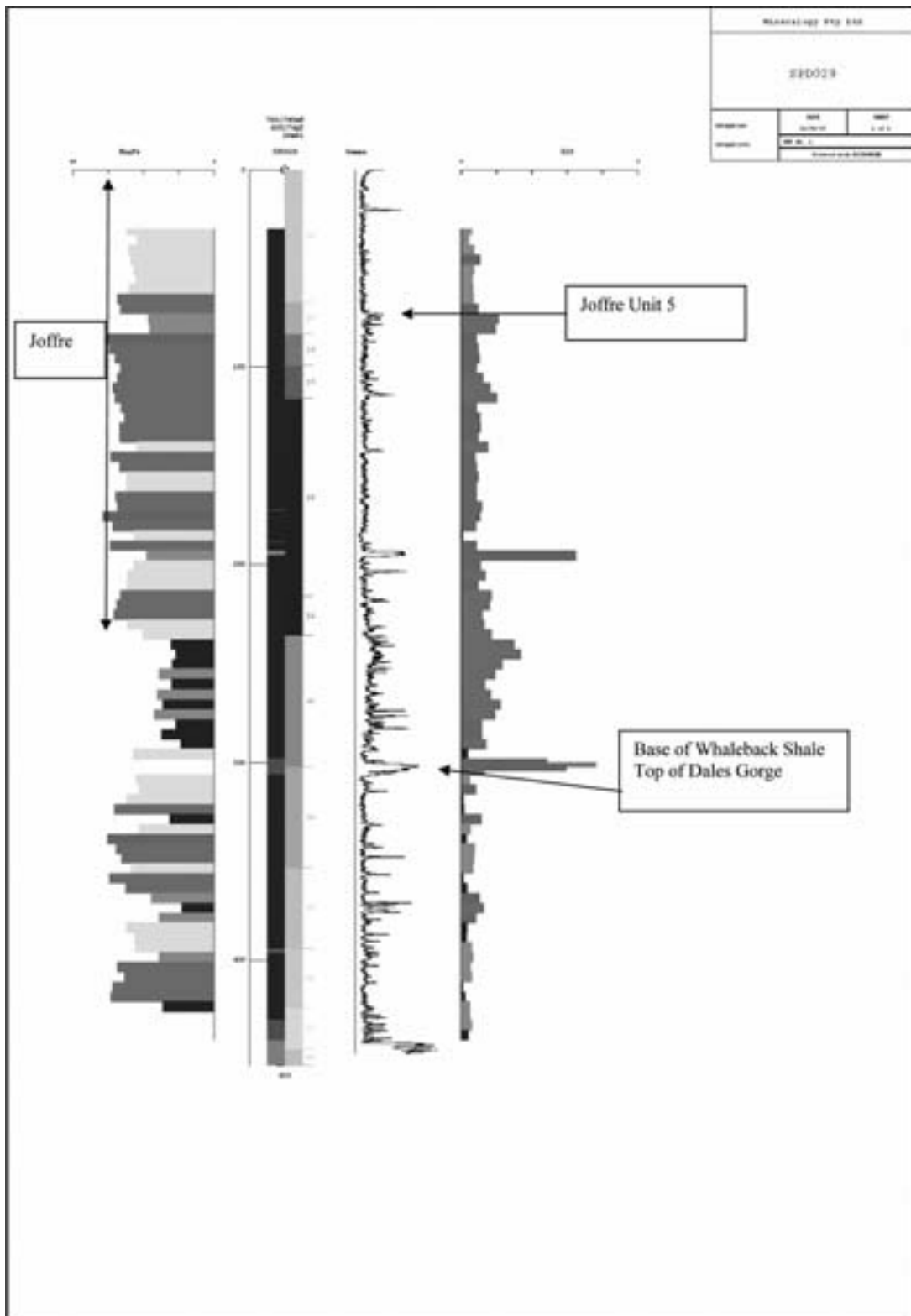


Figure 13: Strip Log of SPD029 - Balmoral South deposit

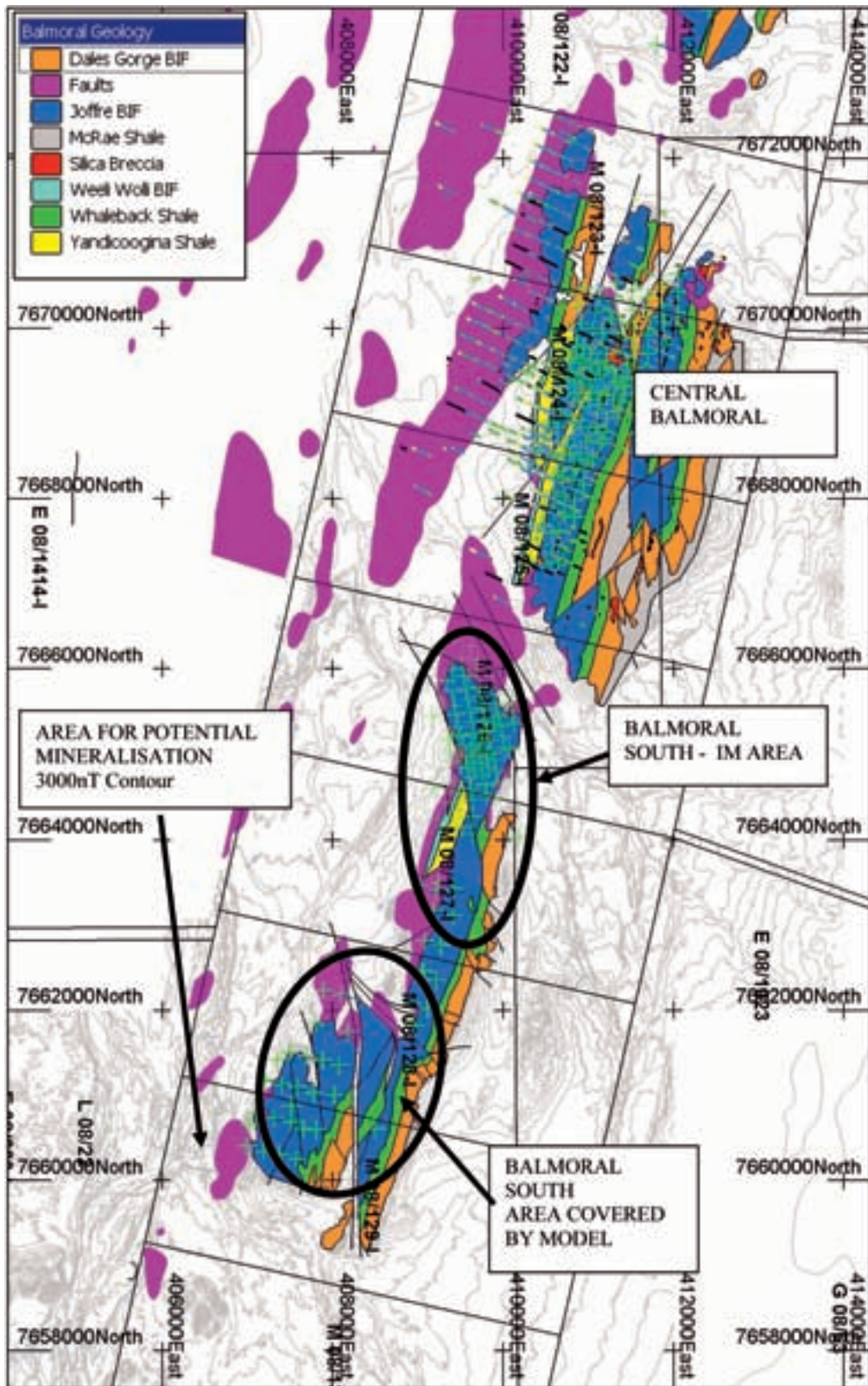
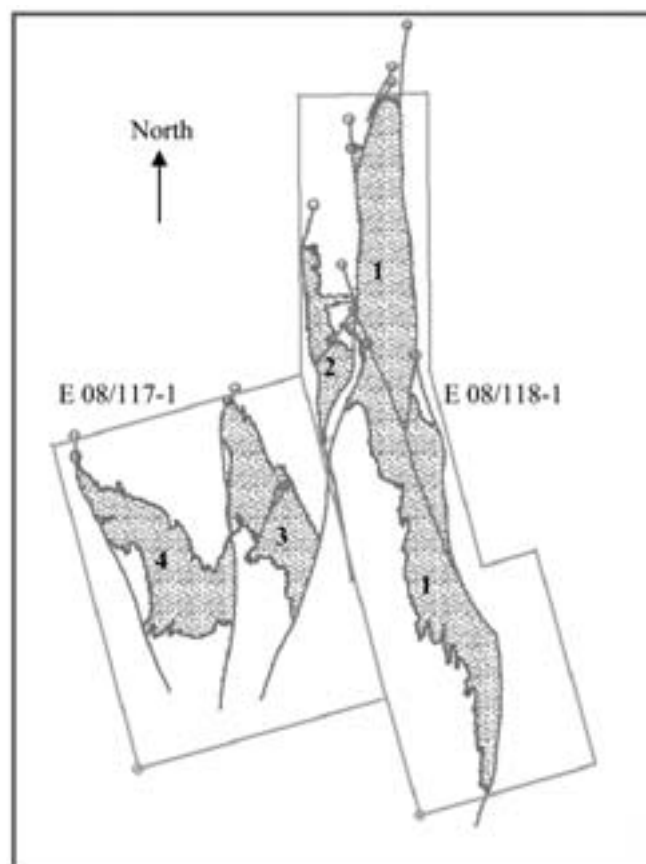


Figure 14: Balmoral South area covered by resource model and potential mineralization.

3.8 Bilanoo Deposit - E08/118

The Bilanoo magnetite BIF deposits occur immediately south of the coastal highway near the Fortescue River roadhouse, around 20km south of the Balmoral magnetite deposits. The Bilanoo deposits are located on two exploration licences E08/118 and E 08/117-1, formerly referred to as the Bilanoo and Southwest properties respectively by Hanna Mining. RHL, through its 100% owned subsidiary China First Iron Ore Pty Ltd, has the right to mine up to 10 billion tonnes of magnetite ore of which some will be sourced from E08/118.

H&S have visited the Bilanoo area on a number of occasions and confirms that extensive outcrops of oxidised BIF occur at surface. Drill samples have not been examined, nor have drill results been analysed in any detail by H&S. The assessment presented here relies on historical reports by independent companies and consultants provided by MIN.



*Figure 15: Bilanoo Leases
showing Brockman Iron Formation (blue)
and Faults (magenta)*

The Bilanoo leases contain four blocks of outcropping Brockman Iron Formation (see Figure 15) separated by roughly north-south trending faults. There are minor strike faults branching off the main faults and there are numerous north-south trending subvertical dolerite dykes cutting through the iron formation. The BIF outcrops form plateaus dissected by numerous deep gorges following faults, joints and dykes.

Block 1 is 25km long by 2km wide and both Dales Gorge and part of the Joffre member occur as sub-horizontal to shallow west dipping strata. Block 2 is 5km long and up to 1km wide. Block 3 is 6km long and around 2km wide, with Dales Gorge, Whaleback and Joffre members dipping 15-18° to the west. Block 4 is similar to Block 3 in both size and stratigraphy.

It is apparent that a substantial proportion of the Joffre member has been lost to erosion in the Bilanoo area, so it is likely that the majority of the magnetite occurs in the Dales Gorge member. Thicker Joffre accumulations will tend occur to the west of each block due to the overall westerly dip of the sequence, though there may also be local blocks where thicker accumulations occur due to down faulting.

Most exploration on the Bilanoo leases was completed in the late 1970's by Hanna Mining and included mapping, sampling and assaying of outcrops, diamond drilling (4 holes totalling 506m in the northern part of Block 1) and percussion drilling (5 holes each in northern Block 1 and Block 3, totalling 789m). The four diamond drill holes tested the lower 280m of the Joffre member, with one hole also intersecting the Whaleback shale and the uppermost Dales Gorge BIF unit.

Hanna test results for the diamond drill holes show 189.5m at 22.4% MagFe, 32.5% DTR, 68.9% concentrate Fe and 3.26% concentrate SiO₂ (similar to Balmoral BIF); these results exclude one hole (DDH-4) believed by Hanna to be unrepresentative. Results for the percussion holes could not be located and samples may not have been tested.

The depth of oxidation in the BIF units varies considerably at Bilanoo from 10 to 56m in the available drill holes and averages around 35.5m, similar to the depth of oxidation at Balmoral.

Mineralogy drilled two holes (total 240m) at Bilanoo in 1993, submitted 101 samples for XRF analysis, six samples for DTR analysis and geophysically logged these two and three older holes. Assay results were comparable to the earlier Hanna work.

H&S has assessed a base case potential³ tonnage of magnetite BIF at Bilanoo, using a number of assumptions. The area of the Brockman Iron Formation for each block was determined by digitising the available maps (see Figure 5). The average thickness of each block was determined from available cross-sections, with 40m subtracted for oxidation and 60m subtracted to allow for the thickness of the Whaleback shale. A constant density of 3.40t/m³ has been assumed for all material, based on the average density of BIF for the George Palmer deposit. The dolerite dykes and internal faults were assumed to have no material impact on the estimates.

An additional case was developed (Expanded Case in Table 8), where the thickness of the BIF was increased by 50% to account for possible variations in stratigraphic thickness and topography. The thickness of oxidation and Whaleback shale was subtracted as in the base case, after the 50% expansion.

³ See Section 6 regarding "exploration potential".

Table 10: Assessment of Potential Magnetite BIF at Bilanoo

Block	Area (km ²)	Base Case		Expanded Case	
		Thickness	Billion Tonnes	Thickness	Billion Tonnes
1	40.5	200	27.6	350	48.3
2	5.3	50	0.9	125	2.2
Total	45.8	183	28.5	324	50.5

The Bilanoo lease (E08/118) contains substantial quantities of magnetite BIF, potentially in the order of 28 to 50 billion tonnes at similar grades to the Balmoral deposits. These leases require further exploration before Mineral Resource can be determined. This assessment of exploration potential demonstrates that any shortfall in the 10 billion tonnes of magnetite BIF allocated to RHL will be able to be made up from mineralisation from Bilanoo is a realistic and achievable target.

Mr Arnold van der Heyden of H&S is the Competent Person under JORC responsible for the estimates of exploration potential at Bilanoo.

Government approvals will be sought to allow the commencement of a major exploration drilling program at Bilanoo with the goal of defining initial Indicated and Inferred mineral resources. The drilling program will consist of 30 holes for a total of 10,000 meters on E08/118 at an approximate spacing of 400m by 400m. Total proposed expenditure is approximately Aus\$4.5 million and the program could be completed within 12 months.

4 South Australia — Ooldea EL4565

The Ooldea Magnetite deposit is located on the Nullarbor Plain in western South Australia, 700 km west of Whyalla, 230 km north-west of Ceduna and 20 km south of the Ooldea siding on the Trans-Australian railway line (Figure 16). The deposit occurs within Exploration Licence 4565, granted to Cosmo Developments Pty Ltd (a subsidiary of RHL) on the 20/09/2010 for a period of two (2) years. The licence covers an area of 534 km².

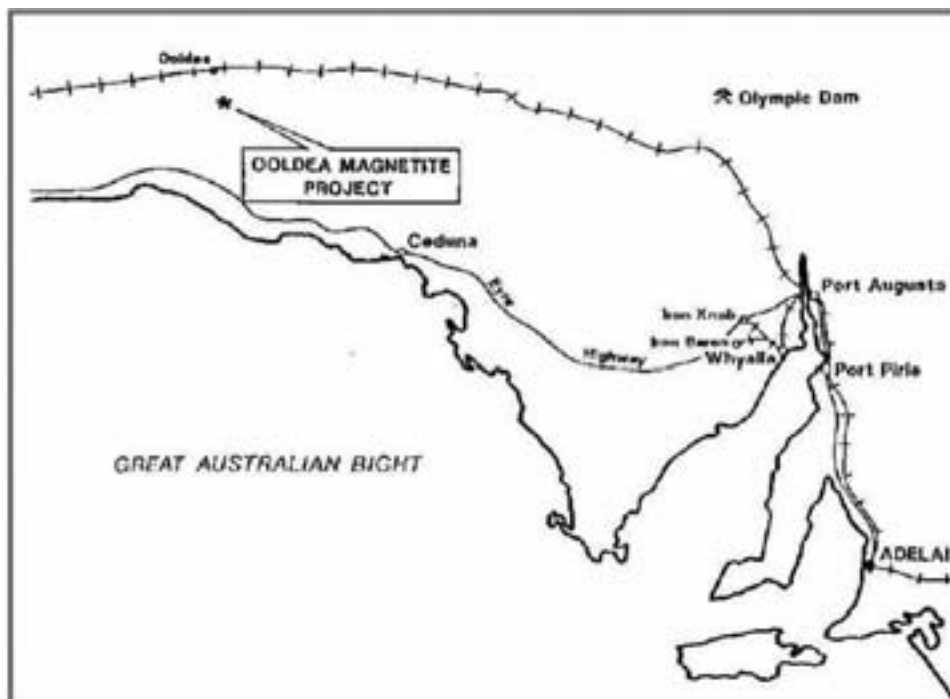


Figure 16: Location of Ooldea Magnetite Deposit

The deposit is defined by a pronounced NE-SW trending aeromagnetic anomaly that is approximately 25 km in length (Figure 17) and is hosted by the Archaean-aged Mulgathin Complex, part of the Gawler Block. The deposit is overlain by Tertiary and Palaeozoic sediments of the Eucla and Officer Basin respectively.

H&S has not visited the Ooldea property and this assessment relies on historical reports by independent companies and consultants provided by Mineralogy. H&S did not visit site because sufficient current information was available to make an informed appraisal and a site visit was considered unlikely to reveal further information material to this report.

Exploration has delineated the magnetic anomaly in some detail and drilling has confirmed that the lithology responsible for the anomaly is a quartz-magnetite gneiss, which is a metamorphosed BIF strongly sheared and partly intruded by pegmatite.

SADME (South Australian Department of Minerals and Energy) drilled hole Ooldea 3 (375m total depth) in 1985 to intersect the Karari Fault based on the results from earlier studies. The hole intersected two zones of quartz-magnetite gneiss west of the fault and SADME reported details of downhole geochemistry, geophysical and geological logs.

In 1991 Offshore Diamond Mines NL (ODM) reported the results of modelling data from the core and various geophysical surveys and estimated 1.8 billion tonnes of BIF containing 30% magnetite over 25km of strike length (Karajas and Bloomer, 1991).

Cosmo originally acquired an exploration licence over the area of current EL4565 (previously EL3404) in 2001 and have since conducted a detailed ground magnetic survey (58 lines 2.5km apart), a gravity survey over a 5km area to establish depth to basement and drilled six RC percussion holes totalling 1,100m. The holes were logged geophysically for magnetic susceptibility, natural gamma, density and calliper, and samples were submitted for DTR and XRF analysis (87 and 795 samples respectively).

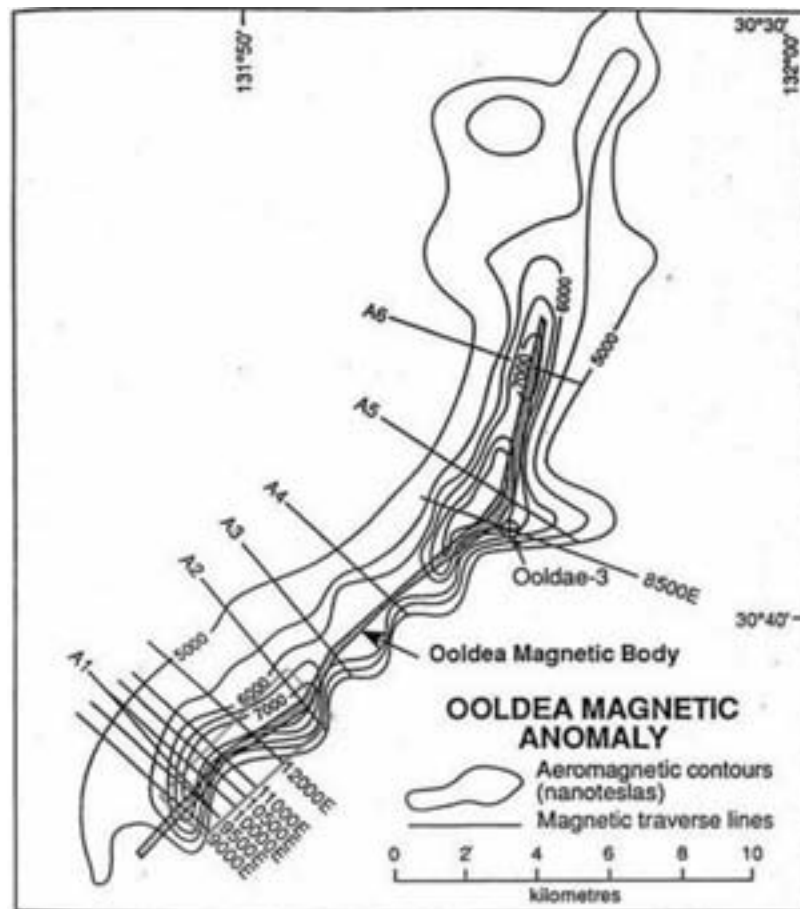


Figure 17: Ooldea Magnetic Anomaly

An estimate by Cosmo (Raveggi, 2001) suggests that the entire deposit (25km strike length) contains 882 million tonnes of magnetite, though the density of magnetite (5.81) used appears erroneous. Using the correct density for magnetite (5.18) and the average drill hole grades above 13% MagFe, this equates to 3.1 billion tonnes of magnetite BIF at 18% MagFe.

The Cosmo estimate assumes a constant depth to fresh BIF (Nullarbor Limestone plus oxidised Mulgathin Complex) of 39m, while the ODM estimate indicates that the BIF varies in depth from 41 to 120m.

DTR tests on samples from the Cosmo drilling give an average grade of 25% DTR, 18% MagFe, 70.7% concentrate Fe and 0.84% concentrate SiO₂ at a 13% MagFe cutoff grade and a 325 mesh grind.

H&S considers previous estimates (neither reported according to JORC guidelines) to be exploration potential⁴ and concludes that there is potential for substantial magnetite BIF mineralisation at Ooldea, in the range of 1 to 3 billion tonnes at grades around 18% MagFe under 40-120m of cover.

Mr Arnold van der Heyden of H&S accepts responsibility as the Competent Person under JORC for the classification and assessment of exploration potential at Ooldea.

Cosmo has SA government approval for an exploration program of up to 73 holes (total meterage 18,000m). Drill traverses are spaced 1 kilometre apart with hole spacing on 200m centres. Total proposed expenditure is around Aus\$8.1 million and this program could be completed within 12 months.

4 See Section 6 regarding “exploration potential”.

5 Data Quality

In the preparation of this report H&S has not undertaken a detailed audit of the geological databases held by RHL for completeness or accuracy. Nevertheless the previous geological investigations appear to have been generally undertaken to contemporary industry standards. However, there may be some deficiencies in the available databases because of the era in which some of the exploration was undertaken and the diversity of targets sought by the various prior explorers.

Based on the author's experience with the Pilbara magnetite deposits, H&S believes that the historical data for these projects is generally of good quality and in most cases suitable for use in future resource estimation. However, the age and variability of some of the historical data and the general lack of independent quality control and quality assurance measures for drilling, sampling and assaying will necessitate some checking and verification of the historical data. Some historical data requires conversion into digital format and entry into an electronic database for further analysis and assessment.

For the other projects examined by H&S, it was found that the quality and probably the completeness of the available historical exploration data varied from project to project, though generally the databases of prior exploration data appear to be reasonably comprehensive. The general lack of independent quality control and quality assurance measures for drilling, sampling and assaying for the older historical data will require some level checking and verification. Some historical data requires conversion into digital format.

Prior explorers within the project areas generally utilised the services of independent laboratories (mainly Australian based commercial laboratories) to analyse samples. These laboratories used contemporary analytical techniques for the elements determined and adopted appropriate quality control procedures. Assaying techniques and in some cases the preferred sampling medium have evolved and been improved upon over time; consequently different generations of analytical results are not necessarily directly comparable.

Under the JORC code, the Competent Person is responsible for the quality of data used in mineral resource estimates, which applies to all resource estimates included in this report.

6 Risk Summary

6.1 Project Risks

When compared with many industrial and commercial operations, mining is a relatively high risk business and projects that are still in the exploration phase are even higher risk. Even after a discovery is made the nature of the orebody, the grade distribution within the body and the behaviour of the ore during mining and processing is never completely predictable.

The difficulty in discovering economically viable mineral deposits is progressively increasing as most deposits that outcrop at surface have already been discovered. Consequently discovery of additional deposits is increasingly reliant on the combination of an in-depth understanding of factors controlling the development of mineral deposits within any specific geological environment as well as the application of optimum exploration techniques applicable to the style of deposit being sought.

Most of the RHL projects are at an advanced stage of exploration and have defined exploration targets and/or mineral resources. Consequently the presence of significant mineralisation has been established and the deposit parameters are understood, allowing the design of optimised exploration programs. To outline and upgrade resources and subsequently confirm economic viability will require considerable additional work and this is the objective of RHL's planned exploration programs for these projects. These programs are outlined in the respective sections for each property. It is considered that the uncertainties associated with the various Mineral Resources are adequately expressed by the terms Measured, Indicated and Inferred.

A number of properties have reported exploration potential, expressed in terms of tonnage and grade ranges. For this exploration potential, the current level of exploration is insufficient to define a Mineral Resource, the tonnage and grade ranges are conceptual in nature, and it is uncertain if further exploration will result in the determination of a Mineral Resource.

6.2 Risk Mitigation Factors

There are a number of factors which combine to reduce some of the risks attached to RHL's exploration projects. The main factors being:

- Australia is a politically stable country with a long history of mineral exploration and mining. The Federal and all State Governments are supportive of the mining industry, except for uranium mining in certain states.
- It is considered likely that further appropriate exploration activity will define substantial Mineral Resources on the China First Iron Ore Project, although there is some uncertainty in the quantity and grade of the potential mineralisation. The exploration history of the Balmoral Central deposit, the large areas of surface outcrop and presence of strong aeromagnetic anomalies in these areas support this conclusion.
- RHL's project areas, while remote, are generally well located with respect to access and infrastructure, and operations are unlikely to be disrupted by climatic events except for short periods during cyclones.

- RHL's current management, technical staff and contractors are experienced mineral industry professionals and have extensive experience in the exploration for the deposit styles most likely to be discovered within the project areas.
- RHL's planned exploration programs are appropriate for the types of deposits being sought.
- RHL's parent company (Mineralogy) has experience in facilitating the development of a major mineral project and has the technical and commercial expertise, as well as the financial and business contacts to facilitate the development of further projects.

7 Declarations

7.1 Capability and Independence

Hellman & Schofield (H&S) is a Sydney based, mining industry consultancy specialising in the geological aspects of mining, exploration, project evaluation, resource estimation and independent expert reports.

The undersigned, Mr Arnold van der Heyden, is a qualified geologist with a Bachelor of Science degree from the University of Melbourne. He is a member of the Australasian Institute of Mining and Metallurgy (The AusIMM) and is nominated as the Representative Expert for this report. He has over 25 years of broad mining industry experience, including work throughout Australia and parts of South East Asia, Africa and South America, encompassing a wide range of mineral commodities. Mr van der Heyden has been a professional geological consultant for over 12 years and has also held senior technical and management positions with a number of exploration and mining companies.

H&S is independent of all parties involved with the project activities described in this report. H&S will receive a professional fee based on standard rates plus reimbursement of out of pocket expenses for the preparation of this report. The payment of these fees is not contingent upon the success or otherwise of the proposed equity raising, pursuant to the prospectus within which this report is contained. There are no pecuniary or other interests, which could be reasonably regarded as being capable of affecting the independence of H&S or the undersigned.

H&S has consulted to Mineralogy over a period of 9 years since July 2001.

H&S, the undersigned and members of the undersigned's family, have no interest in, or entitlement to, any of the project areas the subject of this report.

7.2 Limitations and Consent

This report has been based on data, reports and other information made available by RHL, its subsidiaries or otherwise obtained through publicly available sources.

A draft copy of this report has been provided to RHL for comment as to errors of fact, omissions or incorrect assumptions. H&S has no reason to believe that the information provided by RHL is misleading or that any material facts have been withheld.

The opinions expressed herein are given in good faith and H&S believes that any assumptions or interpretations are reasonable.

With respect to the H&S report and its use by RHL and its advisers, RHL agrees to indemnify and hold harmless H&S its shareholders, directors, officers and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law, except in respect to fraudulent conduct, negligence or wilful misconduct, and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions, except where they or any of them are found liable for, or guilty of fraudulent conduct, negligence or wilful misconduct.

This report is provided to RHL solely for the purpose of assisting potential investors in assessing the geological and technical issues as well as the potential risks associated with an investment in RHL and should not be used or relied upon for any other purpose. This report does not constitute a full technical audit but rather it seeks to provide an independent overview and technical appreciation of each of RHL's exploration projects. Neither the whole nor any part of this report, nor any reference thereto, may be included in, or with, or attached to any document or used for any purpose without H&S's written consent to the form and context in which it appears.

H&S has consented to the inclusion of its report in RHL's prospectus document dated on or before June 2011 in the form and context in which it appears and has not withdrawn its consent prior to the lodgement of the prospectus with the Hong Kong Stock Exchange.

8 Principal References

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9 Glossary

Glossary of Technical Terms and Abbreviations

Term/Abbreviation	Description
Adit	Horizontal passage from the surface into a mine
Al	Chemical symbol for Aluminium
Alluvial (alluvium)	Sediment deposited by a stream or river.
Alteration	Change in the mineralogical and chemical composition of a rock, generally produced by hydrothermal fluids or by weathering
Anomaly	Value or area higher or lower than the expected norm
Au	Chemical symbol for Gold
BIF	Banded Iron Formation — a rock with alternating bands of iron rich (eg magnetite, hematite) and iron poor (typically chert) minerals
Chert	Rock composed principally of fine grained quartz
Conc Al ₂ O ₃	Alumina content of magnetic concentrate
Conc Fe	Iron content of magnetic concentrate
Conc SiO ₂	Silica content of magnetic concentrate
Davis Tube	Apparatus used to recover magnetic grains in sample
DD	Diamond Drilling — rotary drilling using diamond bits, used to produce a solid core of rock
Dip	The angle that a stratum or planar feature such as a fault makes with the horizontal, measured perpendicular to the strike and in the vertical plane
Dolerite	A medium grained plutonic rock with the composition of basalt
DTR	Davis Tube Recovery — percentage weight recovery of magnetic component in sample
Dyke	A tabular igneous intrusion cutting across the bedding or other planar structures

Fault	A fracture in rock across which there has been observable displacement
Fe	Chemical symbol for Iron
Fe ²⁺	Ferrous iron
Fe ³⁺	Ferric iron
Ferruginous	Iron bearing
Gamma Log	Log of natural radiation (gamma rays)
Goethite	A hydrous ferric oxide mineral, usually brown in colour (FeO(OH)) with up to 62.85% Fe
Grade	Average quantity of ore or metal in a specified quantity of rock
Hematite	A non-magnetic iron (ferrous) oxide (Fe ₂ O ₃) with 69.94% Fe
JORC	Joint Ore Reserves Committee
JORC code	Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves
km	kilometre — 1 kilometre = 1000 metres
km ²	square kilometre — 1 square kilometre = an area of 1000 metres by 1000 metres
Kt	Thousand tonnes
Limonite	A hydrous ferric oxide mineral, usually brown or orange in colour (FeO(OH).nH ₂ O)
Lithology (-ies)	Rock type
LOI	Loss On Ignition — weight loss when sample is fused 1200°C, due to loss of water and other volatiles
m	Metre — 1 metre = 100 centimetres
MagFe	Magnetically recoverable iron, defined as the product of DTR and concentrate Fe (total), expressed as a percentage: MagFe = DTR x Conc_Fe /100
Magnetic Susceptibility	Measured total intensity of magnetisation of a material
Magnetite	A magnetic iron oxide (Fe ₃ O ₄) with 72.36% Fe, containing both ferrous and ferric iron

Micron (μm)	1/1,000,000 of a metre
Minus 325 mesh	A specific mesh size used in sieving samples. 325 mesh = a sieve size of 45 μm
Mt	Million tonnes
Outcrop (ping)	Rock exposed to view at the surface and physically connected to solid rock at depth
P	Chemical symbol for Phosphorous
P_2O_5	Phosphorous pentoxide
Percussion Drilling	Rotary drilling technique that generates a hole using a hammer that repeatedly impacts the rock and produces chip samples
ppm	Parts per Million; a measure of grade
Pyrite	Common form of iron sulphide
Quartz	Common rock forming mineral, silicon dioxide (SiO_2)
RC	Reverse Circulation Percussion — A percussion drilling technique in which the cuttings are recovered up the inside of the drill rods to minimise contamination from the wall of the hole
Riebeckite	A sodium iron silicate, typically blue and fibrous
SG	Specific Gravity (density)
Si	Chemical symbol for Silicon
Strike	Trend or direction of rock strata in a horizontal plane; to extend in that direction
t	tonne — a metric tonne, 1 tonne = 1000 kilograms
TMI	Total Magnetic Intensity — one representation of the results of a magnetic survey
Total Fe/Head Fe	Total iron content of crude ore
VALMIN code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Winze	Vertical passage from the surface into a mine



**China First Pty Ltd
South Alpha Project**

**Open Cut JORC
Reserve Statement**



30 May 2011



Document Issue Approval

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Open Cut JORC Reserve Statement	A1
Client:	
China First Pty Ltd	

	Name	Position	Signature	Date
Prepared by:	Ken Hill	Managing Director	<i>[Signature]</i>	3.12.2010
Reviewed by:	John Thrift	Director	<i>[Signature]</i>	3.12.2010
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Distribution

Organisation	Attention	No of hard copies	No of electronic copies	Actioned ¹
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1 STATEMENT OF JORC COMPLIANCE

This Reserves Estimate has been prepared by Mr Ken Hill. The estimates of Coal Reserves for the China First Project presented in this report have been carried out in accordance with the 2004 edition of the *Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code)* and the 2003 edition of the *Australian Guidelines For Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves (Coal Guidelines)*.

Ken Hill is the Managing Director of Xenith Consulting Pty Ltd. He has a Bachelor in Civil Engineering from University of Queensland and a Post Graduate Diploma in Business Administration from University Queensland. He has over 20 years experience in the open cut coal mining industry and substantial experience in mining operations financial evaluations. Ken Hill is a Member of the Australasian Institute of Mining and Metallurgy and as such qualifies as a Competent Person under the JORC Code.

Neither Ken Hill, nor Xenith Consulting Pty Ltd have any material interest or entitlement, direct or indirect, in the securities of China First Pty Ltd or any associated companies. Fees for the preparation of this report are on a time and materials basis only.

Ken Hill consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

Ken Hill
Member AusIMM

2 JORC COAL RESERVES STATEMENT

The following open cut reserves statement has been carried out in accordance with the current JORC code. Xenith Consulting Pty Ltd has also prepared the JORC Insitu Coal Resource Report for the China First Project, which is presented in a separate report dated 3 December 2010.

The Coal Resources are not quoted in this report; however the Coal Resource polygons relevant to the open cut areas are presented in Appendix A, and clearly show the categorisation and location for each area.

3 BACKGROUND GEOLOGY

The China First Project lies within EPC1040 and EPC 1079, and contains Permian age coal seams in the Galilee Basin in Central Queensland. The coal seams within the area dip gently to the west at 0.5 to 1.0 degrees.

Six major coal seams and their associated splits are contained in the deposit as outlined below:

- A Seam is relatively thin (less than 0.3 metres) and has not been included in the current JORC Resource or Reserve estimate.
- B Seam averages approximately 6 metres in thickness with the upper half of the seam containing poorer quality coal. The separation between the A and B seams is in the order of 15 metres.
- C Seam occurs approximately 80 metres below the overlying B seam and averages approximately 1.2 metres in thickness.
- DU Seam occurs approximately 5 to 10 metres below the C seam, and averages 2.50 metres in thickness.
- DL Seam occurs as three splits over the majority of the area (DL1, DL2 and DL3) with a cumulative thickness of approximately 2.40. The parting bands in the DL seam are named DLX and DLY and they range in thickness from 0.10 to 1.20 metres.
- E and F seams are present as a number of thin seams which have not been included in the current Resource or Reserve estimate and have only been intersected in a limited number of drill holes.

Tertiary sediments vary in thickness across the deposit ranging from less than 20 metres in the North, but then increasing in thickness to the south to greater than 100 metres limiting the open cut potential in this area.

4 TENURE STATUS

The open cut area evaluated in this report is held by Waratah Coal Pty Ltd under EPC 1040 which is current to June 2011.

5 NATIVE TITLE

Native Title has not been extinguished throughout the EPC 1040 area. A Native Title Application QC 04/6 of the Wangan and Jagalingou People covers the potential open cut mining area within EPC 1040 area.

6 COAL PREPARATION

Current product coal recoveries are based on a laboratory yield for a cut point of F1.50 and adjusted for plant efficiency with all dilution material assumed to report to waste. A plant efficiency factor of 95% has been assumed.

7 COAL PRICING ASSUMPTIONS

The following coal prices for export thermal coal have been provided by China First. Coal prices for each coal product have been determined on an equivalent energy basis.

Table 1 - Coal Price Assumptions

Revenue Item	Unit	Value
Coal Price (at 26.3 GJ/tonne)	US\$/Prodt	\$75.00
Exchange Rate.	US/AUS	0.80

8 RESERVE ESTIMATE

8.1 Geological Resource Categories

The allocation of Reserves in this Reserves Estimate has been based on the Measured and Indicated categories within the Xenith JORC Insitu Resource Estimate. The Resource category polygons delineating each category are as shown in Appendix A.

8.2 Mining Method

8.2.1 Pit Limits

The China First Project open cut limits are defined by the following:

- Eastern boundary is the relevant coal seam sub-crop line
- The extreme northern boundary allows a 50 metre surface corridor adjacent to the lease boundary in B pit and a 50m clearance from the boundary haul road in D pit.
- The southern boundary has been determined by the economic limit, mostly due to the deeper tertiary sediments and weathering profile.
- The western boundary has a 50 metre stand-off at coal level from the proposed underground operations.
- A central corridor also exists and divides the open cut into North and South pits. The corridor is excluded for surface infrastructure for the underground mines and conveyors etc.

The open cut pit limits are shown in Figure 1.

Figure 1 - Open Cut Mining Areas



8.2.2 Equipment Selection

The mining method adopted for this conceptual evaluation is a combination of:

- topsoil removal and placement by scrapers
- large draglines uncovering the coal seams
- truck shovel fleets handling the overburden material not removed by the dragline including most of the tertiary material
- truck excavator fleets handling the burden between seams and to mine the coal seams

The equipment fleets envisaged are:

- Draglines — 4 x Bucyrus 8750 draglines with 117 metre boom and 345 tonne suspended load
- Truck shovel fleets — 2 x P&H 4100XPC shovels with Cat 797 trucks initially with additional fleets in years 12 and 18 of the project.
- Truck excavator fleets — 2 x Hitachi EX5500 excavator with Cat 793 trucks for coal mining and initially 1 additional fleet to handle partings with additional fleets for parting removal in years 6 and 12 of the project
- Contactor truck excavator capacity has been used to fulfil the short term shortfalls in waste removal during the plan

The tertiary material is assumed to be excavated without blasting. All other overburden has been assumed to be drilled and blasted prior to removal.

The dragline operation initially removes the hard blasted material immediately above the coal seams as well as a proportion of the tertiary material. This tertiary material has to be selectively handled by the dragline in an offset strip operation resulting in significant rehandle. As the deposit deepens the proportion of this tertiary material handled by the draglines reduces. This results in less dragline rehandle and therefore more prime material is moved by the draglines. The depth of material allocated to the dragline horizon varies during the schedule with an average of approximately 45 metres.

The excavator truck fleets handle the parting material between seams C and DU and between DL1 and DU which are both approximately 5-10 metres thick. The parting between DU and C seam is assumed to be hauled out of pit and short dumped to regrade the coal haulage ramps. The parting between DL1 and DU is planned to be dumped in-pit to reduce the trucking requirements. The very thin DLX and DLY partings have also been allocated to the excavator truck fleets at a decreased productivity.

Coal is planned to be mined with the EX5500 excavators and hauled to the ROM crushing facility for each open cut area.

8.2.3 Coal Losses and Dilution

The following coal losses and dilution assumptions have been adopted for the reserves estimation.

Table 2 - Loss and Dilution Assumptions

Assumption	Unit	Value
Coal Loss - Roof of Seam uncovered by Dragline	m	0.10
Coal Loss - Roof of Seam uncovered by Excavator	m	0.05
Coal Loss - Floor of Seam	m	0.05
Coal Loss Lowwall Edge	m	0.50
Dilution - Roof of Seam uncovered by Dragline	m	0.05
Dilution - Roof of Seam uncovered by Excavator	m	0.05
Dilution - Floor of Seam	m	0.05
Dilution Lowwall Edge	m	0.25
Dilution Density	t/m ³	2.10
Minimum Coal Seam Thickness to Include	m	0.30
Maximum Parting Thickness to Include as ROM Coal	m	0.30

Coal seam insitu relative densities have been adjusted to insitu bed moisture as per the Xenith Insitu Coal Resource Statement.

8.3 Margin Ranking

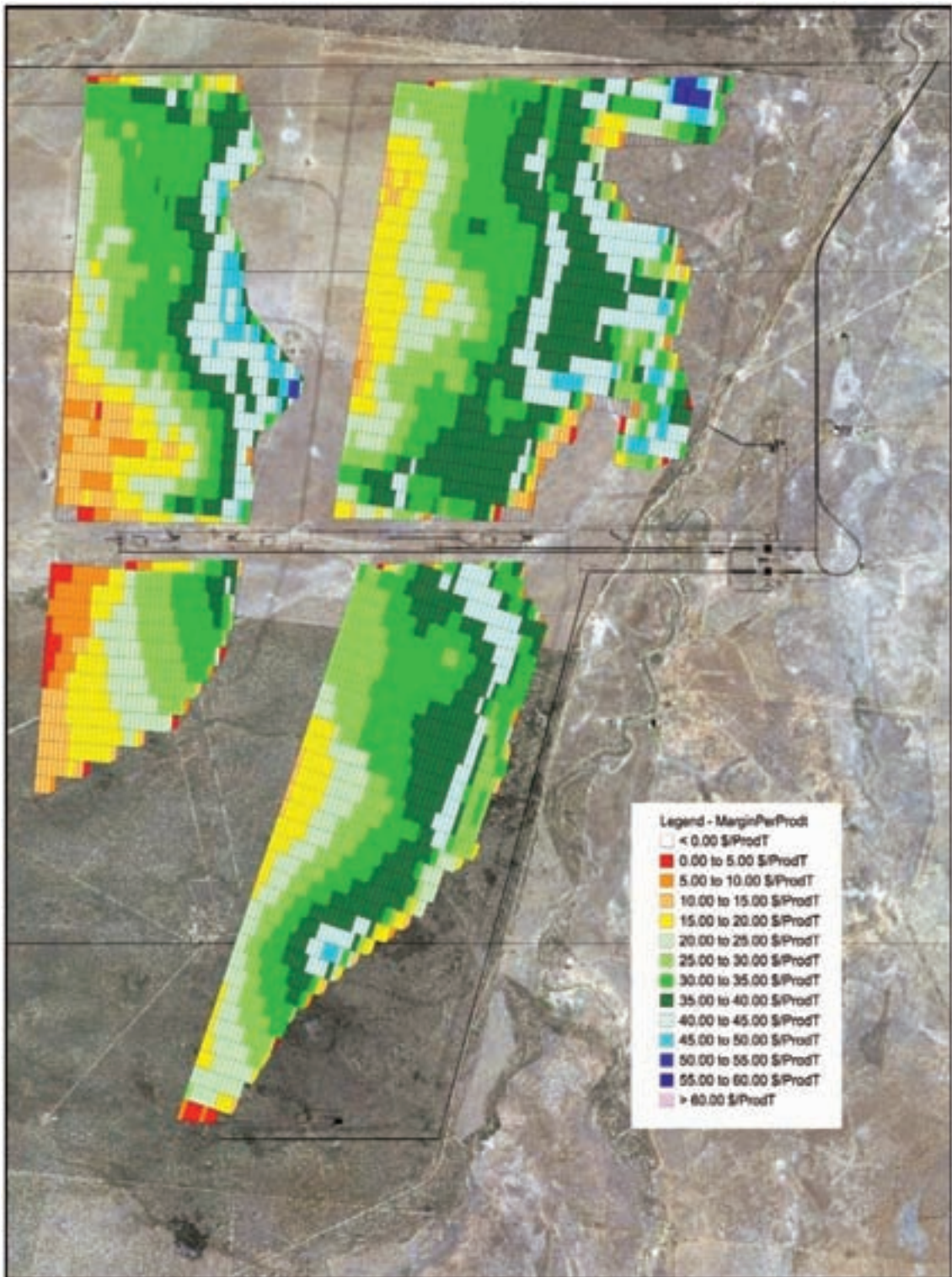
The following unit operating costs have been assumed to develop the margin ranking. It should be noted that the rail and port costs reflect the operating cost portion of an owner operated system.

Table 3 - Unit Cost Assumptions

Unit Cost Item	Unit	Rate (A\$/unit)
Rehabilitation	Ha	20,000
Topsoil Removal (0.3m)	bcm	4.00
Presplit (4m spacing)	m	25.00
Drill & Blast - throw	bcm	0.75
Truck Excavator Unconsolidated Material	bcm	2.00
Dozer Push - Main Bench	bcm	0.90
Dragline Waste Removal	m ³	0.70
Truck Excavator Parting (in-pit)	bcm	2.00
Truck Excavator Parting (out of pit)	bcm	2.50
Coal Mining	ROMt	3.00
Crush/Conveyor B seams (6km)	ROMt	0.75
Pit Dewatering	ROMt	0.30
Coal Preparation	ROMt	2.80
Loadout	Prodt	0.25
Rail Transport	Prodt	4.54
Port Handling & Ship Loading	Prodt	1.25
Royalties for portion of coal price up to A\$100	%	7.0
Royalties for portion of coal price over A\$100	%	10.0

The results of the margin ranking are shown in Figure 2. It is evident the open cut mine shows positive cash margin to the down-dip limit (underground layout limits).

Figure 2 - Margin Rank Results



8.4 JORC Reserve Estimate

8.4.1 Reported Estimate

The allocation of Reserves into Probable in this Reserves Estimate has been based on the Measured and Indicated categories within the Resource Statement.

The Reserves contained within the economic China First Project open cut pit limit have all been classified as Probable with a total of 397 million ROM tonnes. These Reserves are shown by seam in Table 4 below.

Table 4 - JORC Open Cut - Probable Reserves

Seam	Coal Plies Included	ROM Coal (Mt)
B.....	B2, B4, B6, B8	163.27
C.....	C5	28.19
DU.....	DU	88.18
DL.....	DL1, DL2, DL3	116.89
Total.....		396.53

8.4.2 Accuracy of Estimate

By its very nature, this is an estimate of likely economically mineable reserves based on a series of known parameters and assumptions and therefore it is incumbent on the reader to form their own opinions as to the reliability and accuracy of this estimate.

APPENDIX V-A INDEPENDENT RESERVES STATEMENTS — COAL OPEN-CUT

8.5 Comparison to Previous Reserve Statement

Table 5 shows the comparison with the previous reserve statement from June 2009.

Table 5 - Comparison with Previous Statement

Seam	Jan 2010 ROM Coal	Jul 2009 ROM Coal	Variance
	(Mt)	(Mt)	(Mt)
B.....	163.27	234.74	-71.47
C.....	28.19	60.49	-32.30
DU.....	88.18	92.81	-4.63
DL.....	116.89	131.96	-15.07
Total.....	396.53	520.00	-123.47

It can be seen that the major changes from the previous estimate are predominantly in the B and C seams.

The B seam variance is due to the fact that the stone band plies (B3, B5 and B7) have been excluded from the reserve if they are thicker than the 0.30 metre minimum mining thickness cut-off. In the previous estimate all this stone was included. The overall thickness has been reduced, but the product yield will increase due the ROM tonnes having a lower ROM ash. The B seam resource polygons have also been slightly reduced in the B south open cut area due to a review of the JORC categorisation.

The C seam variance is due to a reduction in overall seam thickness after a review of all the drill holes in which the seam roof has been adjusted if necessary to remove the carbonaceous section previously called the C Upper ply. The C seam ranges in thickness 0.5-2.2m and averages 1.2m. This is significantly thinner than in the June 2009 estimate.

The DU and DL seam reductions are smaller and are explained by a review of the JORC categorisation in the D south open cut.

9 APPENDIX A — RESOURCE POLYGONS WITHIN OPEN CUT MINE LIMITS

Figure 3 - B2 Seam Resource Category Polygons

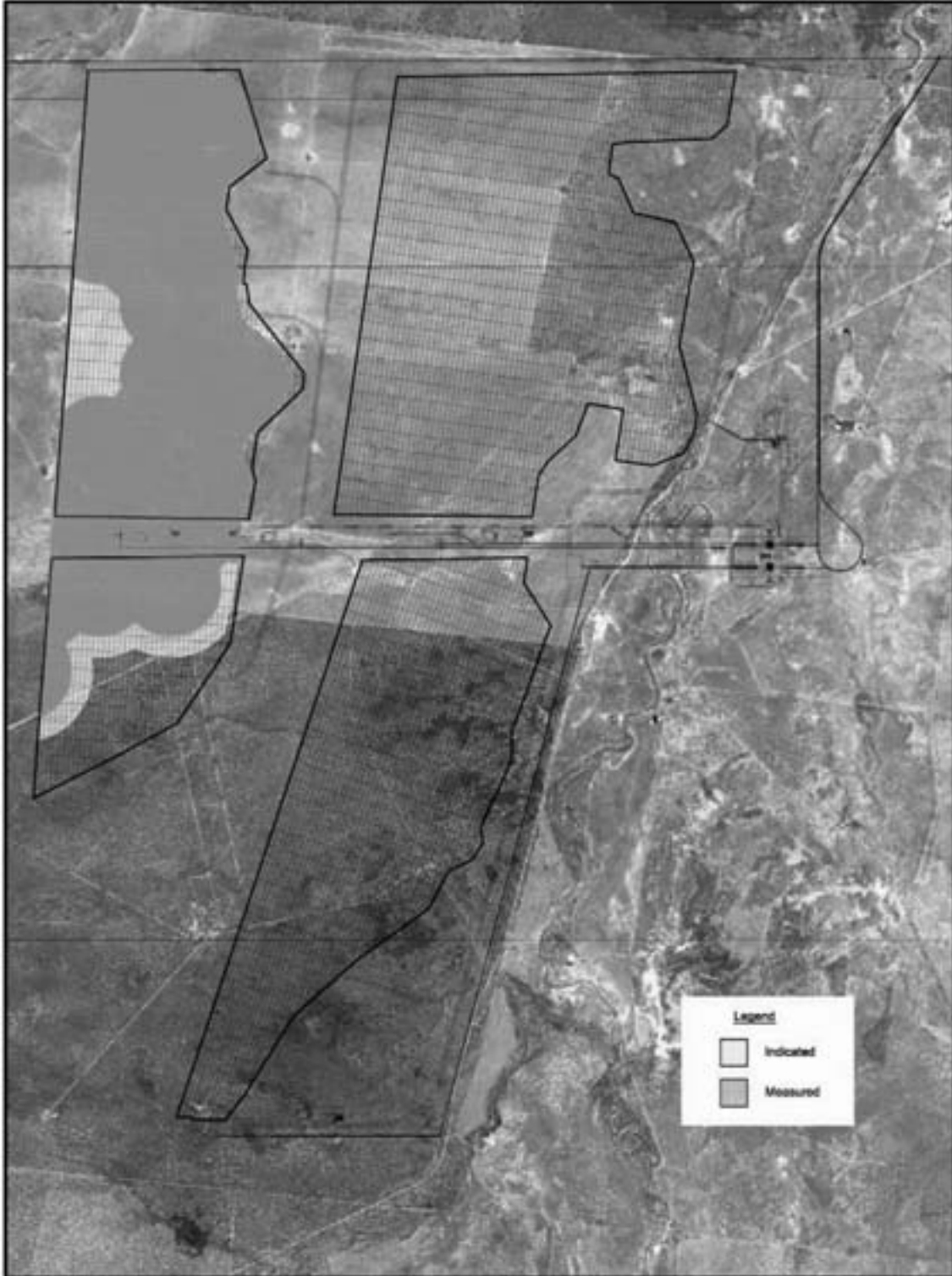


Figure 4 - B4 Seam Resource Category Polygons

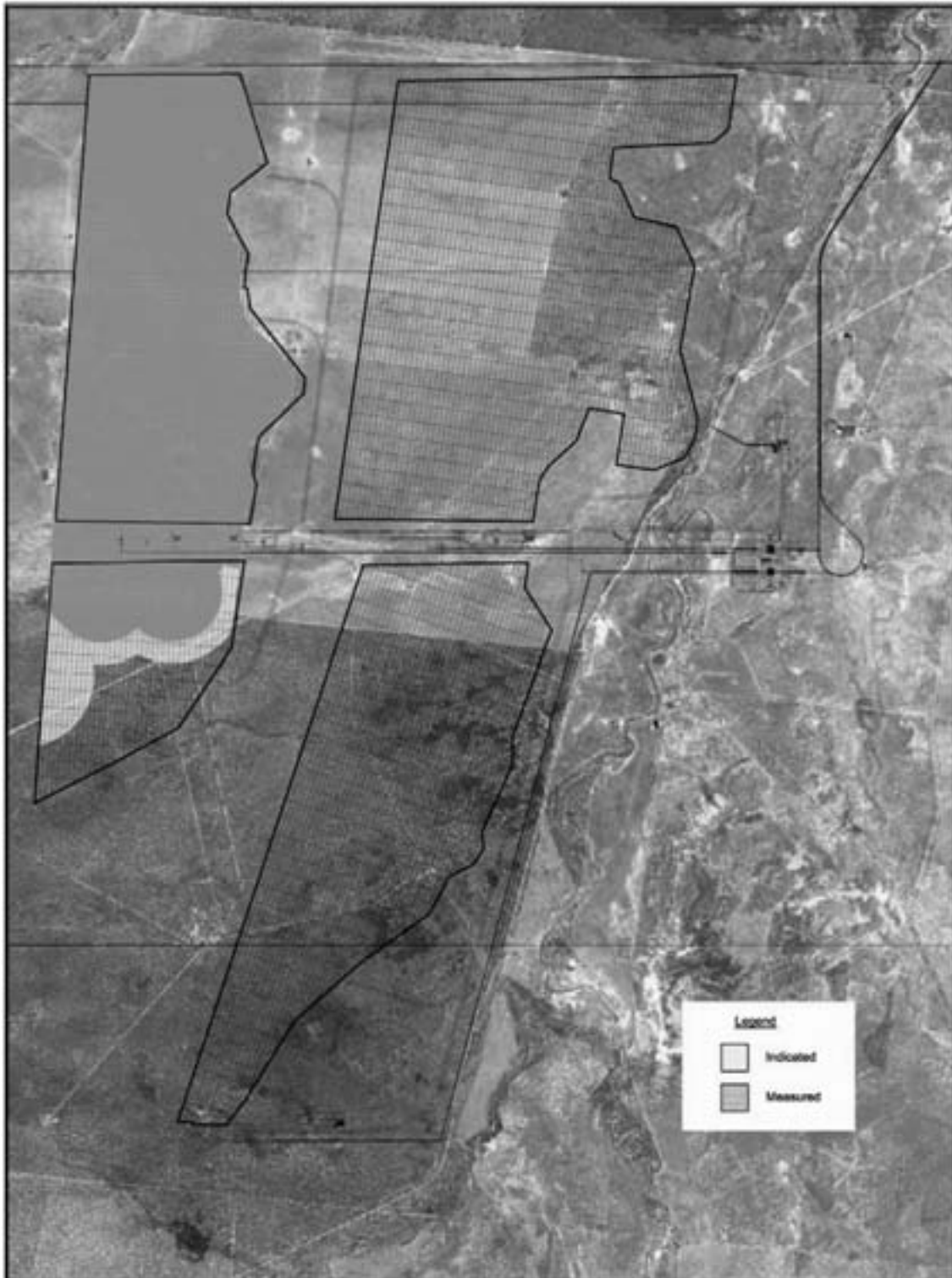


Figure 5 - B6 Seam Resource Category Polygons

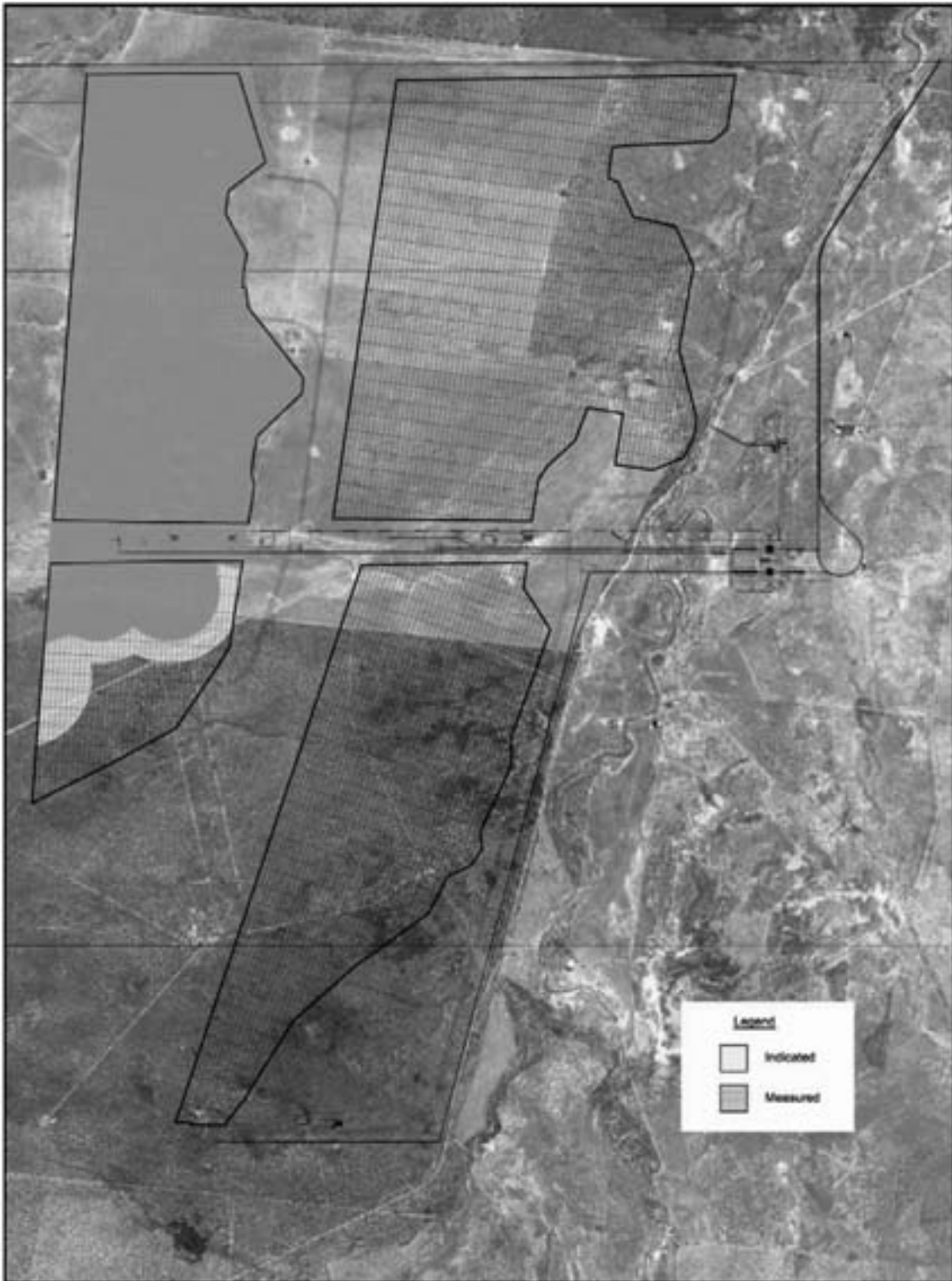


Figure 6 - B8 Seam Resource Category Polygons

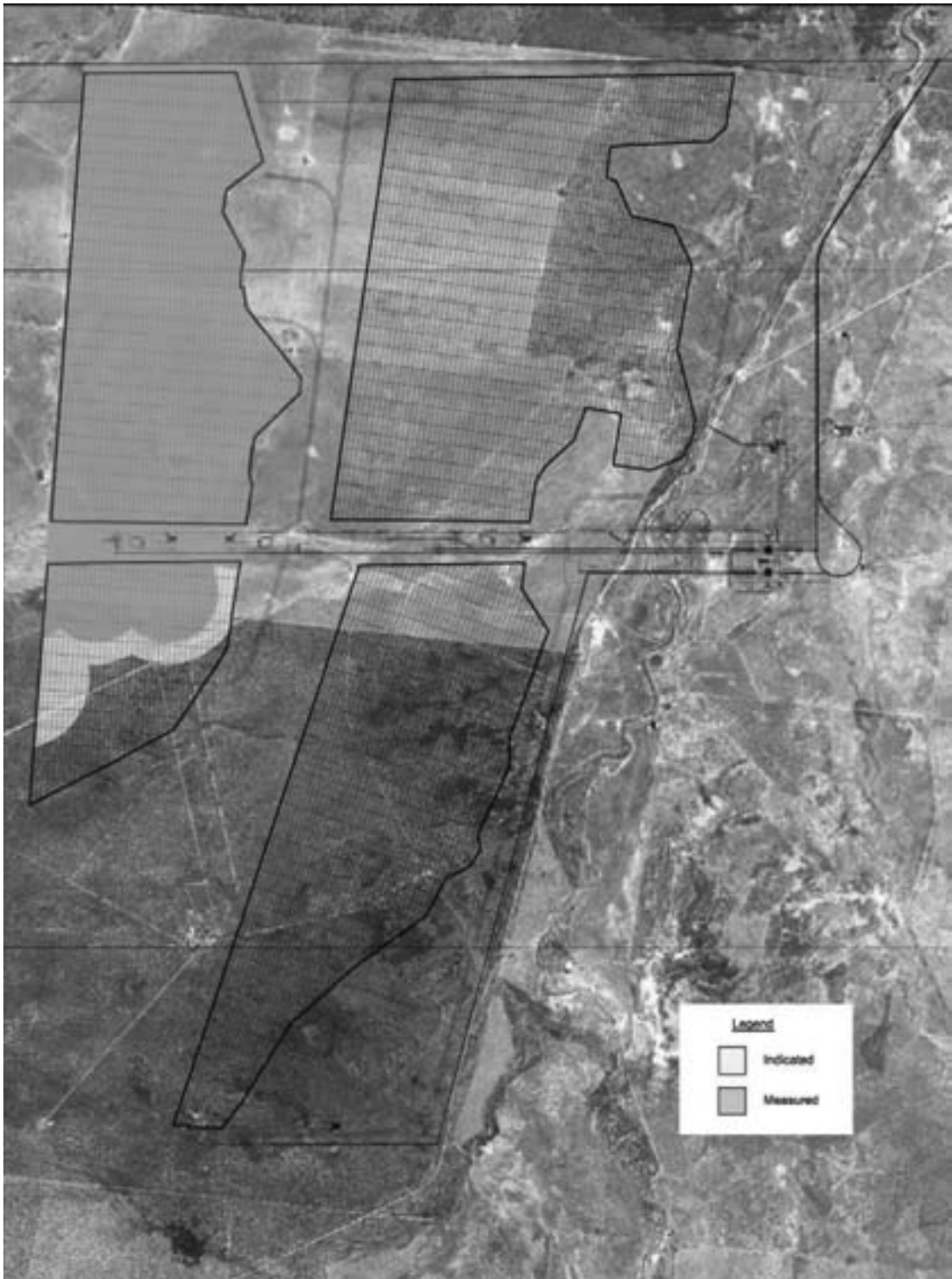


Figure 7 - C Seam Resource Category Polygons

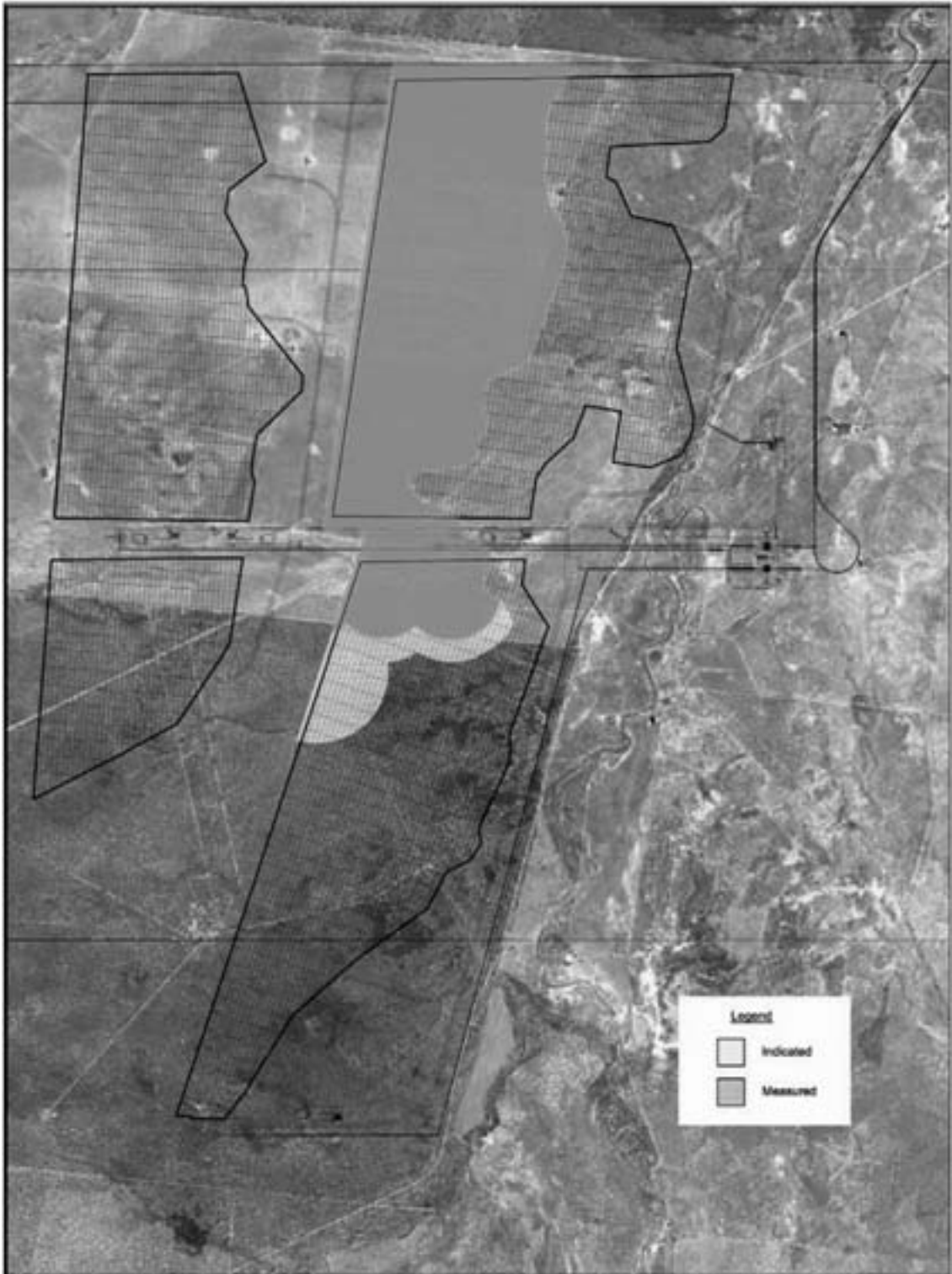


Figure 8 - DU Seam Resource Category Polygons

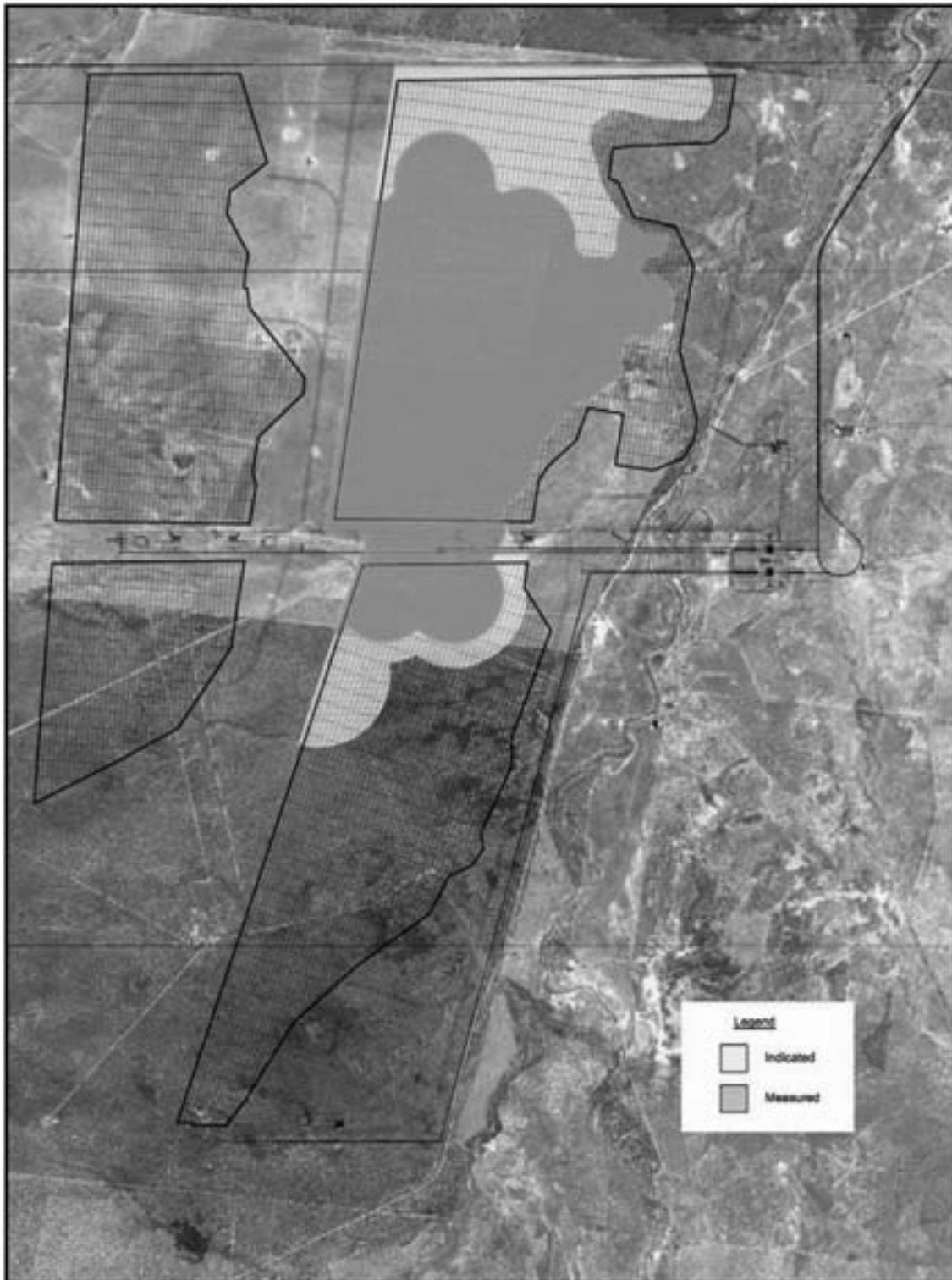
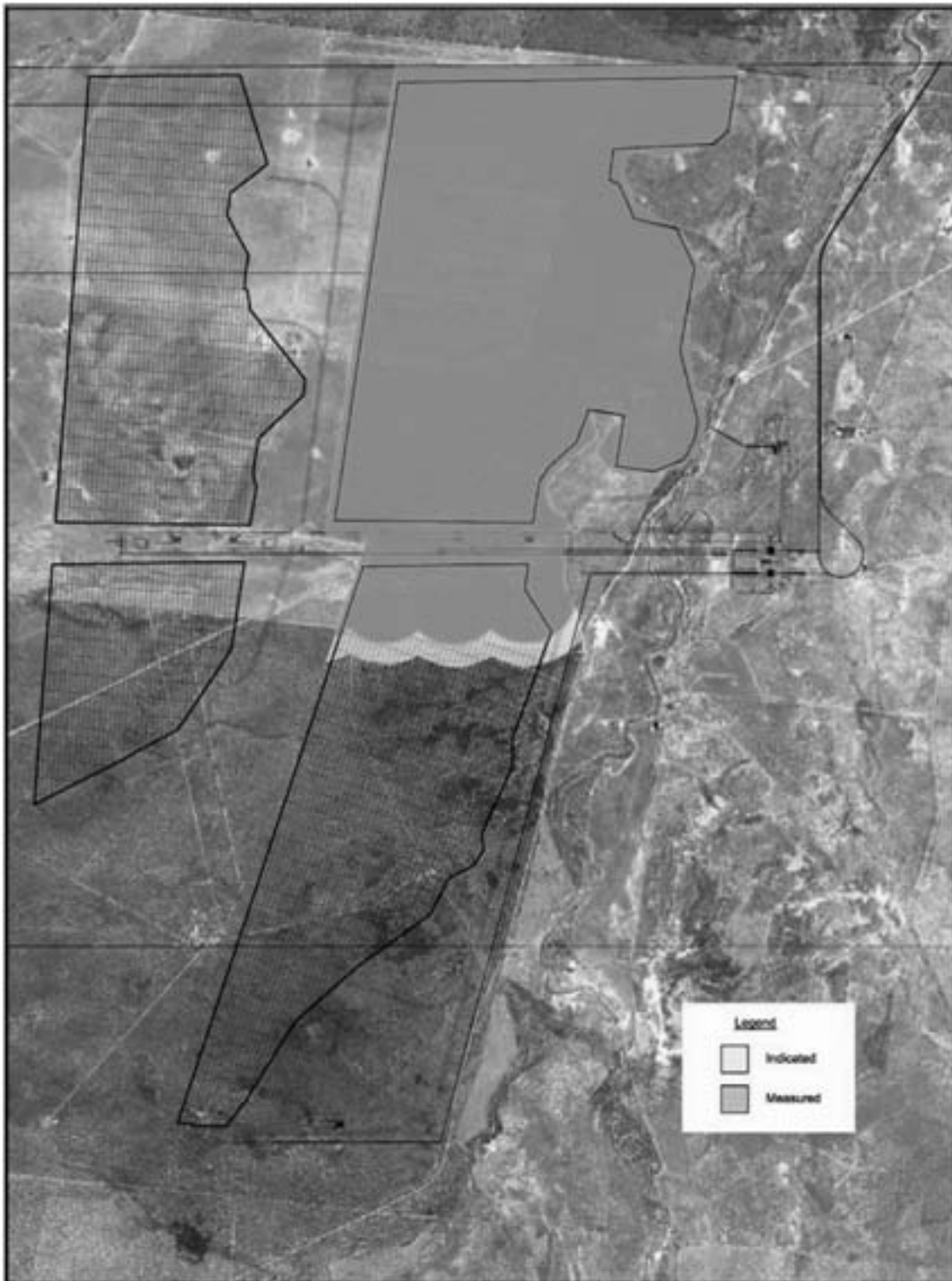


Figure 9 - DL Seam Resource Category Polygons





30 November 2010

The Directors
China First Pty Ltd
GPO Box 1538
Brisbane, QLD, 4001

RE: **Statement of Mining Reserves – China First Underground Mines.**

Dear Sirs,

This letter confirms that the Reserve Statement issued on 4 June 2010 for the China First Underground Mines by Mr Jamie Ross of Coffey Mining, remains a complete and accurate statement. There have been no changes to the exploration data or reserve modelling since this statement was issued, nor any changes to the assumptions made in the report. Hence the information contained in that statement remains correct and current as at the date of this letter.

For and on behalf of Coffey Mining Pty Ltd



Jamie Ross
Associate Mining Engineer

Coffey Mining Pty Ltd ABN 52 065 481 209
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4 June 2010

The Directors
China First Pty Ltd
GPO Box 1538
Brisbane, QLD, 4001

RE: Statement of Mining Reserves – China First Underground Mines.

Dear Sirs,

Please find following the JORC Compliant Reserves statement for the underground mining areas of the China First Mines. These reserves have been developed from the four mine panel layouts provided to Coffey Mining by China First's Nui Harris on 18th Feb 2010. These panel layouts lie entirely within the tenements EPC1040 and EPC1079.

The resource model developed by Troy Turner at Xenith Consulting has been used to cut a Mining Inventory from these panel layouts. This Inventory has subsequently been converted into a Mining Reserve taking account for pillar losses, minimum longwall panel extraction heights, required development height, and associated stone and waste dilution, assumptions for which were provided to Coffey Mining by Mr Phil McNamara of China First, and are listed later in this document.

The information in this report is based on information compiled by Mr Jamie Ross, who is a member of the Australasian Institute of Mining and Metallurgy. Jamie Ross is a full time employee of Coffey Mining Pty Ltd.

Jamie Ross has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves" (JORC Code). Jamie Ross consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

For and on behalf of Coffey Mining Pty Ltd



Jamie Ross
Associate Mining Engineer

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APPENDIX V-B INDEPENDENT RESERVES STATEMENTS — COAL UNDERGROUND

Coffey Mining Pty Ltd

Reserves Summary

A summary of the mining reserves is included below as tables 1 and 2.

Table 1 – Mining Reserve by Mine and Seam

Mine	Seam	Reserve Category	Tonnes	RD	CV	Energy	IM	Ash	TS
			Mt	g/cc	mj/kg	kCal/kg	%	%	%
LW1	DU	Proved	0.0	-	-	-	-	-	-
		Probable	137.3	1.41	23.27	5,550	9.38	18.71	0.63
LW1	DL	Proved	0.0	-	-	-	-	-	-
		Probable	75.4	1.43	22.11	5,280	7.66	20.42	0.41
LW2	DL	Proved	0.0	-	-	-	-	-	-
		Probable	166.3	1.43	22.62	5,400	7.85	21.78	0.44
LW3	DL	Proved	0.0	-	-	-	-	-	-
		Probable	75.3	1.42	23.41	5,590	8.90	18.59	0.43
LW4	B8	Proved	0.0	-	-	-	-	-	-
		Probable	254.1	1.48	19.93	4,760	10.0	27.8	0.39

Table 2 – Total Mining Reserve (“Recoverable Reserve”)

Mine	Seam	Reserve Category	Tonnes	RD	CV	Energy	IM	Ash	TS
			Mt	g/cc	mj/kg	kCal/kg	%	%	%
Total		Proved	0.0	-	-	-	-	-	-
		Probable	708.4	1.44	21.8	5,210	9.00	22.86	0.45

Notes:

RD – Quoted as rd (g/cc) at 9% adm P&S

CV – Quoted as mj/kg @ 9% m adb

IM – Quoted as % adm

Ash – Quoted as % @ 9% m adb

TS – Quoted as % @ 9% m adb

The figures below show the areas of each seam which have been classified as Mining Reserves.

Figure 1: Reserve Category Areas for D-Upper Seam

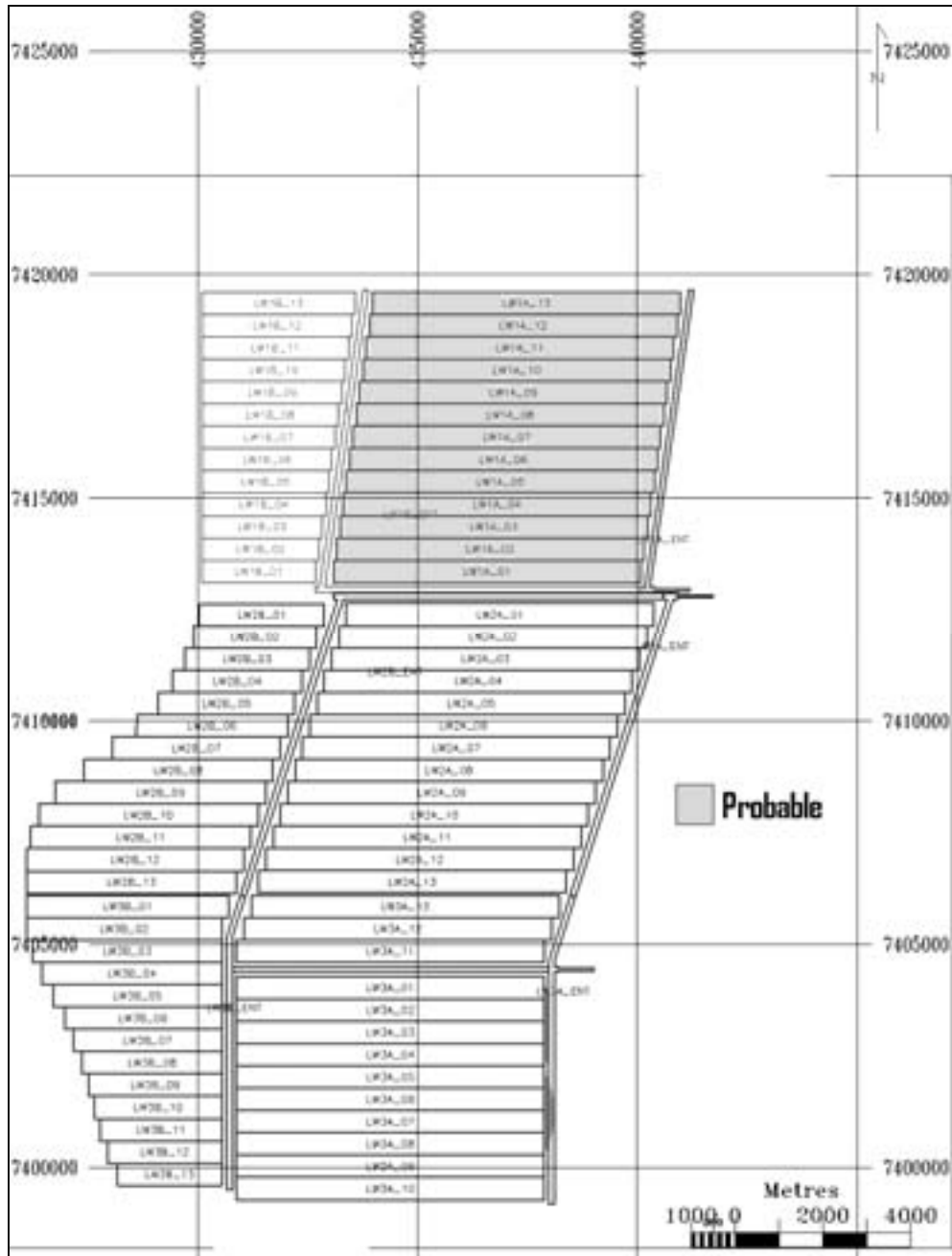


Figure 2: Reserve Category Areas for D-Lower Seam

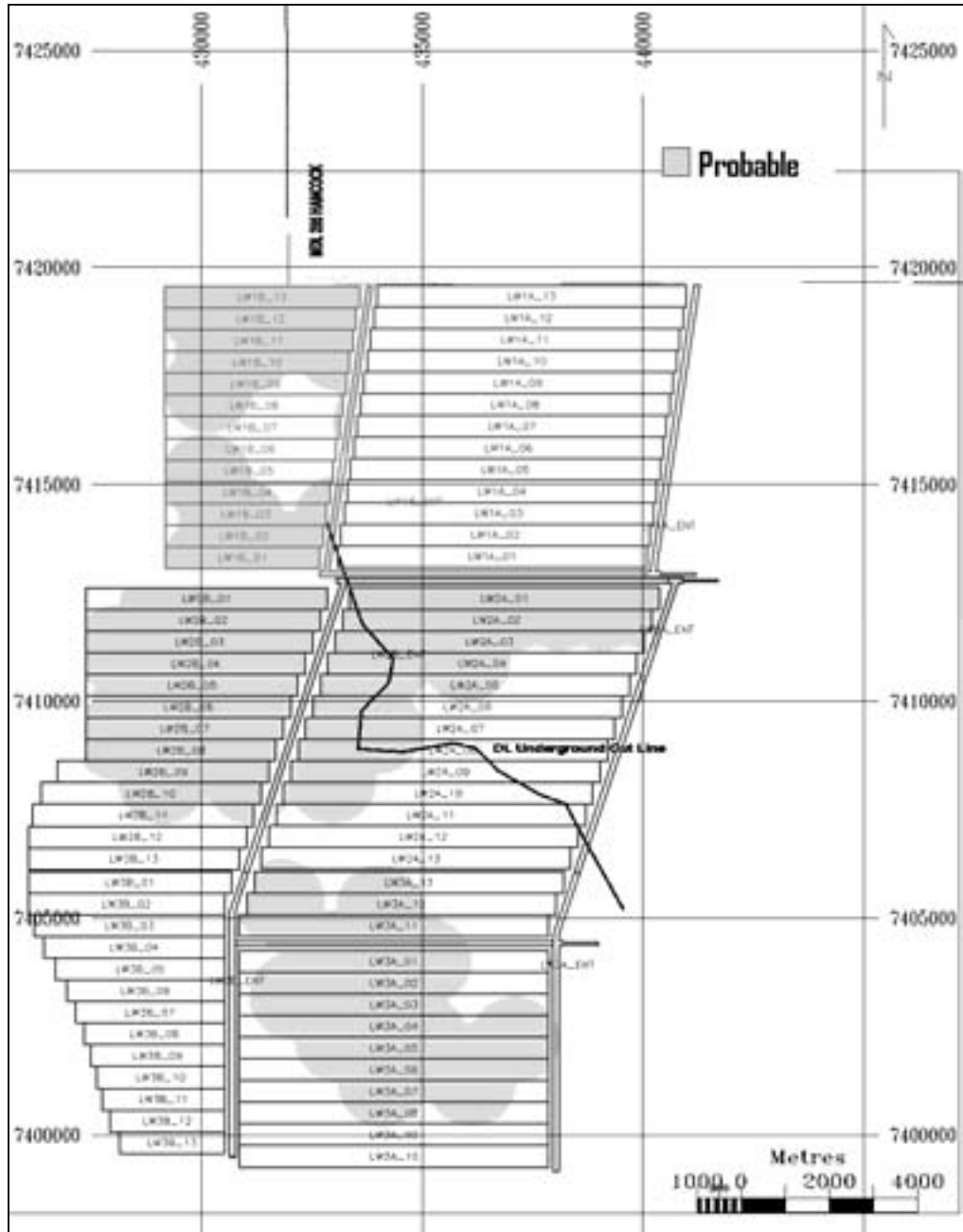
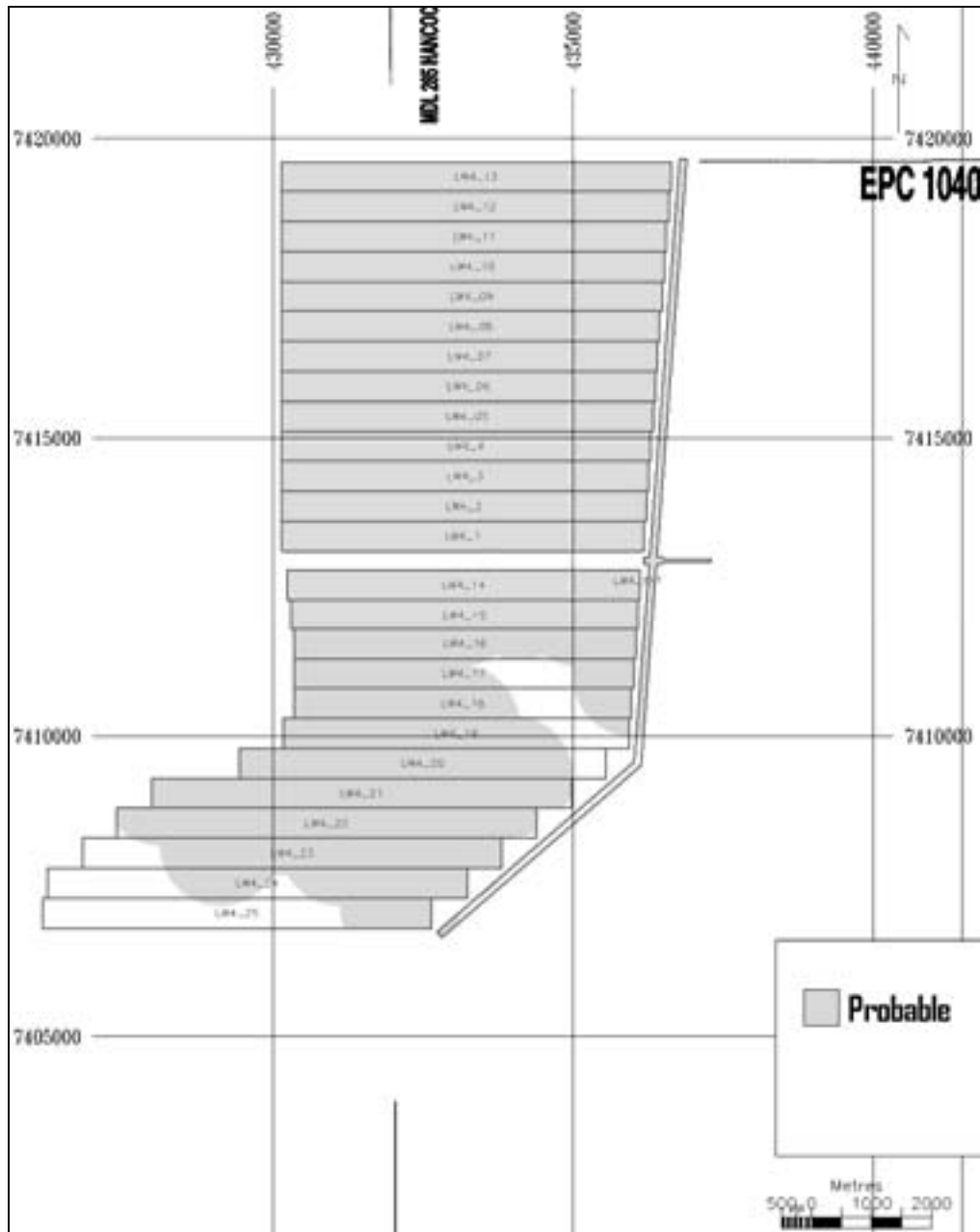


Figure 3: Reserve Category Areas for B8 Seam



Aerial Extents and Seam Thicknesses

The following table shows the aerial extents of the reserve categories, and the respective average insitu seam thicknesses (excluding dilution due to mining height as discussed below).

Table 3 – Mining Reserve Areas and Seam Thicknesses

Reserve Category	Mine	Seam	Area	Average Seam Thickness	Minimum Seam Thickness	Maximum Seam Thickness
			km ²	m	m	m
Proved	LW1	DU	0	0.00	0.00	0
		DL	0	0.00	0.00	0
Probable	LW1	DU	43.6	2.26	1.82	2.53
		DL	19.2	2.80	2.26	3.50
Proved	LW2	DL	0	0.00	0.00	0
Probable	LW2	DL	42.9	2.75	1.90	3.22
Proved	LW3	DL	0	0.00	0.00	0
Probable	LW3	DL	24.2	2.19	1.97	2.66
Proved	LW4	B8	0	0.00	0.00	0
Probable	LW4	B8	68.9	2.49	2.11	2.72

Reserve Estimation Process

The following process has been used to calculate the China First underground coal reserves:

Resources

The resource model for the entire China First areas has been prepared by Xenith Consulting. The inputs, processes, and outcomes of this resource modelling are provided in Xenith Consulting's Resource Report.

The following figures show the underlying Resources in the underground mining areas.

Figure 4 – Resource Categories for D-Upper Seam

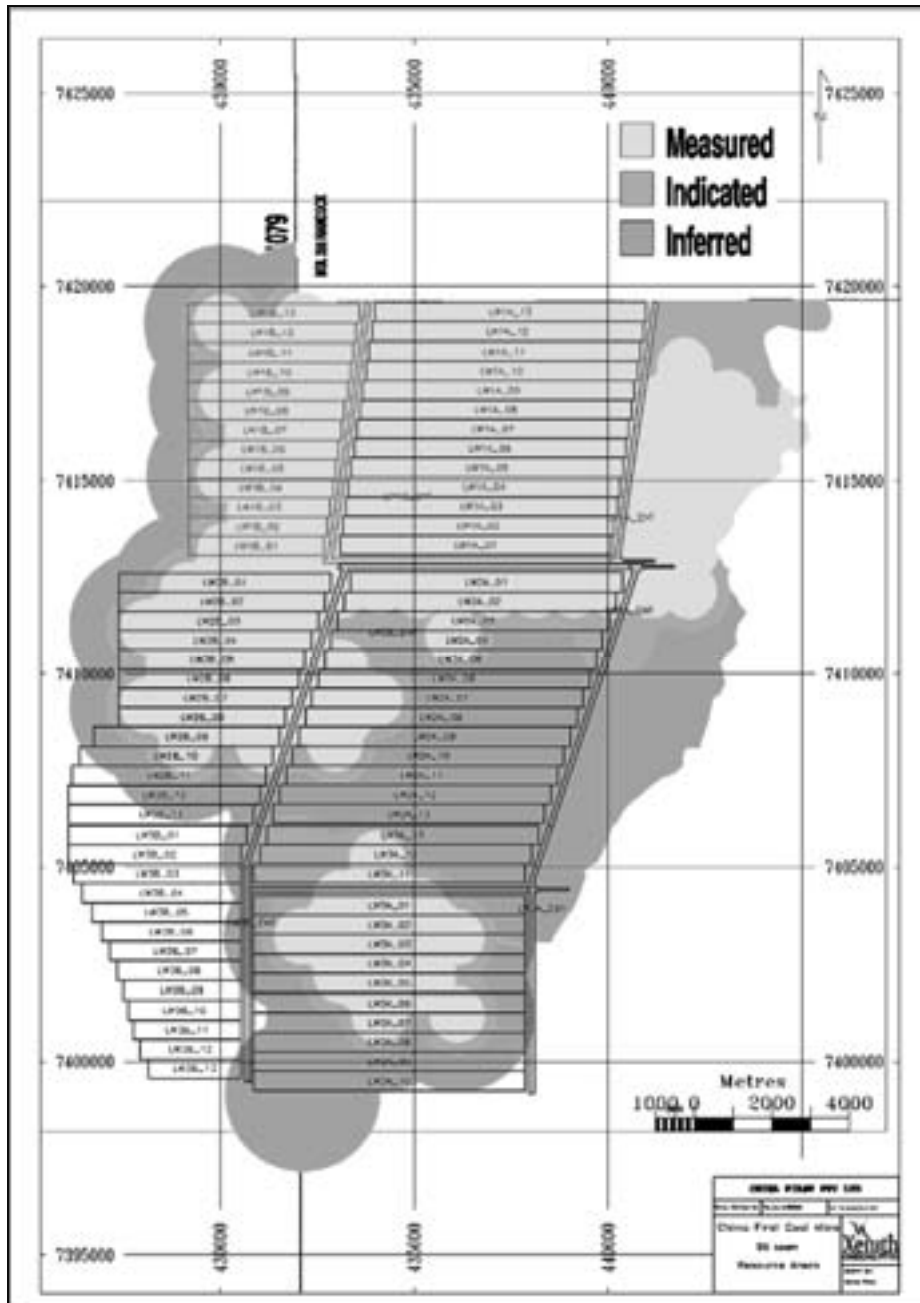
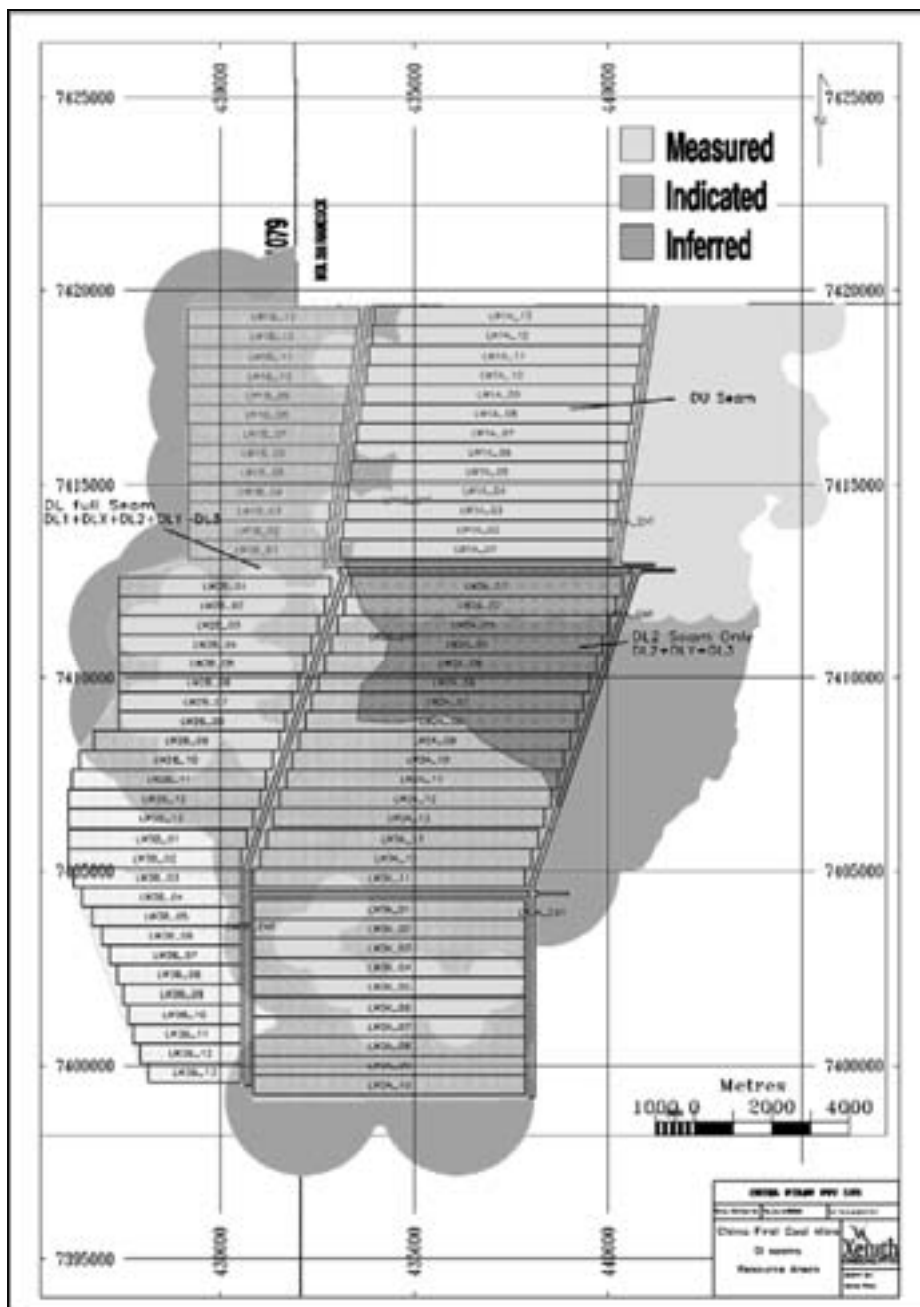
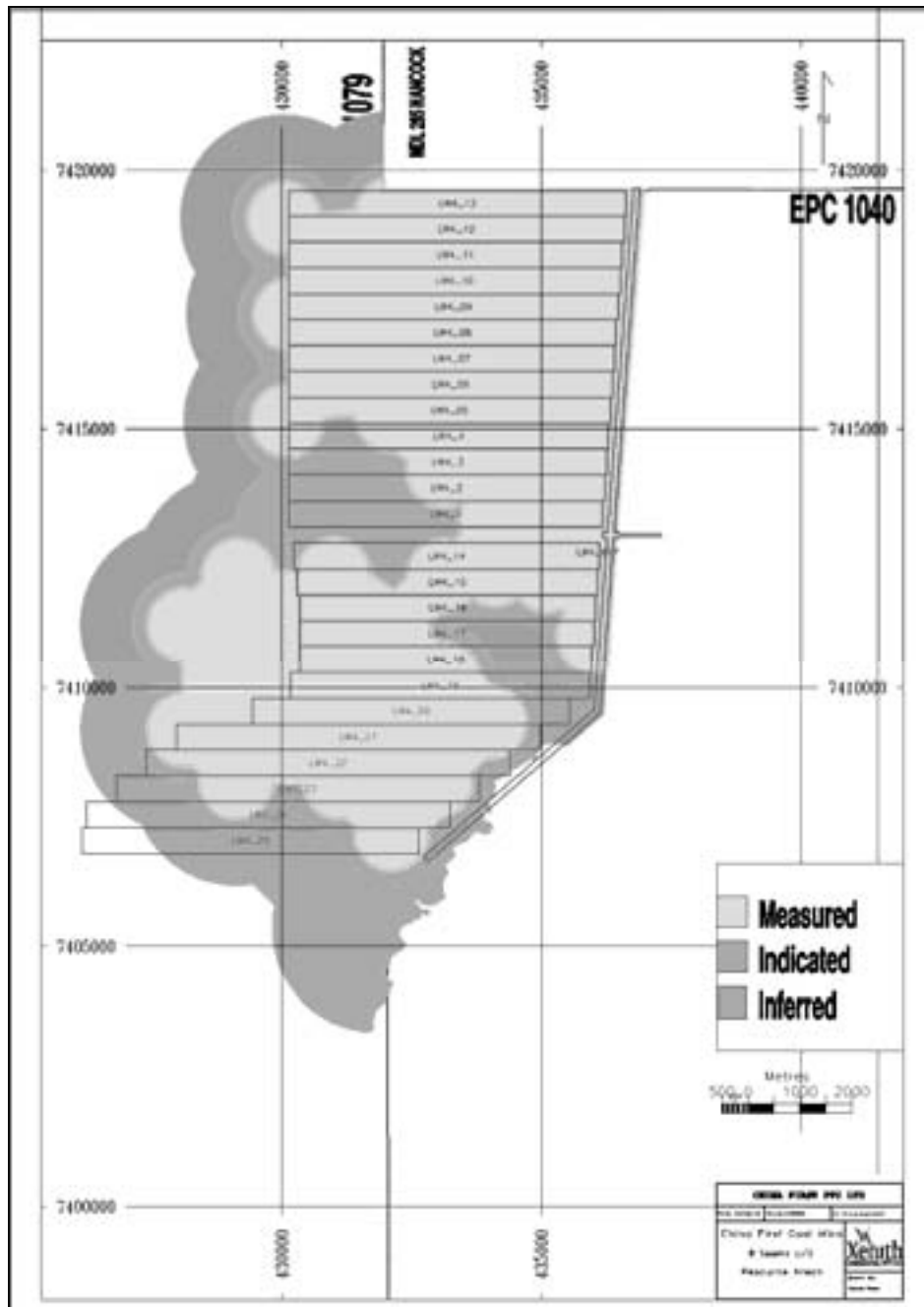


Figure 5 – Resource Categories for D-Lower Seam



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Figure 6 – Resource Categories for B Seam



Mine Layouts

Longwall panels have been designed by China First Engineers for each of the four underground mines. Mines 1 to 3 will extract the D Upper and D Lower Seams, whilst Mine 4 will mine the B Seam. Along with the longwall panels, the Drift and Mains access corridors have been blocked out as required. The longwall panel blocks are all 500m wide and the drift and mains panels are 120m wide. The mine layouts upon which the reserve estimates are based are shown in the previous sections in Figures 1 to 6.

Working Sections

The seam to be worked in each mine, and the working section to be taken in each area was provided by China First. The following seam sections will be the basis for the reserve estimate:

- Mine 1a – DU plies
- Mine 1b – DL1, DL2, DL3, DLX, DLY plies
- Mine 2a & b – DL1, DL2, DL3, DLX, DLY plies
- Mine 3a & b – DL1, DL2, DL3, DLX, DLY plies
- Mine 4 – B8 plies

NOTE: In the North East corner of Mine 2A, the DLX ply (a stone band) is of a sufficient thickness that it is not deemed feasible to mine this stone band in conjunction with the section of coal above it (DL1). The cumulative product from the two plies will not be economic to recover. Therefore, in this area (shown in Figure 11 below), the working section only contains the following plies: DL2, DL3, DLY – collective called the *DL2 seam*. To determine the area in which the working section would be in the DL2 seam and exclude the DLX and DL1 plies, the following rule was applied:

Where the DLX ply was greater than 0.3m

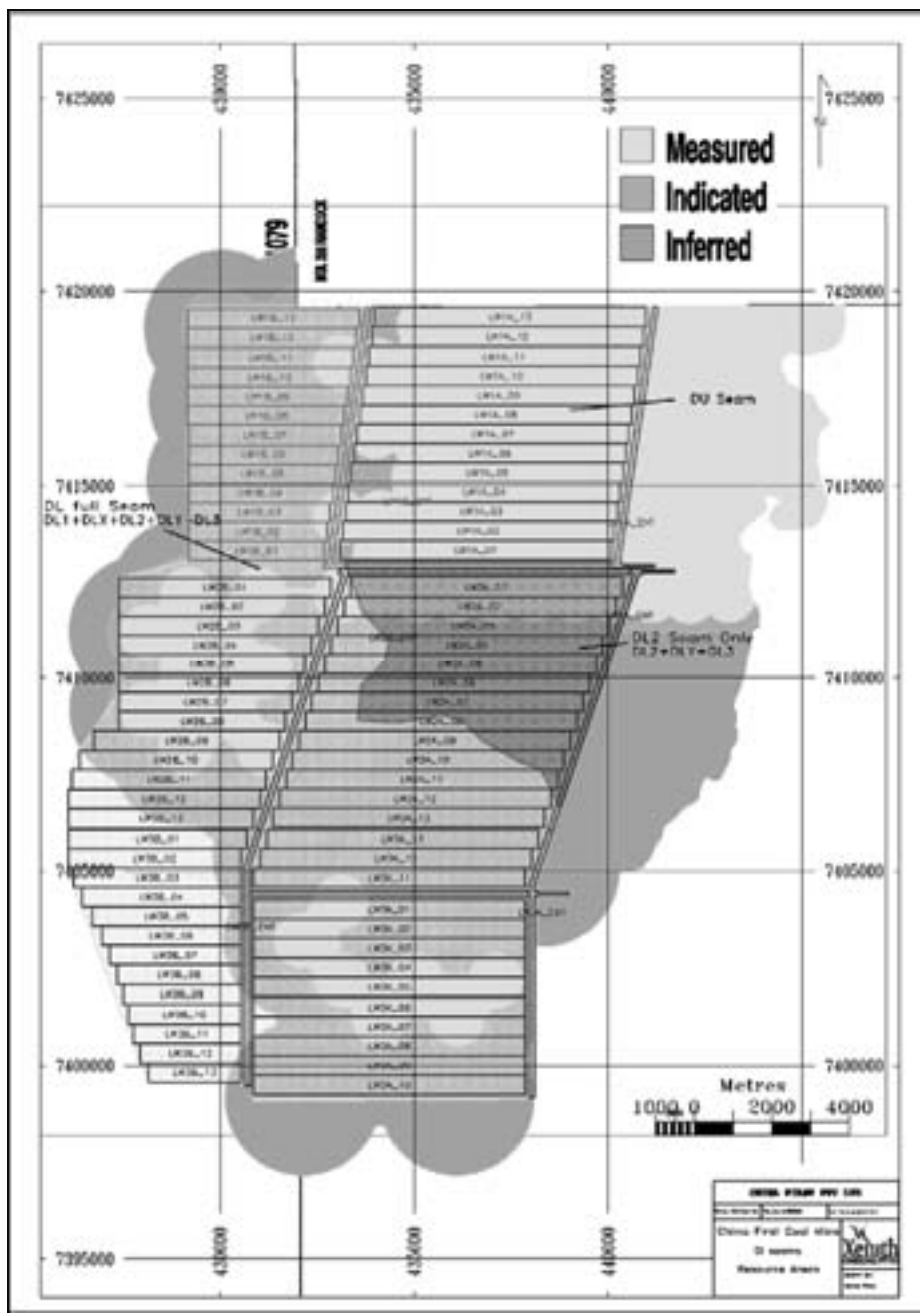
AND

The ratio of DL1/DLX was less than 2

The DLX and DL1 plies would not be included in the working section, and hence not included in the reserves.

In all other areas of Mines 1, 2 and 3 where the DL seam is being mined, all of the DL plies (DL1, DL2, DL3, DLX, DLY) are included in the working section.

Figure 8 – Area of Mine 2A where DL1 and DLX are not included in the Working Section



Resource Data Exporting

Xenith Consulting have determined the resource categories which apply in the different seams across the mining areas. Xenith then cut sections from the resource model, one for each longwall block in the mine designs. This block data for each longwall was provided only for the working sections discussed above. The data was provided to Coffey Mining in MS Excel format, and included the following information for each block by resource classification:

- Block ID
- Seam/Stone ply
- Class (Measured, Indicated, Inferred)
- True ply thickness
- Block area
- Volume
- Mass
- Raw qualities at 9% Moisture
- Yield at 1.5 RD float
- Product qualities at 1.5 RD float

In the data provided to Coffey Mining, individual seam plies have already been composited together, and only properties for the full working section have been provided.

Modifying Factors

The resource data provided to Coffey Mining by Xenith Consulting is for the whole working section over the entire longwall blocks as shown in the mine plans above. In order to convert resources into reserves, the following modifying factors were applied:

1. **Mining recovery – Longwall Panels.** Each longwall panel has been divided into a production panel of width 470m, and a development block 30m wide. In the 30m wide development block, it is assumed that two 5m roadways will be driven at 25m centres, with 5m wide cut-throughs every 100m. An overall recovery factor is thus calculated by assuming 100% recovery of the production panel section, and recovery of only the development roadways in the development block (ie the coal pillar is excluded). In addition to this, it is assumed that 50m will be lost from the end of each longwall block for the development of roadways required to install the longwall face. **A recovery factor of 95.5% is applied to the resource in each longwall panel to account for these two factors** (i.e. 95.5% of the resource in each longwall panel has been converted to reserve).

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2. **Mining Recovery – Main Roadway Panels.** For the main roadway panels servicing each mine, it is assumed that within the total panel width of 120m, five 5m wide roadways will be developed, with cut-throughs at 100m spacing. Based on recovering only the development roadways in these panels, and not the pillars, **a recovery factor of 24.8% has been applied to the main roadway panels** (i.e. 24.8% of the resource has been converted to reserve).
3. **Longwall Minimum Extraction Height.** A minimum extraction height of 1.8m has been applied to the production panel areas of the longwall blocks. Where the total composite coal thickness is less than 1.8m high, a default density (2.3t/m³) and ash content (90%) stone material has been added to bring the total extraction height to 1.8m. The coal and stone tonnage has been summed and the qualities weight averaged accordingly to give a ROM Raw tonnage and quality at standard 9% moisture.
4. **Development Minimum Extraction Height.** A minimum development height of 2.5m has been applied to the development sections of the longwall panels, and the entire areas of the main roadway panels. Where the total composite coal thickness is less than 2.5m high, a default density (2.3t/m³) and ash content (90%) stone material has been added to bring the total extraction height to 2.5m. The coal and stone tonnage has been summed and the qualities weight averaged accordingly to give ROM Raw development tonnages and qualities at standard 9% moisture.

Other Assumptions

- Other than the modifying factors listed above, no further coal loss or dilution has been applied due to the nature of the Longwall Mining method employed. It is assumed that the maximum operating height of the longwall equipment will be greater than the working section in all areas, therefore there will be no coal losses due to the seam thickness being greater than the equipment maximum operating height.
- It is anticipated that in practice, 150mm of coal will be left in the roof of the B seam panels in Mine 4 due to the potential for roof issues on the longwalls brought about by the nature of the Tuff present (i.e. the coal will be left in the roof to provide better strata control). This coal has been retained at this stage for the purposes of the reserves report.
- The ROM raw block tonnages and qualities have been summed and weight averaged by total tonnes for each Mine and by Reserve classification within each mine.
- Stone and waste qualities are assumed to be constant over entire lease with RD=2.3, ISAsh=90%, Yield=0%.

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Reserve Categories

All Inferred Resources have not been converted to Reserves, and have been omitted from the reserves report as per JORC 2004 directives. The remaining Measured and Indicated Resource has been translated to a Probable Reserve classification.

It is Coffey Mining's opinion that the measured and indicated resource can in this case be classified as Probable Coal Reserves given the following conditions currently pertaining to the project:-

1. A detailed study to pre-feasibility levels of accuracy has been undertaken by China First, in conjunction with several independent consulting firms, which covers operations, plant and infrastructure requirements, processing, environmental impact, socio and financial economics, marketing, and transportation of the product.
2. The resource model has been signed off as JORC 2004 compliant by an independent competent person.

However, it is Coffey Mining's opinion that the tonnes classified as a measured resource cannot at this stage be translated into a Proved Reserve due to the following:-

1. A geotechnical study has still to be undertaken. There is little geotechnical knowledge of the coal deposit and how its effects may impact a longwall mining operation.
2. A Hydro-geological study has yet to be undertaken. There is little knowledge of the hydrology of the area which could potentially impact on mining operations.



**RESOURCEHOUSE
LIMITED**

RESERVE ESTIMATE UPDATE

CHINA FIRST IRON ORE PROJECT

30 May 2011

Compiled: ORELOGY
Author: Ross Cheyne
Reviewed By: Steve Craig

DISCLAIMER

ORElogy have relied on information provided by other groups concerning resources, metallurgy and processing.

While ORElogy has exercised all due care in reviewing the supplied information and believes the basic assumptions are fair and reasonable, the results detailed in this report are dependent on the accuracy of the supplied data.

ORElogy does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from investment or other financial decisions or actions.

ORElogy has no prior association with Mineralogy Pty Ltd or Resourcehouse Limited and also has no beneficial interest in the outcome of this technical study.

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1 EXECUTIVE SUMMARY

The China First Iron Ore Project (the Project) is located approximately 80km to the south-west of Karratha in Western Australia. Resourcehouse Limited (RHL) has acquired 100% of China First Iron Ore Pty Ltd (CFL), which holds the right to mine 10 billion tonnes of magnetite iron ore from the Balmoral (M08/118-122, M08/128-130) and Bilanoo (E08/118) deposits, which form part of Mineralogy Pty Ltd's (MIN) mining lease portfolio. This study focuses on the Balmoral South leases (M08/128-130).

In September 2009 ORElogy was commissioned by RHL to generate an updated reserve estimate for the Project. RHL indicated that the Dales Gorge unit should be included as an ore source. This unit was excluded from the previous reserve estimate. ORElogy consider this study has been undertaken to a Pre-Feasibility level of accuracy (i.e. +/- 20%-25%).

The independently reported Mineral Resource for the Project, completed in July 2009 by Arnold van der Heyden of Hellman and Schofield Pty Ltd, forms the basis of the 'Ore Reserve' statement detailed in this report. The Mineral Resource estimate is based on the results from a diamond drilling programme completed by MIN over the course of 2008-2009. The Mineral Resource estimate is detailed in Table 1.

Table 1 — CFL Balmoral South Magnetite Project Resource (15% MagFe Cut-off Grade)

Class	Unit	Tonnes (M)	%MagFe	%DTR
Indicated	Joffre BIF	793.2	22.8%	32.8%
	Whaleback Shale	39.9	16.3%	23.6%
	Yandicoogina Shale	0.9	15.9%	23.5%
	Dales Gorge BIF	557.2	18.8%	27.2%
	TOTAL	1,391.2	21.0%	30.3%
Inferred	TOTAL	1,460.9	22.2%	31.9%
GRAND TOTAL		2,852.1	21.6%	31.1%

Definitions: MagFe — percentage of magnetically recoverable Fe in ore;
DTR — Davis Tube Recovery (equivalent to weight recovery of magnetite)

Table 1 also shows the estimated concentrate grade based on Davis Tube metallurgical test work. The reported grade has been calculated using a cut-off grade 15% MagFe, where MagFe refers to the percentage of magnetically recoverable iron in ore. It has been classified into Indicated and Inferred Resource categories as per the JORC guidelines.

As per the JORC guidelines only Indicated Resources, specifically the Joffre, Whaleback, Yandicoogina and Dales Gorge units (1,391Mt), were considered for conversion to Ore Reserves.

Gemcom Whittle 4X (Whittle) software was used by ORElogy to complete pit optimisation work and generate a series of nested pit shells for the deposit based on inputs and parameters derived from the following sources:

Mining

ORElogy — Mining costs generated from first principles based on early 2009 budget pricing from equipment manufacturers.

Metallurgy and Processing Costs

Promet Engineers Pty Ltd — Recently completed Feasibility Report for the Balmoral South project area (China First Iron Ore Project 2008).

Geotechnical

ORElogy — Reasonable first pass assumptions based on ORElogy experience with similar deposits.

The optimisation parameters for the Project are based on the following operating assumptions:

- Mining costs were based on an off highway truck/hydraulic shovel mining operation.
- Processing costs and recoveries based on feasibility engineering work completed for the project assuming a 12.0 Mtpa concentrator.
- Within Leases M08-128/M08-129/M08-130 as specified by RHL.
- All costs and prices are in Australian dollars unless otherwise stated.

Based on analysis of pit optimisation results an optimal pit shell was selected by ORElogy as the basis for a subsequent pit design. The pit design was based on wall design criteria as detailed in the Appendix, and is consistent with those used in the associated optimisation.

Optimisation was undertaken on Indicated material only and only this material is reported as an Ore Reserve within the final pit design.

An Ore Reserve statement is provided in Table 2 below which shows that ~80% of the available Indicated Resource was converted to a Probable Ore reserve based on an evaluation of technical and financial parameters. This reserve has been prepared in accordance with the rules and regulations of Australasian JORC 2004 (Joint Ore Reserves Committee) code. Ore Reserves can be classified as either Proved or Probable. A Proved Ore Reserve is the economically mineable part of a Measured Mineral Resource, while a Probable Ore Reserve is the economically mineable part of an Indicated and/or Measured Mineral Resource. Ore Reserves cannot be derived from an Inferred Mineral Resource.

Table 2 — RFL Balmoral South Magnetite Project Ore Reserve Estimate

Category	Ore			Concentrate			Waste	Total
	Tonnes (Mt)	MagFe (%)	DTR (%)	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Tonnes (Mt)	Tonnes (Mt)
Probable	1,130.8	21.2	30.5	327.8	69.2	3.3	1,334.5	2,465.3

The following points are made in relation to the Ore Reserve estimate:

- The mining inventory for the pit design includes some material classed as Inferred. The Ore Reserve estimate has been reported excluding this material.
- The total strip ratio contained within the ultimate pit limits is 1.18:1 (waste:ore).

Competent Person	Signature	Date
Ross Cheyne Principal		30 May 2011
BEng, M.AusIMM		

The information in this report that relates to Ore Reserves is based on information compiled by Mr Ross Cheyne, a full time employee with ORElogy (Mining Consultants). Mr Cheyne is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Cheyne consents to the inclusion of the matters based on his information in the form and context in which it appears in this report.

2 MINERAL RESOURCE (M08/128-130)

The RFL Balmoral South Magnetite Project lies within mining leases M08/128-M08/130. The Banded Iron Formation (BIF) sequence can be readily mapped on the eastern ridge and on the west. Faulting is quite extensive on the western, hanging wall side of the deposit with the Joffre units being juxtaposed against each other. The BIF is limited to the south by a fault that cuts off the sequence.

MIN completed a drilling programme of 23 diamond core drill holes totalling 8,029m. The programme was drilled using a MIN owned diamond drill rig and crew. Drill collar locations and downhole surveys have been completed using GPS and gyro tools.

Drill core was logged and sampled in Perth by MIN contract geologists. The core was cut and underwent chemical analysis at ALS Laboratories in Perth, Western Australia. Pulps and core are retained on site in MIN Balmoral Exploration shed.

Geophysical gamma logs were used to identify the different BIF sub units and these were interpreted on section. Outlines for the different units were digitised and average grades for DTR, Fe in concentrate, SiO₂ in concentrate and density were assigned to the different units. The block model was regularised to 25.0m by 25.0m by 12.0m blocks for the open pit optimisation study.

Indicated resources were defined around the drilling that was on a nominal 200m E by 400m N grid. Inferred resources were defined from surface outcrop and extended down dip from the drilling. A tabulation of the resources within Balmoral South is presented in Table 3 below.

Table 3 — CFL Balmoral South Magnetite Project (15% MagFe Cut-off Grade)

Class	Unit	Tonnes (M)	%MagFe	%DTR
Indicated	Joffre BIF	793.2	22.8%	32.8%
	Whaleback Shale	39.9	16.3%	23.6%
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Inferred	TOTAL	1,460.9	22.2%	31.9%
GRAND TOTAL		2,852.1	21.6%	31.1%

As per the JORC guidelines only Indicated Resources, specifically the Joffre, Whaleback, Yandicoogina and Dales Gorge units (1,391Mt), were considered for conversion to Ore Reserves.

3 ORE RESERVE CRITERIA

The following sections explain the methodology and modifying factors applied to derive ore reserves for the RHL Iron Ore Project at Balmoral South. Comments are made with reference to criteria listed in the JORC code regarding the ‘Estimation and Reporting of Ore Reserves’.

All costs and prices are in Australian dollars unless otherwise stated.

3.1 BACKGROUND

ORElogy conducted this open pit mining study, which consisted of open pit optimisation, pit design and reserve reporting, using parameters determined specifically for this project. ORElogy, and the other contributing independent consultants, also have an in-depth knowledge of the entire Balmoral deposit across a number of projects and this understanding provides an additional level of confidence in the parameters used.

The parameters utilised for this study were derived from the following sources:

Mining

ORElogy — Mining costs generated from first principles based on early 2009 budget pricing from equipment manufacturers.

Metallurgy and Processing Costs

Promet Engineers Pty Ltd — Recently completed Feasibility Report for Balmoral South project area (China First Iron Ore Project 2008).

Geotechnical

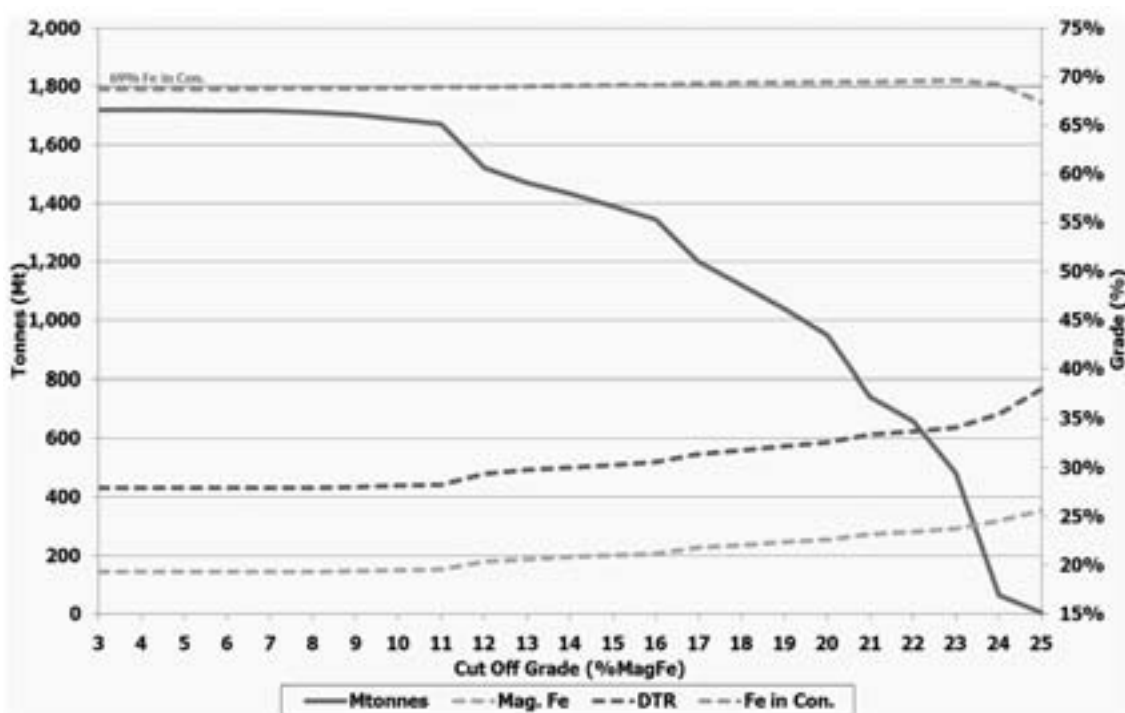
ORElogy — Reasonable first pass assumptions based on ORElogy experience with similar deposits.

In the opinion of ORElogy, this work has been undertaken to a sufficient level of detail and order of accuracy to achieve a technically feasible and economically viable mine plan and to support the conversion of the Mineral Resource estimate to an Ore Reserve under the JORC guidelines.

3.2 CUT-OFF PARAMETERS

- ORElogy applied a 15% MagFe cut-off grade in the pit optimisation and reserve reporting work as a basis for the definition of ore. The cut-off was selected on the basis of generating a head grade sufficient to ensure a marketable concentrate grade of >68.0% Fe is produced.
- The tonnage/grade curve for the resource model is presented in Figure 1. Only the Indicated Joffre, Whaleback, Yandicoogina and Dales Gorge units are represented as this is the material that is considered for conversion to an Ore Reserve. The graph indicates that Fe in concentrate grades of 69.0%+ are achievable with a cut-off grade of 15% MagFe.
- The Dales Gorge unit in general is of lower grade, in both MagFe and DTR, than the other units. Previous studies have determined that the Dales Gorge has a high proportion of internal macro bands of relatively barren shale. This effectively dilutes the material on a block by block basis and contributes to the grade reduction. The shale material will likely be relatively easy to separate from the mineralised material during the 1st stage “rough cobbing” circuit of the process plant. In addition the Dales Gorge generally has a larger grain size than the other units. When compared to the other units, these two characteristics will tend to enhance the overall recovery of this material relative to the modelled DTR value.

Figure 1 — Grade/Tonnage Curve for Indicate Material Only



3.3 MINING FACTORS/ASSUMPTIONS

- Mining was to be limited to within the boundaries of the three mining leases (M08/128, M08/129, M08/130), specifically the northern limit of M08/128. This was achieved by applying a prohibitively high mining cost outside of these boundaries.

- A mining block model was developed from the resource model by the application of a regular block size of 25.0m by 25.0m by 12.0m (as opposed to the sub-blocked resource model). An allowance for both dilution and ore loss at the geological contacts is an inherent consequence of the regularisation process.
- Gemcom WHITTLE 4X (WHITTLE) software was used to complete open pit optimisation work and generate a series of concentric pit shells.
- By applying a material constraint over time, such as a process throughput or mining limit, WHITTLE can generate a material schedule and associated cost schedule. A discount rate can then be applied to the cashflow to produce a Net Present Value (NPV) for each shell.

WHITTLE generates two types of standard schedules, a Best Case and a Worst Case.

The Best Case schedule is based on mining the nested shells in sequence from the smallest up to a specified shell. In other words a schedule and associated cashflow can be produced for any given shell by sequencing all the preceding shells. While this schedule produces the best possible discounted cashflow, it is invariably impractical in mining terms due to the shells being too close together (i.e. They may potentially be only one block apart) and therefore not satisfying minimum mining width requirements.

Worst Case scheduling takes the selected shell and schedules it vertically bench by bench, where a bench must be completed before the next bench can commence. This, by definition, will produce the lowest cashflow schedule as it will be mining surface waste and waste at the very extents of the shell when it could be mining central, deeper material of higher value. This methodology is only necessary in practise in the most tightly constrained of pits and for most operations this approach is avoided through the use of interim, staged pit designs.

The most realistic schedule and therefore associated optimal shell probably lies somewhere between the two cases. ORElogy undertook a series of “Specified Case” schedules within WHITTLE, which allows the user to manually select the shells that are to be scheduled. In this way a smaller number of shells that satisfy mining constraints can be identified and then scheduled using the “Best Case” approach. ORElogy completed this for a number of shells and the results indicated that this, more realistic approach to scheduling still returned discounted cashflows virtually the same as the Best Case NPV’s. This provides justification for selecting shells at or near the maximum Best Case value shell. The considerable amount of Inferred resource within the optimal shells also reduces the risk of selecting a Best Case Shell as the basis for design.

- Sensitivity analysis was undertaken utilising the WHITTLE software. Key optimisation parameters were varied and the variation in ore tonnes and NPV were assessed. The conclusion was that while the project cashflow is moderately to highly sensitive to variations in key parameters, most particularly price, the overall pit tonnage and therefore pit size is essentially insensitive. This indicates that the optimisation consistently targets much the same material regardless of the optimisation parameters and therefore the resulting pit design can be considered extremely robust. Spider graphs for Cashflow and Ore Tonnes sensitivity are shown below in Figure 2 and Figure 3 respectively.

Figure 2 — Sensitivity — Best Case Discounted Cashflow

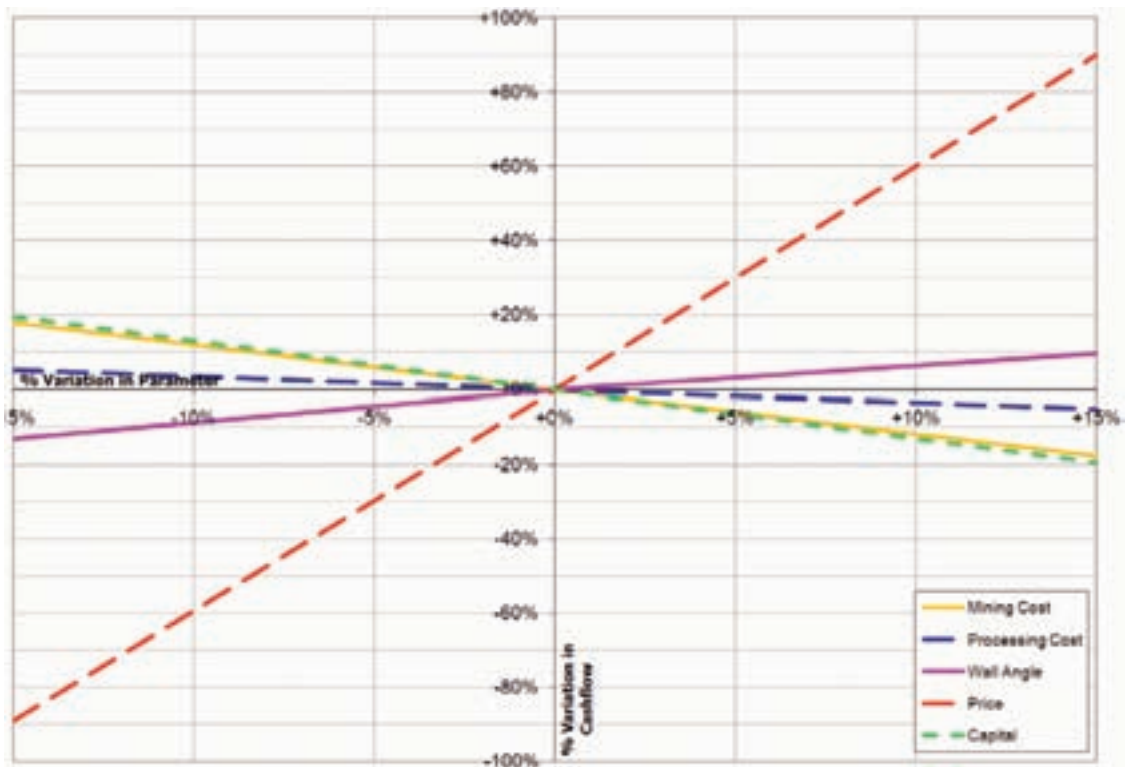
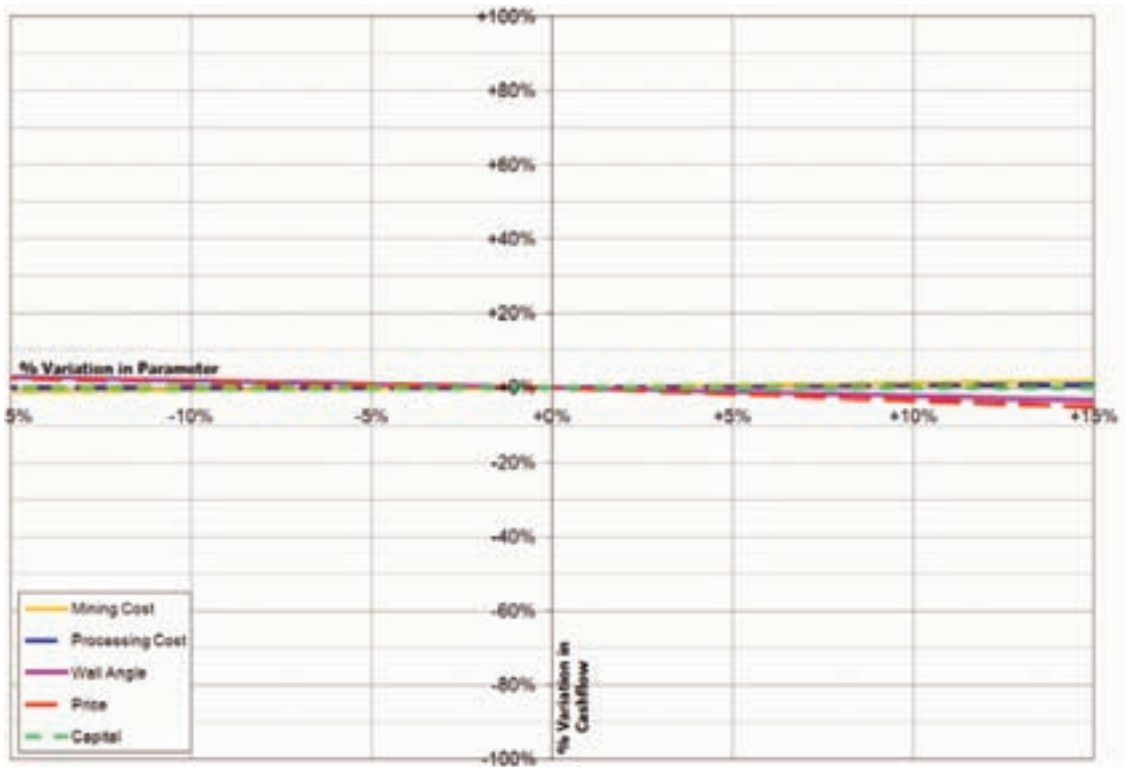


Figure 3 — Sensitivity — Best Case Discounted Ore Tonnes



- Additional sensitivities were run to determine the effect of including Inferred and Potential classified material as ore types in the optimisation. The results indicate that a substantial increase in potential reserve (+165%) and cashflow (+50%) results from incorporating this material. Therefore there is considerable benefit from targeting areas of Inferred material for additional drilling to transfer this material into the Indicated resource. The optimisation on all classifications shows that the ultimate pit limit extends to both the east and the west, as a result of targeting new material both laterally and also down dip. The optimisation “bottoms out” on the base of the block model, indicating that the optimisation has not reached a natural economic limit at depth. Therefore there is the potential to extend the reserve not just by conversion of the existing Inferred resource but also by extending the resource to depth.
- The pit design was completed based on the selected optimal pit shell. It incorporated consideration of the preferred mining method which involves the use of a conventional hydraulic excavator and truck mining fleet, using a minimum mining width of 50m at the base of the pit.
- Mining geotechnical parameters are based on ORElogy’s experience with similar projects that lie within the same mineralised sequence. Current understanding is that the material types, both of the mineralised zones, the footwall and hanging wall zones, are relatively consistent along the Balmoral South orebody. While wall slope parameters are also significantly affected by structural geology, which has not been modelled for the RFL project, the wall slopes used can be considered a good initial estimate. Overall slope angles for the sensitivity analysis optimisation were 46.6° and 36.7° for the hanging wall and footwall slope domains respectively. These angles were inclusive of haulage ramps. Once the optimisation shells were assessed for pit design the slopes were modified on the basis of possible ramp locations. The revised overall slope angles were:

Footwall	36.7°
Hangingwall	46.6°
North/South ends	48.7°

- In addition to the ore loss and dilution accounted for as part of the block modelling process, a 2% mining ore loss was applied in WHITTLE to reflect potential operational losses during the mining process (i.e. ore mis-classification, mis-routing etc.).
- Shell 24 from the Base Case optimisation inclusive of Dales Gorge material was selected as the basis for the ultimate design. This shell sits just below the shell defined by the Maximum Best Case Cashflow. It has a mine life of ~ 30 years, a LOM strip ratio of 1.18 and represents a break point where the incremental strip ratio starts to increase.

Table 4 — Shell 24 Inventory

Ore			Waste	Total
kTonnes	MagFe (%)	DTR (%)	kTonnes	kTonnes
1,135,762	21.17%	30.52%	1,274,202	2,409,964

3.4 METALLURGICAL FACTORS/ASSUMPTIONS

- Based on the Promet Feasibility Study, the operation would comprise of a 12 Mtpa magnetite concentrator and a 7 Mtpa pellet plant. The final product mix proposed includes 5.2 Mtpa of concentrate and 7 Mtpa of pellets. The additional tonnage is incurred by the use of a binding agent in the production of the pellet product.
- The Davis Tube Recovery (DTR %) equates to the mass conversion of ROM tonnes to concentrate tonnes within the concentrator. The design of the concentrator is based on a 32.7% DTR supplied grade plus an allowance for 2% dilution. Assuming a diluent grade of 0%, the mining head grade required is 32.0% DTR.
- A 95% plant recovery is applied to allow for systemic plant losses.

3.5 COST AND REVENUE FACTORS

- Detailed mining costs were calculated on first principals utilising up-to-date equipment costs and operating parameters. These were sourced from ORElogy's internal cost database, which had been updated from a range of OEM's during the 2nd Quarter 2009.
- The processing costs used in the WHITTLE optimisation were sourced from the Promet Feasibility Study and equated to \$0.32/tonne ROM ore and \$34.61/tonne concentrate. The breakdown of the costs is detailed in the Appendix.
- Upfront capital costs were provided by Promet. These capital costs are rounded to the nearest \$1M. It resulted in a total of A\$3.030 billion and was distributed over a four year timeframe as follows:

Yr 1 — \$273M

Yr 2 — \$956M

Yr 3 — \$1,229M

Yr 4 — \$273M

The mining equipment capital is distributed over the life of the equipment.

The purpose of including this capital is to give some degree of authenticity to the NPV generated by WHITTLE. However, as it is initial capital, it does not alter the relative ranking of the shells generated on an NPV basis. As such it does not affect ultimate shell selection. In other words, including initial capital does not change which shell makes the most money, just how much money can be made. However, as can be appreciated, such large initial capital spread over the first three years of operation before any revenue is generated has a considerable impact on the discounted cashflow of the project. If this capital can be either reduced or staged, such that revenue can be generated earlier, this will have a significant upside benefit to the discounted cashflow.

- Revenue parameters (i.e. prices, royalties etc.) applied to concentrate and pellet products were based on an assessment of recent market movement and those parameters used by ORElogy for similar projects. The average benchmark fines price used for this study was US95¢/dmtonne. There has been a recent weakening of iron ore prices over the last twelve months and this price is marginally lower than the recently negotiated Pilbara fines price of ~US97¢/dmtonne. This equates to a >30% drop of the benchmark price from 2008. The validity of this as a long term price is arguable. However the pit size is extremely robust to variation in price and therefore the pit design and associated reserve is relatively insensitive to this parameter.

- For work carried out on similar projects during 2007/2008, ORElogy had applied a 5% price premium to concentrate and a 50% price premium to pellets over the benchmark fines price. While the 5% premium for concentrate was considered still applicable to this study, recent lowering of the price premium in the pellet market resulted in ORElogy reducing this margin to 30%.
- An average royalty payable to the WA government for iron ore products of 4.76% was assumed and deducted from the selling price.
- As a result, the combined base Fe in product price used in the mine optimisation was US113.38 ¢/dm³ (including price premium). This equates to the AU96.68¢/dm³ of product (including price premium and royalties) that was used in the optimisation.
- The exchange rate used was A\$0.75:US\$1.00.
- The resulting prices for concentrate, pellets and the weighted combination used in the optimisation are summarised in Table 5 below. While there is no reason the pricing approach detailed above should not be applicable to this study, given the projects high sensitivity to price these assumptions should be reviewed as part of any future assessment of the project.

Table 5 — Product Price Summary

Product	Fe% (dry basis)	Price relative to benchmark fines	Average Fe in Product	Average LOM price (US¢/dm ³)	
			LOM price (US¢/dm ³)	Excl. Royalties	Incl. Royalties
Concentrate	68.4%	5%	99.75	68.23	64.98
Pellets	66.4%	30%	123.50	82.00	78.10
Combined Price				76.13	72.51

Note: the prices above are based on a benchmark fines price of US95.00¢/dm³

- A discount factor of 8% was used for the purposes of calculating the discounted cash flow estimates within WHITTLE.

3.6 CLASSIFICATION

Probable ore reserves are reported in Table 6 and are based on a conversion of the Indicated Resources for the Joffre, Whaleback, Yandicoogina and Dales Gorge units as stated in Table 3. Guidance for this classification was obtained from ‘The JORC Code’.

4 STUDY REVIEW AND CONFIDENCE

- ORElogy have completed an internal peer review of this study as part of their normal project review procedures. No external audit or review has been undertaken.
- The parameters utilised in the pit optimisation and design process are based on relatively recent Pre-feasibility and Definitive Feasibility Study work completed for adjacent projects. They have been reviewed and modified where necessary.
- The estimate generated as part of this study is considered to be to a ‘pre-feasibility’ level and as such is within a +/-20% to 25% degree of accuracy. Estimates could be enhanced through a more detailed consideration of modifying factors (i.e. ore loss, dilution, slope angles, capital and operating costs) and from more site specific resource definition, test work, engineering and benchmarking studies. However it should be emphasised that the WHITTLE shell and associated pit design are largely insensitive to changes in these parameters.

5 ORE RESERVE STATEMENT

ORElogy completed a detailed pit design based around a shell selected from the Base Case optimisation, which had revised wall slopes based on potential ramp configurations. The process of shell selection is detailed in Section 4.3. Table 6 below details the Ore Reserve estimate.

Table 6 — Ore Reserve Estimate

Category	Ore			Concentrate			Waste	Total
	Tonnes (Mt)	MagFe (%)	DTR (%)	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Tonnes (Mt)	Tonnes (Mt)
Probable	1,130.8	21.2	30.5	327.8	69.2	3.3	1,334.5	2,465.3

The following points are made in relation to the Ore Reserve estimate:

- The pit design includes resource classed as Inferred above the 15% MagFe cut-off grade. The Ore Reserve estimate above has been reported excluding this material.
- The total strip ratio of the ultimate pit is 1.18 (waste to ore).
- Figure 4 below is a 3D view of the pit and surrounding topography looking North East. Figure 5 and Figure 6 are cross-sections showing topography, the base of oxidation, the pit design and the Probable Ore Reserve. The orebody is coloured by DTR value.
- The cross-sections indicate the benefit of targeting the Joffre units with any initial pit stages to ensure mining releases the higher value material early in the mining schedule.

Figure 4 — Balmoral South Pit Design showing lease boundaries

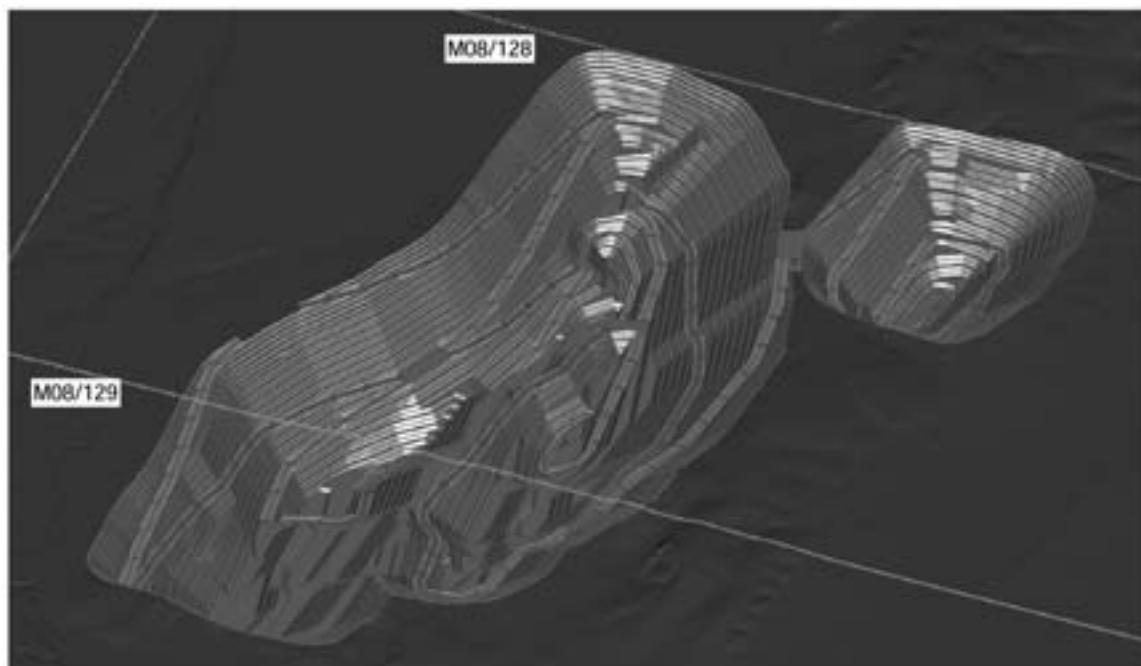


Figure 5 — Cross-section 7661000N

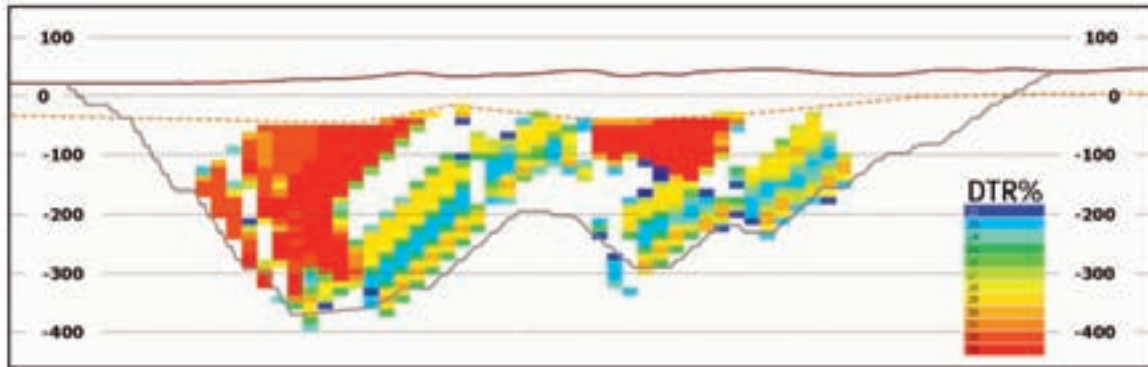
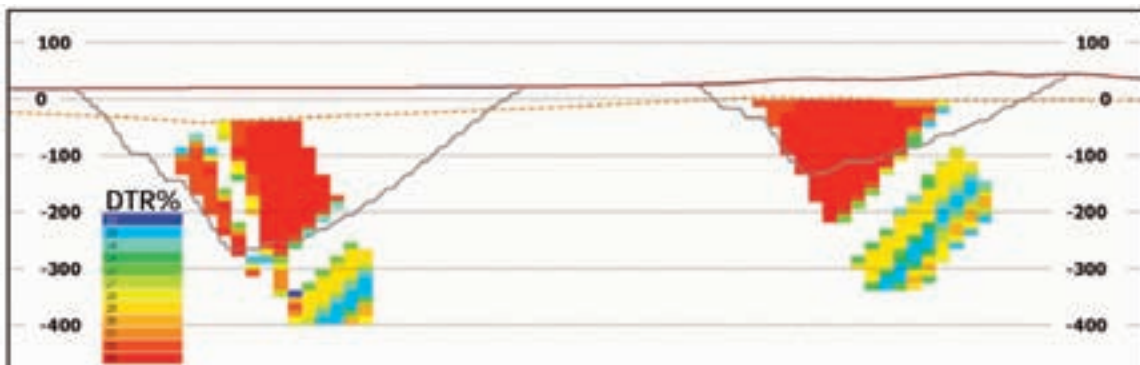


Figure 6 — Cross-section 7662500N



Competent Person

Ross Cheyne
Principal

BEng, M.AusIMM

Signature

The information in this report that relates to Ore Reserves is based on information compiled by Mr Ross Cheyne, a full time employee with ORElogy (Mining Consultants). Mr Cheyne is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Cheyne consents to the inclusion of the matters based on his information in the form and context in which it appears in this report.

A.1 OPTIMISATION AND DESIGN PARAMETERS

OPTIMISATION AND DESIGN PARAMETERS - Sign-Off Sheet				
CLIENT	Project No.	Project	Study Description	Date
Mineralogy	0103	Balmoral	January 2010 Reserve Estimate	22/01/2010

Item	Units	Amount	Source	Comments
Financial Parameters				
Currency Units		\$A		
Exchange Rate	\$US/\$A	0.75	ORElogy	
	Yen/\$A	71.0		
	Euro/\$A	0.54		
Discount Rate	(%)	8.00%		
Royalty - WA Gov - Concentrate	(% revenue)	4.95%	State Agreement (ORElogy estimate)	
Royalty - WA Gov - Pellets	(% revenue)	4.62%		
Royalty - WA Gov - weighted average	(% revenue)	4.76%		
Commodity Prices				
Benchmark Fine Price	(¢US/dmtu)	95.00	ORElogy	Price for Fe in Fines
Concentrate Premium	(%)	5%		% Premium added to Benchmark price by product
Pellet Premium	(%)	30%		
Concentrate Price	(¢US/dmtu)	99.75¢		Fe Price in Product
Pellets Price	(¢US/dmtu)	123.50¢		
Combined Price	(¢US/dmtu)	113.38¢		
Concentrate Grade	(%Fe)	68.4%		Product grades
Pellet Grade	(%Fe)	66.4%		
Concentrate Price per product tonne (excluding royalties)	(¢US/dmtu)	68.23¢		Product Price before royalties
Pellets Price per product tonne (excluding royalties)	(¢US/dmtu)	82.00¢		
Combined Price (excluding royalties)	(¢US/dmtu)	76.13¢		
Combined Net Price per product tonne (including royalties)	(¢US/dmtu)	72.51¢		Product Price after royalties
	(¢A/dmtu)	96.68¢		
Overall Slope Angles				
Footwall	(deg)	36.6	ORElogy	250m - 360m slope height - 2 x ramp passes
Hanging Wall	(deg)	46.6		
North/South Ends	(deg)	48.7		250m - 360m slope height - 0 x ramp passes
Ramp Width	(m)	30		3.75 x 8m truck width
Ramp Gradient	(1:#)	1:10		Equipment standard
Wall Design Criteria				
Footwall (Weathered)			ORElogy	
Berm Width	(m)	7		
Benches per berm	(#)	1		
Batter Angle	(deg)	50		
Footwall (Fresh)				
Berm Width	(m)	7		
Benches per berm	(#)	2		
Batter Angle	(deg)	50		
Hanging Wall (Weathered)				
Berm Width	(m)	7		

OPTIMISATION AND DESIGN PARAMETERS - Sign-Off Sheet — CONT'D				
CLIENT	Project No.	Project	Study Description	Date
Mineralogy	0103	Balmoral	January 2010 Reserve Estimate	22/01/2010
Item	Units	Amount	Source	Comments
Benches per berm	(#)	1	ORElogy	
Batter Angle	(deg)	65		
Hanging Wall (Fresh)				
Berm Width	(m)	6		
Benches per berm	(#)	2		
Batter Angle	(deg)	70		
North/South End (Weathered)				
Berm Width	(m)	7		
Benches per berm	(#)	1		
Batter Angle	(deg)	65		
North/South End (Fresh)				
Berm Width	(m)	6		
Benches per berm	(#)	2		
Batter Angle	(deg)	75		
Mining Factors				
Dilution	(%)	n/a	ORElogy	Model includes ore loss and dilution
Diluent Grade:	(%)	n/a		
Mining Recovery	(%)	98%		Operational inefficiency (i.e. grade control error, haulage mis-routing)
Metallurgical Recoveries				
Concentrate Recovery	(%)	95.0%	PROMET	PROMET Basis of Design
Davis Tube recovery	(%)	32.7%		Each block in model has DTR% - 32.7% used as basis for design
Mining Costs				
Waste Mining Cost	(\$/tonne)	Mining cost are variable by bench	ORElogy	
Ore Mining Cost	(\$/tonne)			
Tailings Disposal Cost	(\$/t ROM)			\$0.376
Ore Processing Costs				
Crushing	(\$/t ROM ore)	\$0.32	PROMET	
Concentrator	(\$/t concentrate)	\$19.71		
Pellet Plant	(\$/t pellets)	\$12.02		
Overland/Stack/Reclaim	(\$/t shipped)	\$1.11		
Port	(\$/t shipped)	\$4.59		
Technical	(\$/t shipped)	\$0.03		
Administration - On Site	(\$/t shipped)	\$1.28		
Administration - Off Site	(\$/t shipped)	\$0.75		
Total Processing Cost	(\$/t ROM ore)	\$0.32		
	(\$/t concentrate)	\$34.61		

OPTIMISATION AND DESIGN PARAMETERS - Sign-Off Sheet — CONT'D				
CLIENT	Project No.	Project	Study Description	Date
Mineralogy	0103	Balmoral	January 2010 Reserve Estimate	22/01/2010

Item	Units	Amount	Source	Comments
Cut-off Grades (for optimisation)				
MagFe	(%)	15.00	ORElogy	
Production Limits				
Pre-strip Year	Year	Year 3	ORElogy	
Maximum Pre-Strip	Mtpa	35		
Ore Production Rate	(Approx Mtpa)	38.6		
Capital Costs				
Year 1	(\$M)	273	PROMET	Rounded to nearest \$M
Year 2	(\$M)	956		
Year 3	(\$M)	1,229		
Year 4	(\$M)	273		
Total	(\$M)	2,732		
Product Throughputs				
Concentrate produced	(tpa)	12,000,000	PROMET	
Concentrate sold (product)	(tpa)	5,200,000		
Pellets produced	(tpa)	6,800,000		
Pellets sold (product)	(tpa)	7,000,000		
1st production year	Year	Year 4		
	(% Production)	100%		

The report contains net present value data and forward looking assumptions. This report is for illustrative purposes only and investors should use their own assumptions for calculating net present value. Please refer to the section of the prospectus titled "Risk Factors — Risks Relating to Our Business — Our actual results of operations may differ significantly from certain information included in the Independent Expert's Report on the China First Coal Project and the China First Iron Ore Project prepared by ProMet Engineers reproduced in Appendix VI to this prospectus"



C5412-0000-67-05-0011 Rev 12

30 May 2011

The Directors
Resourcehouse Limited
19/F Two International Finance Centre
8 Finance Street
Central, Hong Kong

Dear Sirs

C5412 Independent Expert's Report

China First Coal Project and China First Iron Ore Project

This report was prepared for Resourcehouse Limited ("RHL") by ProMet Engineers Pty Ltd ("ProMet") for the purposes of providing an Independent Expert's ("IE") Report to review two projects in conjunction with the proposed listing of RHL shares on the Hong Kong Stock Exchange. These are:

- the China First Coal Project in the Galilee Basin in Queensland, and
- the China First Iron Ore Project ("CFIOP") at Cape Preston, Western Australia.

Readers are invited to examine the RHL Prospectus and the section of said Prospectus entitled "Risk Factors" when reading this report. The identified risk factors apply where appropriate to the contents and conclusions of this report.

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ProMet and its Directors are independent of RHL and its associated companies and other than providing a professional service, have no business or financial dealing with RHL, its directors or associated companies. ProMet has charged RHL a fee for preparing this report and consents to the reproduction of this report in the RHL Prospectus.

This report has been prepared in accordance with the rules and regulations of VALMIN 2005 code. The VALMIN code outlines the requirements for the technical assessment and valuation of mineral and petroleum assets and securities for Independent Expert Reports. This report is limited to a review of the referenced RHL projects. Mr. James D. Cribbes is the “Representative Expert”, who is the nominated representative of ProMet with overall responsibility for this report. Mr. Cribbes holds a degree in Chemical Engineering and is a Fellow of the Australasian Institute of Mining and Metallurgy (“AusIMM”). He has over 35 years of experience in the design, construction, development and evaluation of projects and plants for the minerals industry. In addition to Mr Cribbes’ career-long experience with iron ore projects, during his decade with the ProMet Engineers organisation he has had supervisory and oversight responsibility for a number of coal industry development projects, including projects for Wesfarmers Premier Coal, Griffin Energy, Spitfire Resources and SASOL. Mr. Cribbes, who is responsible for the preparation of the Financial Analyses included in this report under the VALMIN Code, is qualified as a Competent Person and Competent Evaluator as per Chapter 18, including having in excess of five years of experience in the assessment of minerals projects.

This report covers:

- the China First Coal Project Concept Study prepared for China First Pty Ltd by WorleyParsons and associated consultants in June 2009, the Project Financing Study prepared by Metallurgical Corporation of China Ltd (“MCC”) in November 2009, and
- the Feasibility Study prepared for the CFIOP by ProMet in 2008.

ProMet has examined these reports and is not aware of any material changes to the projects.

1. CHINA FIRST COAL PROJECT

China First Pty Ltd (“China First”) has developed the project definition of its coal project in conjunction with WorleyParsons and other specialist consultants as named in the Concept Study. The Concept Study determined a likely project configuration along with estimates of capital and operating costs.

Subsequently, a Project Financing Study was prepared by MCC, which recommended that the project should be implemented as soon as possible.

RHL commissioned ProMet to review the Concept Study Report and the Financing Study Report and include the project in this IE Report. This report has been prepared by ProMet. Its purpose is to summarise the two studies and present conclusions.

1.1 Summary

China First has acquired the right to mine 1.4 billion tonnes of raw coal near Alpha in the Galilee Basin, 160 km west of Emerald in Queensland. It intends to establish an integrated project to develop a new coal mine combined with a dedicated, high capacity heavy haul standard gauge rail system and coal export facilities to export high volatile, low sulphur, thermal coal to international markets.

The project consists of the following elements:

- coal mining from open cut pits;
- coal mining from underground longwall mining;
- mine coal handling systems;
- coal preparation plants;
- dedicated heavy-haul rail line from mine-site to port;
- port area coal handling system;
- port development; and
- project infrastructure to support all of the above.

Figure 1 below provides an overview of the location of the related project elements.

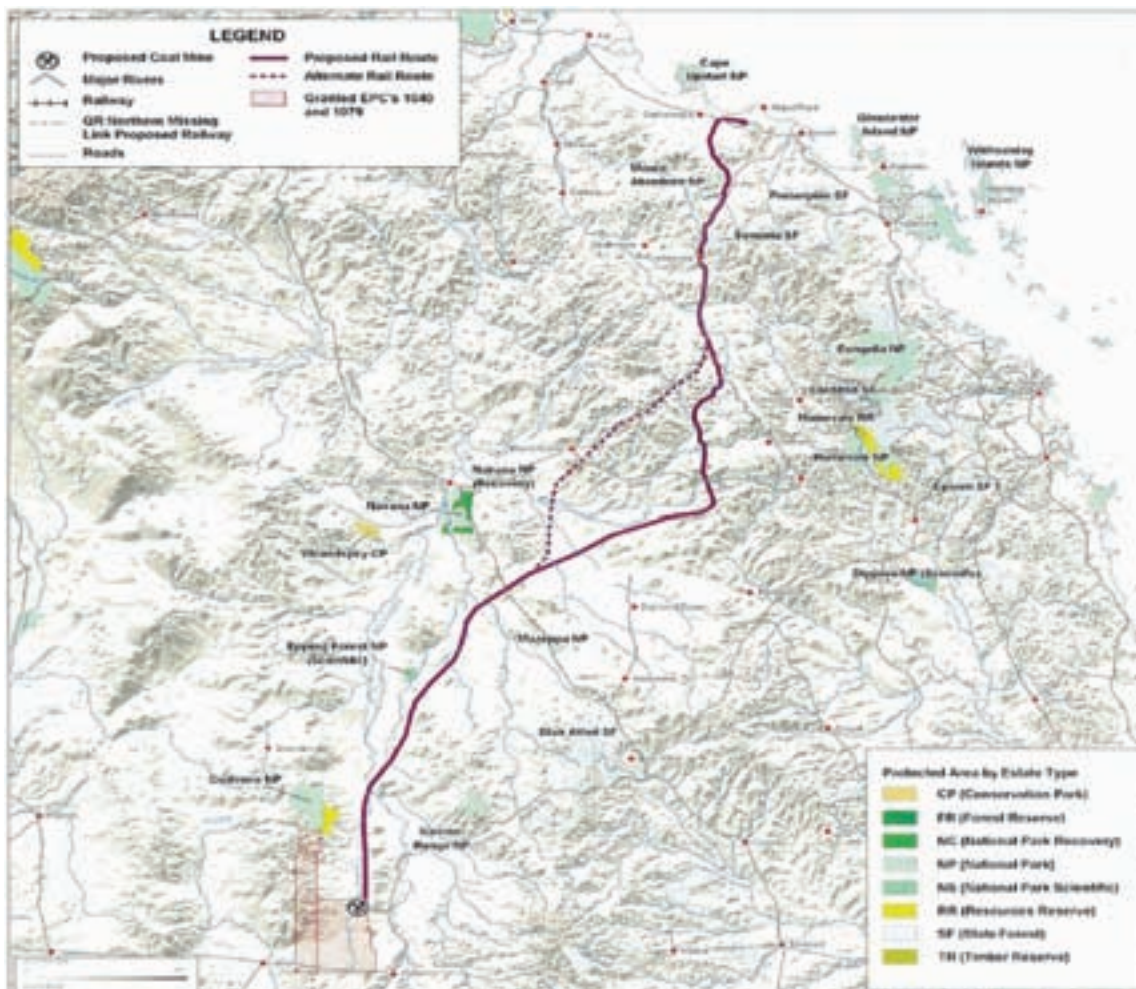


Figure 1: Proposed Rail Route

The planned aggregate annual ROM coal production will be 56 Mtpa to produce 40 Mtpa of saleable export product coal.

The capital cost estimate for the project is AUD 8.042 billion (base dated 1 January 2010), excluding contingency and owner's costs.

The estimated operating cost per tonne Free on Board ("FOB") is AUD 35.97 to 45.20 (base dated 1 January 2010).

The working capital required for China First Coal Project until the date of commencement of revenue generation is estimated to be approximately AUD 758 million.

Initial planning indicates that, with timely permitting and no land acquisition issues, the project will be ready to start production within 36 months of final release for procurement and construction.

1.2 Conclusions

ProMet notes that the studies were conducted by reputable consultants, with relevant experience in their fields as required by the VALMIN code. In preparing the studies, assumptions were made and reliance was placed on their knowledge of comparable projects. The studies note that the assumptions made need to be verified by further testwork and engineering in forthcoming phases of the project.

The methodologies used by the consultants named in the relevant sections of this report can be considered to be normal practice for this level of study.

The China First Coal Project is a significant thermal coal resource development opportunity.

The project can be considered to be technically and commercially viable for the following reasons:

- (a) The mineral resources and reserves on which this project is based have been assessed by qualified and experienced consultants in accordance with the requirements of the VALMIN code and in compliance with the AusIMM standard established by the Joint Ore Review Committee ("JORC Code").
- (b) The use of proven conventional mining, crushing, beneficiation and product handling technologies.
- (c) Based on the testwork on the deposits done to date being representative of the deposits as a whole, the designs selected are suitable for the production of product that meets the intended quality specifications.
- (d) Close proximity to key growing markets in China, India and South-East Asia.
- (e) The project could be expanded in the future, as resources are further developed.
- (f) Australia is a politically stable economy.

2. CHINA FIRST IRON ORE PROJECT

ProMet has conducted a number of studies on the treatment of Mineralogy's magnetite iron ore prospects and associated facilities located at Cape Preston in the Pilbara region of Western Australia since 2000. This work culminated in the preparation of a feasibility study on the CFIO, formerly known as the RDI Steel Project. This report has been prepared by ProMet. Its purpose is to summarise the referenced Feasibility Study and present conclusions.

This report covers the work carried out by ProMet in 2007 and 2008, which is based on work conducted by ProMet prior to the preparation of the study.

2.1 Summary

Mineralogy is the tenement holder of extensive magnetite deposits in the Pilbara region of Western Australia, near Cape Preston. The CFIO is based on mining rights close to the mouth of the Fortescue River, located 80 km south-west of Karratha, Western Australia adjacent to the North-West Highway and the Dampier to Bunbury gas pipeline and about 30 km from the developing port at Cape Preston. The CFIO that is the subject of this report is shown in Figure 2.

The project consists of iron ore mining, concentrate production and pelletising plants located in the Pilbara region of Western Australia. The region is currently producing over 400 million tonnes of iron ore per year. The mine, the processing plants and associated facilities for the initial 1 billion tonne CFIO are located on granted mining leases M08/128 to M08/130. It is noted that the right to mine provides China First Iron Ore ("CFIO") with the potential ability to ultimately develop significantly more annual productive capacity than is contemplated in the initial project.

Six general purpose leases (G08/51 to 54, G08/63 and G08/74) for land needed surrounding the mine have been granted and G08/55 is under application.

The project is based on mining part of the 10 billion tonne Right to Mine granted on Mineralogy's ore reserves at Cape Preston. Considering the large amount of resource available, ProMet has estimated a mine life of 25 years.

The Feasibility Study relates to the treatment of 1 billion tonnes of magnetite iron ore over 25 years, producing 12 million tonnes per annum ("Mtpa") of product for shipment through the port at Cape Preston.

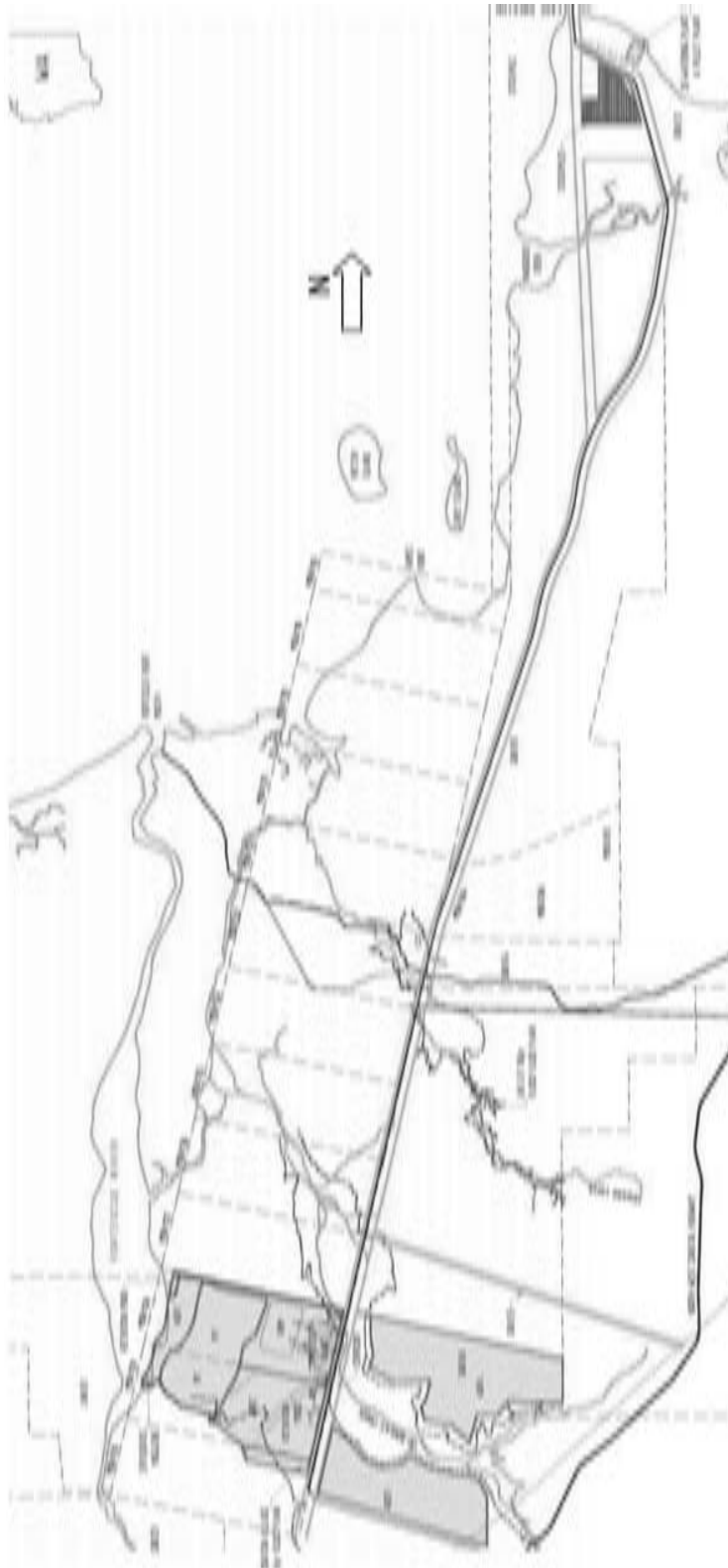


Figure 2: CFIOP Location

The costs of the plants are of the order of AUD 2.732 billion capital expenditure (CAPEX) and operational expenditure (OPEX) of the order of AUD 50/tonne of product for concentrate and AUD 62/t for pellets. Summary details are included in the attached project summary.

With timely permitting, the project can be brought into commercial production in 36 months from financial sanction (32 months to introduction of ore into the plant). This is the period of time from release for procurement and construction to commercial production. The project will require six months optimisation and engineering prior to sanction in order to be able to place orders for major items of equipment immediately after sanction.

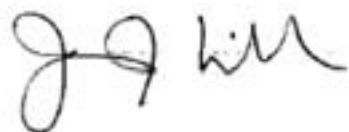
2.2 Conclusion

The CFIOP is a significant iron ore resource development opportunity, with various development options.

These projects are technically and commercially viable for the following reasons:

- (a) The mineral resources and reserves on which this project is based have been assessed by qualified and experienced consultants in accordance with the requirements of the VALMIN code and in compliance with the JORC Code.
- (b) The use of proven conventional mining, crushing, beneficiation and product handling technologies.
- (c) Testwork on the deposits, although still ongoing, has shown that the designs selected will be suitable for the production of product that meets the intended quality specifications.
- (d) Testwork indicates production of high-grade concentrate and pellets, with low impurities.
- (e) The project is located close to major infrastructure in the Pilbara and adjacent to the planned port at Cape Preston.
- (f) Close proximity to key growing markets in China, India and South-East Asia.
- (g) The project could be expanded to export between 24 and 36 million tonnes of product per year.
- (h) Australia is a politically stable economy.

Yours faithfully



JAMES D CRIBBES
Chairman

1. CHINA FIRST COAL PROJECT

1.1 Project Summary

China First has acquired the right to mine 1.4 billion tonnes of raw coal from Tenements EPC 1040 and 1079 near Alpha in the Galilee Basin, 160 km west of Emerald in Queensland. It is seeking to establish an integrated project to develop a new coal mine combined with a dedicated, high capacity heavy haul standard gauge rail system and coal export facilities to export high volatile, low sulphur, thermal coal to international markets.

Coal will be sourced from the Exploration Permit for Coal tenement EPC 1040 and EPC 1079 near Alpha in the Galilee Basin, 160 km west of Emerald in Queensland. The annual raw coal production will be 56 Mtpa to produce 40.4 Mtpa of saleable export product coal. Product coal will be transported 471 km via a dedicated, new heavy-haul standard gauge rail system to the North Queensland Coal Port at Abbot Point ready for export. Figure 1.1 below provides an overview of the related project elements.

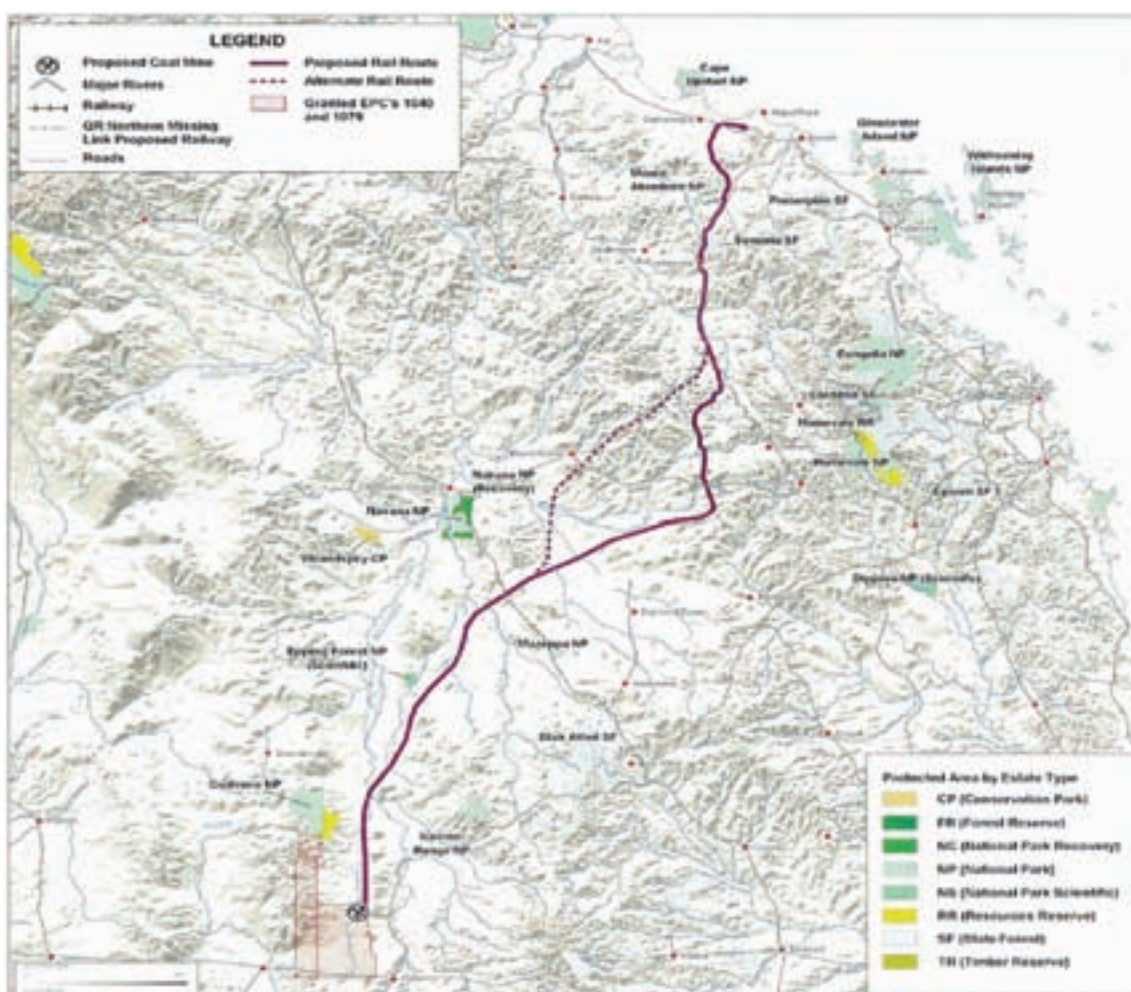


Figure 1.1: Proposed Rail Route

**APPENDIX VI INDEPENDENT EXPERT’S REPORT ON THE CHINA FIRST
COAL PROJECT AND THE CHINA FIRST IRON ORE PROJECT**

The key project elements include:

- coal mining from open cut pits;
- coal mining from underground longwall mining;
- mine coal handling systems;
- coal preparation plants;
- dedicated heavy-haul rail line from mine-site to port;
- port area coal handling system;
- port development; and
- project infrastructure to support all of the above.

The processed and blended product coal, with an anticipated 72% yield, will have typical quality values of:

- 34% volatile matter (air dried basis);
- 0.5% sulphur (air dried basis);
- 6,350 kCal/kg Specific Energy (air dried basis); and
- 10% — 11% ash (air dried basis).

The capital cost estimate for the project is AUD 8.042 billion (base dated 1 January 2010), excluding contingency and owner’s costs.

The operating cost per tonne Free on Board (“FOB”) Abbot Point (INCOTERMS 2000) is AUD 35.97 to 45.20 (base dated 1 January 2010).

The capital and working capital cost breakdowns are as shown below:

<u>Year</u>	<u>Capital Expenditure (AUD x 1,000)</u>	<u>Working Capital (AUD x 1,000)</u>	<u>Total Capital (AUD x 1,000)</u>
2011	807,728	4,982	812,711
2012	2,546,471	163,427	2,709,898
2013	3,139,083	368,643	3,507,726
2014	<u>1,549,215</u>	<u>221,064</u>	<u>1,770,279</u>
Total	<u>8,042,497</u>	<u>758,116</u>	<u>8,800,612</u>

Initial planning indicates that, with timely permitting and no land acquisition issues, the project will be ready to start production within 36 months of final release for procurement and construction. The project is in its planning stages and mining has not commenced.

1.2 Resource/Geology

Coffey Mining Pty Ltd (“Coffey”) modelled the coal resource of the China First Project. The geological report was completed in April 2009, with an update to the resource assessment in June

2009. Following this, Coffey provided a reserve statement update to its assessment for the longwall mining in March 2010 and June 2010 and Xenith Consulting Pty Ltd (“Xenith”) provided a reserve statement update for the open pit along with an update of the insitu coal resource estimate on 30 July 2010.

1.2.1 Resources and Reserves

Completed exploration shows that EPC 1040 and EPC 1079 contain 3,684,000,000 tonnes of coal resource, in compliance with the JORC Code.

This resource is classified across three different categories of Inferred, Indicated and Measured Resource as in Table 1.1 below.

Table 1.1: Resource Categories

Resource Category	Tonnes Total (Mt)
Measured	1,975
Indicated	569
Inferred	1,140
Total	3,684

The coal quality sampling from this exploration has been analysed by the Australian Coal Industry Research Laboratory (“ACIRL”).

In the industry the economically mineable portion of a measured resource will convert to a proven reserve while the economically mineable portion of an indicated resource will generally convert to probable reserve.

Coffey reported the following in relation to the Underground Mining Reserves on 4 June 2010:

Table 1.2: Underground Mining Reserves

Reserve Category	Mine	Tonnes (Mt)
Proven	Total	0
Probable	Total	708.4

An average mining dilution of 3% was calculated during the modelling of the underground resource to arrive at the estimated reserves.

Xenith reported on the reserves for the Open Cut Mines and issued a JORC compliant report in this regard on 30 July 2010.

Table 1.3: JORC Open Cut Probable Reserves

Seam	ROM Tonnes (Mt)
B.....	163.27
C	28.19
DU	88.18
DL	116.89
Total	396.53

A dilution density of 2.1 t/m³ has been assumed in arriving at the reserves estimate.

Continued infill drilling by China First is intended to continue to increase the extent of measured and indicated resource and allow for conversion to reserves to ultimately provide a total reserve of 1,400,000,000 tonnes.

Both Coffey and Xenith are reputable and experienced firms as required by the VALMIN code and their work has been done in compliance with the JORC Code. It is reasonable therefore, to find that the above stated data is accurate.

1.2.2 Drilling

The current structural geological model is based on 334 drill holes, which are made up of 219 rotary chip holes and 115 partially cored holes.

Xenith reported that the data is quite extensive with bore hole logs, geophysical logs, detailed descriptions and both raw and product coal quality data. The washability data that has been modelled was completed on a single float/sink cut point of F1.50.

All holes have been geophysically logged with a Density/Gamma/Caliper tool.

Bore holes and topography of the project area are displayed in Figure 1.2.

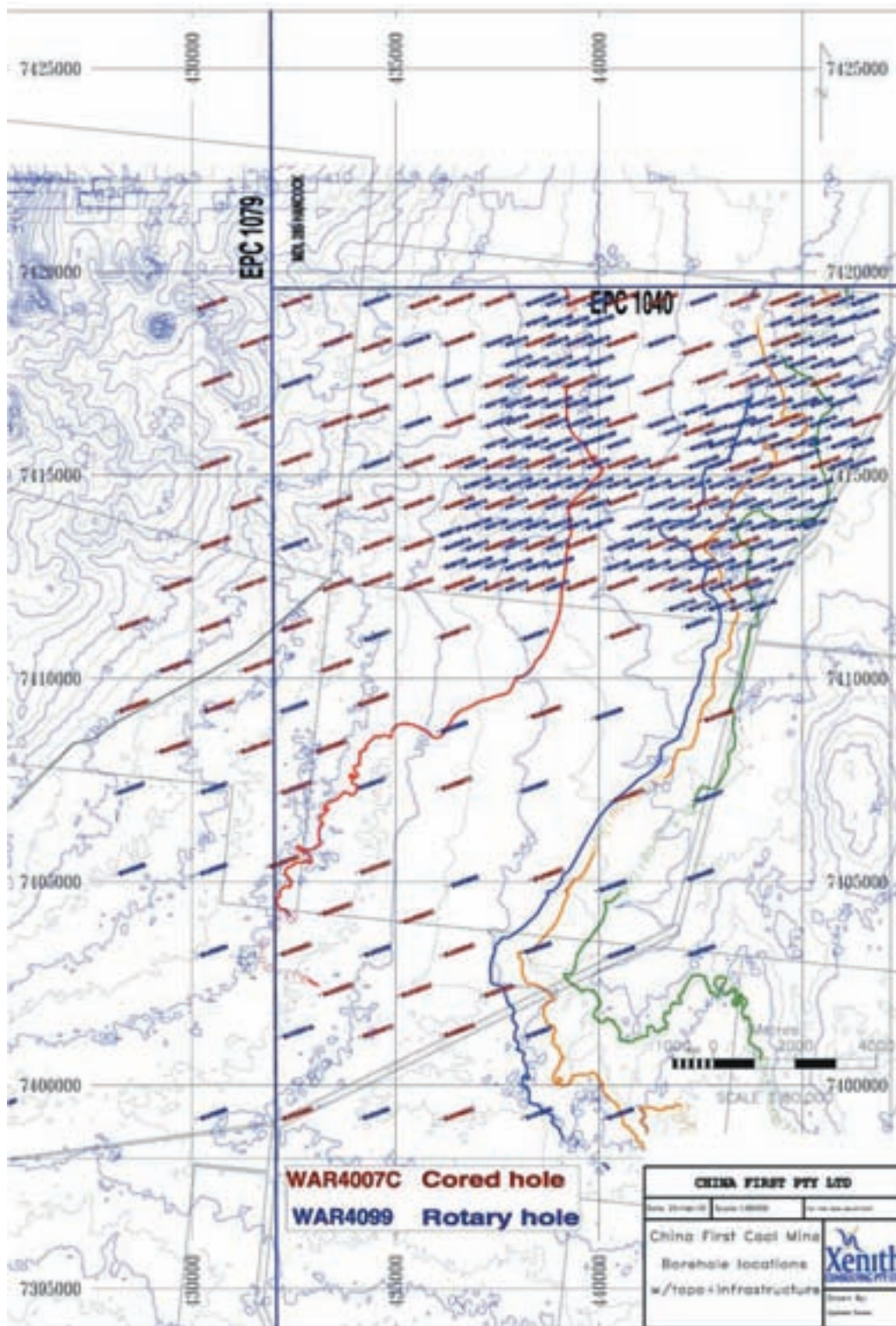


Figure 1.2: Borehole Locations

1.2.3 Geological Description

The June 2009 Coffey report sets out the geology of the project in further detail. The target geology is held within the Permian interval of the Galilee Basin. The Galilee Basin is an intracratonic basin filled with dominantly fluviatile sediment (Bridge Oil, 1994). The Galilee Basin is geographically large, covering nearly 250,000 km² of central Queensland. The Galilee is connected to the Bowen Basin over the Springsure Shelf (south east of Alpha).

In the project area, the target geology is held within the Bandanna Formation and Colinlea Sandstone (Betts Creek Beds) correlatives of the Bowen Basin's Group IV Permian Rangal Coal Measures.

The coal is found in four principal seams — B, C, D Upper (DU) and D Lower (DL) with other subordinate coal present. The DL seam has been re-correlated into daughter splits DL1, DL2 and DL3 by reviewing geophysical logging of the holes and also with the aid of new boreholes. The impact of this has been to reassign a majority of the DL resource tonnage to the DL1 and DL2 splits.

Xenith prepared the study for the open cut mining. The underground mining was managed in-house by China First. MCC reviewed and verified these designs and presented them accordingly in the Financing Study.

1.3 Mining

China First has acquired a right to mine 1.4 billion tonnes of thermal coal from the resource with the project mining production rate set at up to 56 Mtpa of raw coal.

The Resource, Geology and Mining studies have found that the coal resource is capable of being mined economically by both open cut and longwall underground mining methods. The overall mine plan is to extract 56 Mtpa from two open cut and four underground longwall mining operations.

Open cut production will be 10 Mtpa from each of the two mines with the four underground longwall mines each producing 9 Mtpa. The projected mine life of all operations is assumed to be

25 years. A production schedule was developed to produce 20 million tonnes per year. The mining sequence reported by Xenith is shown in Figure 1.3 below:



Figure 1.3: Mining Sequence

The two open cut operations will remove overburden and interburden utilising Bucyrus 8750 sized draglines along with truck, shovel and truck, excavator fleets. The exposed coal seams will be mined and transported to Run of Mine (“ROM”) crushing facilities by truck and excavator fleets.

The underground operations will consist of three longwall mines in the D seam and one other in the B seam. Each mine will produce 9 Mtpa of raw coal resulting in a total of 36 Mtpa. Due to the benign geological conditions of the Galilee Basin, large scale longwall operations extracting typically 7,000 m long wall blocks and a 470 m wide longwall face will be employed. Access roadways in the main headings and gateroads of the mine will be developed at a height of 2.5 m. The longwall extraction height will vary throughout the mines from 1.8 to 2.5 m. Each mine is accessed at a depth of 120 m via two declines and a ventilation shaft. The installed coal clearance system will be rated at 6,500 tph.

Both the open pit and longwall mining technologies are in use at many locations and are both well proven technologies. The WorleyParsons study provides substantial detail of the equipment to be utilised both in the open pit and longwall mining operations.

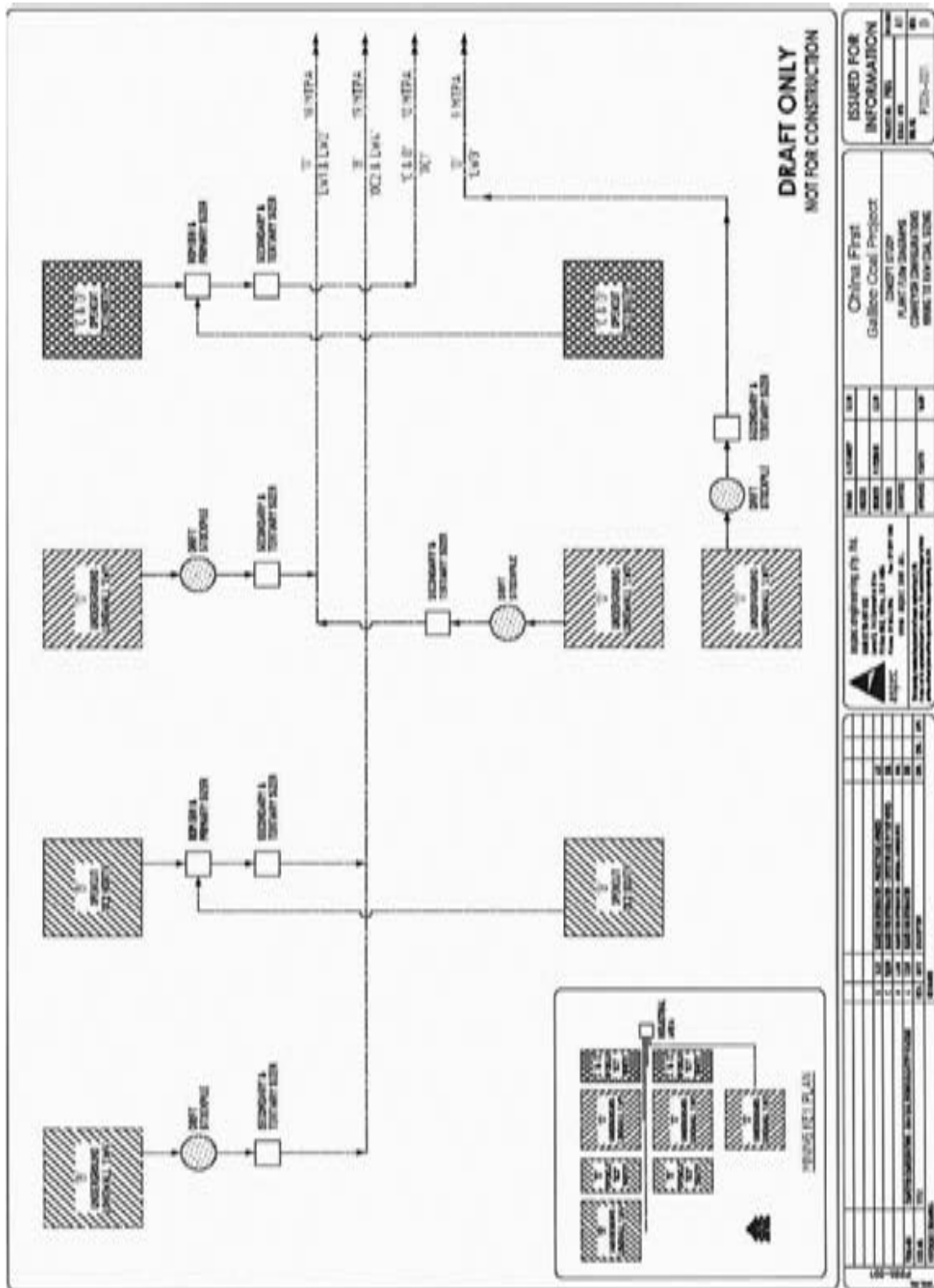


Figure 1.4: Conveyor Configurations

Each mine will operate with a dedicated raw stockpile to provide production buffering capacity between the mines and the coal processing plant.

Refer to Figure 1.5 and Figure 1.6 for the proposed mine lay-out of both the open cut and longwall operations.

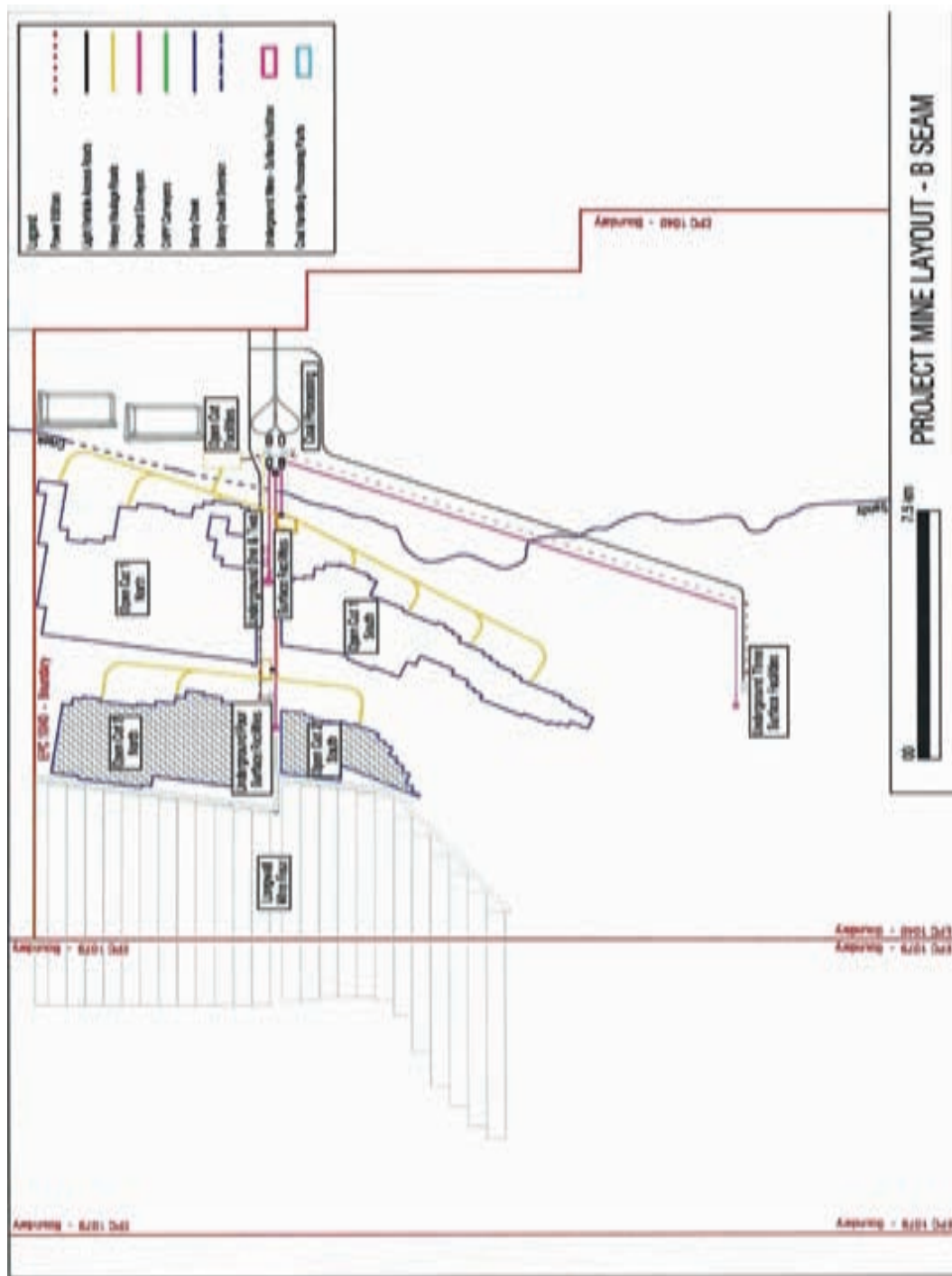


Figure 1.5: Project Mine Layout — B Seam

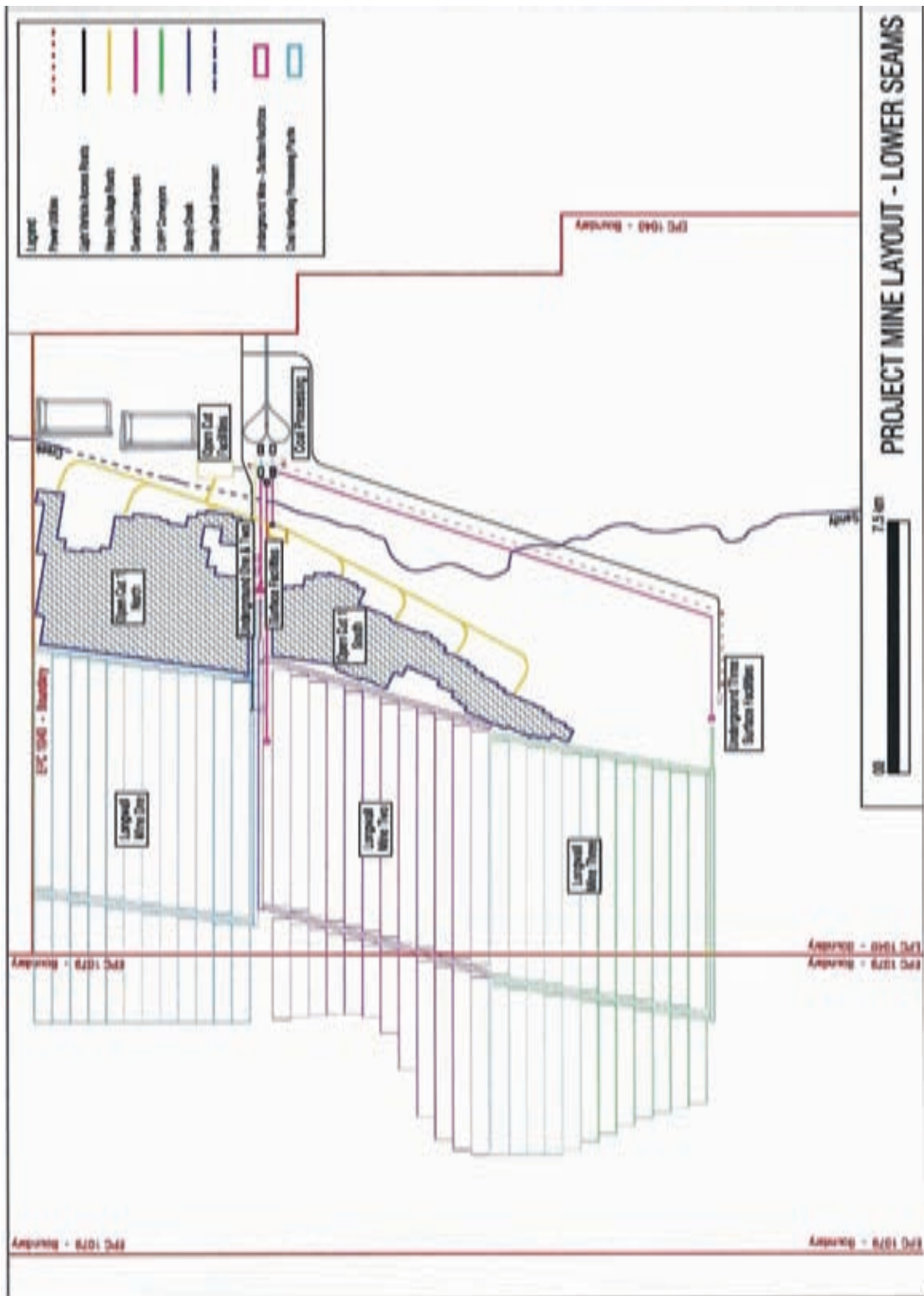


Figure 1.6: Project Mine Layout — Lower Seams

1.4 Coal Handling and Preparation Plant

The Concept Study of the coal handling portion of the project was prepared by Aspec Engineering Pty Ltd with WorleyParsons and China First. The Coal Preparation Plant ("CPP") was prepared by A&B Mylec Pty Ltd through WorleyParsons.

The design for the Financing Study was prepared by MCC and was based on the design for the Concept Study.

Crushing and sizing of the raw coal will be carried out at each mine site before the coal is transported via overland conveyor to the coal processing plants. Figure 1.7 sets out the configuration of the conveyor systems feeding the coal processing plants.

There are four overland conveying systems for the combined surface and underground operations. These conveyors are rated at 4,500 tonnes per hour ("tph") and will deliver the sized coal to raw coal stockpiles immediately preceding the CPP. Surge capacities and assumed plant availability (including conveyor loading) seem in line with generally accepted norms.

The ROM stockpiles are arranged to maintain separation of the raw coal from the B seam operations from that of the C and D seam operations until final raw coal blending occurs at the input to the coal processing plant for quality control purposes. The raw coal stockpiles are arranged in the following manner:

- Longwalls 1 and 2 ('D' Seam) - 400,000 t
- Open Cut 1 ('C & D' Seams) - 200,000 t
- Longwall 3 ('D' Seam) - 200,000 t
- Open Cut 2 and Longwall 4 ('B' Seam) - 200,000 t

A combination of a surge bin and reclaim conveyors beneath individual stockpiles will provide for blending capability with a total feed rate of 4,000 tph to each of two CPPs.

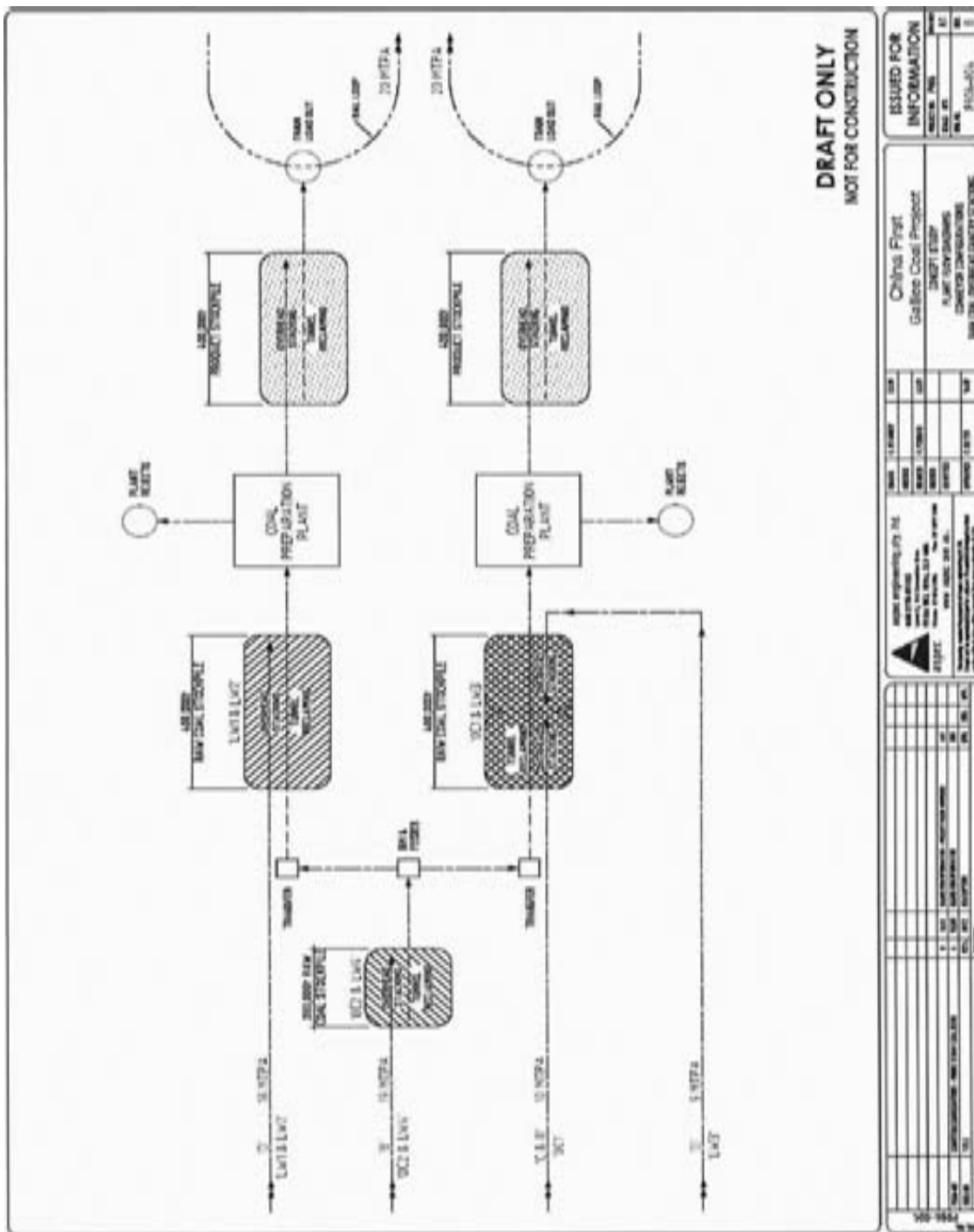


Figure 1.7: Conveyor Configuration Feeding CPP

The two CPPs will operate simultaneously to process 56 Mtpa of raw coal, with a combined plant raw coal feed rate of 4,000 tph per plant operating for 7,000 hours per year. Preliminary plant design is based on important and critical coal characteristics like washability data, which is used to determine the loading of material to the coarse and fine circuits in the operating plant and the resulting beneficiation of each circuit. This data will require confirmation through further metallurgical testwork programs that will be undertaken.

The design of the CPPs will be based on conventional wet beneficiation processes using proven technology employed extensively throughout the Australian coal industry. The -50mm to +2 mm coarse coal will be beneficiated in dense medium cyclones while the -2 mm to +0.125 mm fraction will be beneficiated by spirals with the remaining -0.125 mm discarded to tailings.

Each CPP will produce approximately 20 Mtpa of product giving a combined total of 40 Mtpa.

Each plant will have a dedicated product coal stockpile sized to store 400,000 t. Product coal will be reclaimed and conveyed to two separate train load-out stations at rail loops for loading onto the coal trains for transport to the port stockyard at Abbot Point.

1.5 Heavy-Haul Standard Gauge Rail

Coal will be transported to Abbott Point using a dedicated rail line and rolling stock. The distance along the proposed rail path from the Galilee Coal deposit to the Abbot Point Coal Port is approximately 470 km.

The Concept Study was prepared by WorleyParsons. China Rail Engineering Corporation (“CREC”) prepared the design for the Financing Study for MCC. The designs differ in some respects, most notably:

- Rail maximum axle loads were reduced from 40 t to 25 t.
- Locomotives were changed from GE’s ES 44DCi to DF_{8DJ} Chinese locomotives.
- Wagons were changed from 36 t axle load bottom dumper wagons with a trailing length of 3,060 m to C80 freight wagons (25 t axle loads) with a trailing length of 3,112 m using car dumpers at the port.



Proposed DF_{8DJ} Locomotive



Proposed C₈₀ Wagon

To enable this resource to be developed and exploited with competitive transport costs, a new rail system comprising of heavy-haul standard gauge rail system with train capacities of 20,000 net tonnes will be constructed. Similar systems are currently being used in the Western Australia Pilbara iron ore railways and the North America Powder River Basin coal system. These operations are in line with accepted current world heavy-haul practice.

Rail infrastructure requirements include:

- a new standard gauge single track with passing bays;
- eight crossing sidings;
- two holding roads near Abbot Point;
- two loading loops at the mine;
- two unloading loops at Abbot Point;
- grade separation with the existing Queensland Rail (“QR”) North Coast Line; and
- grade separation with all highways and major roads.

Train characteristics utilise wagons of 25 tonne axle loads with trailing length of 3,112 m. This results in a net railed tonnage of 20,000t and a traction mass of 25,000t. Motive power is based on standard Da-Qin DF_{8DJ} locomotives. Wagons will be C₈₀ freight wagons.

According to CREC’s modelling, six sets of rolling stock, operating in 33 hour cycles will be utilised to transport the coal to the port. This modelling should be verified by the proposed high-quality modelling of the combined rail and port facilities that will be undertaken at the commencement of the next phase of the project.

CREC's recommended rail route is as follows:

The line will run from Abbott Point to the west, parallel to the existing North Coast Railway, after crossing over the railway at AK8+000, to the south along the east bank of the Elliott River. At AK43+400, the line will run to the west side of the existing Newlands-Abbott Point railway, parallel to the existing railway.

At AK57+000, after crossing over the existing parallel developmental highway and railway, the line will cross over from the west to the east side and proceed to the south close to the high ground.

At AK105+600, the line crosses over the Bowen River and at AK149+150 it then crosses over the Newlands-Abbott Point line to the west and departs from the existing railway, passes around Leichhardt Mountain continuing to the south through flat grasslands and then turns to the south-west at AK204+600. At AK361+300, the line will pass round Donnybrook, cross over the Belyando River at AK422+500 and continue to the China First Coal Mine.

Various assumptions were made about the geological conditions along the route of the proposed rail route. These will have to be tested during detailed design with better data from testwork.

1.6 Coal Export Port Facilities

WorleyParsons prepared the study of the port for the Concept Study and CCCC First Harbour Consultants Co. Ltd conducted the work for the Financing Study for MCC. The primary difference between the two studies relates to the location/orientation of the loading jetty, with the latter study resulting in a reduced requirement for dredging.

The port design as included in the Financing study will be subject to revision, based on detailed development of the hydrology, geophysical studies, modelling of the logistics (along with the rail) and the Environmental Impact Statement ("EIS").

New coal export facilities will be built near the existing coal export terminal at the Port of Abbot Point located 25 km north of Bowen. The facilities will be built on land owned and operated by the Queensland Government Department of Infrastructure and Planning in conjunction with the Ports Corporation of Queensland.

Land managed by the Department of Infrastructure and Planning at Abbot Point is commonly referred to as Abbot Point State Development Area ("APSDA").

The coal infrastructure will be designed to receive, store, reclaim and export 40 Mtpa, with a stockyard capable of holding 3.5% of annual throughput footprint. Train unloading, transfer, stacking, reclaiming, overland conveyors and surge bin facilities are rated at 6,000 to 8,000 tph. The jetty conveyors, wharf conveyors and ship loaders are rated at 8,000 tph. It is assumed that water will be available at the port fence line.

A conventional train unloading facility, discharging wagons through a car dumper facility to a below ground receival system will be installed. Facilities for a stockpile and/or direct transfer to the shiploading facilities will be provided. Stockpiles will be conventional using stacker/reclaimer plant. Reclaim from each stockpile is via a bucket-wheel reclaimer, feeding to yard conveyors.

The stockyard will be located outside the wetlands approximately 8 km from the shore line and jetty.

Two independent shiploaders configured to handle both Capesize and Panamax vessels are provided.

Berthing will be designed to handle Capesize vessels from 35,000 DWT up to 200,000 DWT at two new berths. Refer to Figure 1.8 below for the proposed port layout.

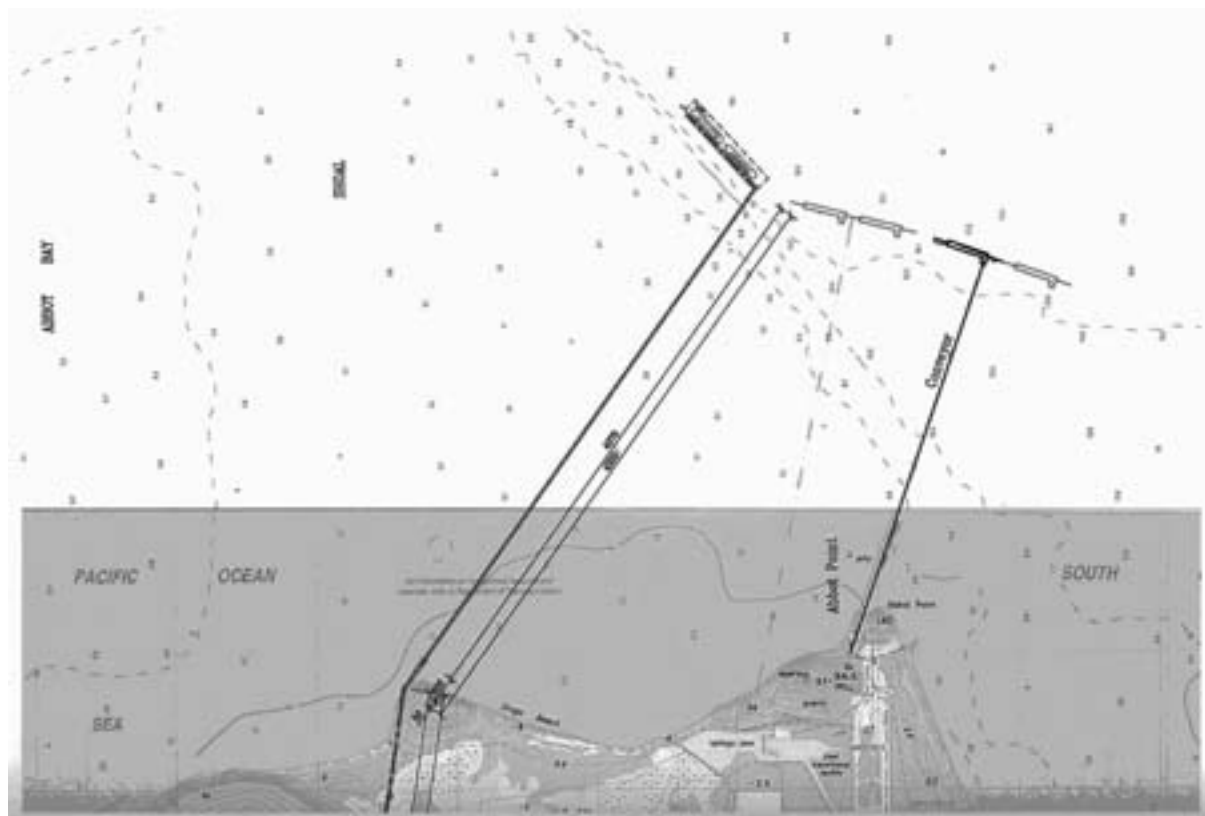


Figure 1.8: Abbot Point Port Layout

All of the equipment intended for use at the port is proven technology and the capacities of the equipment are well within the normal boundaries.

1.7 Project Infrastructure

Facilities and services are required to support the construction phase and day-to-day operations.

These include accommodation, power supply, buildings, airport, mine water supply and mobile fleet.

These types of facilities and utilities are a part of all major mining developments and can be considered conventional in manner.

1.7.1 Accommodation

Mine-site accommodation will be provided for a permanent work force of 1,500 people covering all elements of the operation. A camp of eight modules of 500 beds each to house the mine construction workforce has been included.

Port site accommodation is to be constructed for a 500 strong work force. The permanent work force at the port will source its own accommodation in Bowen. The rail construction work force will number 900 and will be accommodated in temporary camps built and operated by the construction contractors.

1.7.2 Power Supply

Mine-site power is anticipated to be sourced from Lilly Vale substation approximately 200 km east of the mine-site.

An existing power 132 kV power line from Lilly Vale substation to Barcaldine crosses the EPC 1040 tenement. 10 MVA of spare power is available from this line for construction needs. The mine-site power requirement estimate is 150 MW. To provide the required 150 MW it is proposed to build a dedicated 200 km, 132 kV power line from Lilly Vale substation. It is assumed that the Lilly Vale substation has the necessary capacity.

Power for the port facilities has been assumed to be supplied to the boundary fence by Ergon Energy from its planned upgrade of facilities. A dedicated switchyard within APSDA will supply 45 MW of power to the train unloading facilities, stockpile, jetty and wharf areas.

1.7.3 Buildings

There will be a centralised mine industrial area dedicated for project administration, main stores, maintenance and overhaul of mobile fleet. This area will support the two adjacent open cut pits and the two coal preparation plants. It will be located east of the C and D seam surface mine and north of the coal preparation plants.

Satellite facilities will be built at each mine-site to service the day-to-day mine operations.

1.7.4 Airport

A proposed airport will be constructed to cater for the rostering of the 1,500 people employed in the permanent workforce. It is envisaged that 100 to 150 people per day will need to be moved to and

from the mine-site. The airport location will be within 10 km of the mine-site and will cater for medium sized regional jets with seating capacity of up to 180 such as the McDonnell Douglas MD82 (Boeing 717). The characteristics of the airstrip will be 1.8 km long bitumen strip with terminal, car park, and low level maintenance and storage facilities.

1.7.5 Mine Water Supply and Management

Water usage is allocated to the mining processes, CPP, dust suppression, fire protection, accommodation camp and bath houses.

It is expected that the two CPPs will require an annual supply of 10,640 ML of which 6,500 million litres ("ML") is recovered through tailings operations resulting in the CPP make-up water requirement of approximately 4,140 ML per annum. Each mining operation will consume approximately 400 ML of water per annum. Camp and bath house demands are 250 ML and 50 ML per annum respectively. The total water requirement is 6,840 ML per annum.

Potential water sources for the project are existing dams, proposed dams, pipe lines, water harvesting, mine dewatering and runoff catchment. The study is based on placing a purpose built dam on the Belyando River system 50 km north east of mine-site as the back up to supply any shortfall from the local (mine-site) sources.

Water from Belyando will be provided from intake structures on the river and pumped down the pipeline in stages spaced approximately 20 km apart, with each stage consisting of tankage and booster pumps.

Management of water will be via separate dams to cater with the various water types. Typically at the CPP there will be a raw water turkey nest dam, potable water system, process water dam, tailings dam and run-off sediment control dams. Individual mine-sites will include a raw water turkey nest dam, process water dam and sediment control dams which will double as evaporation facilities.

1.7.6 Light Vehicle Fleet

The light vehicle fleet will include a conventional range of service cranes, service trucks, forklifts, mobile lighting, mobile pumps, general 4WD vehicles, emergency vehicles and passenger coaches.

1.8 Environment

The project components will affect lands located in the Brigalow Belt North, Desert Uplands and Einasleigh Uplands bioregions of northern Queensland. Of these regions, the majority of the works will be centred within the Brigalow Belt North.

The project was declared a 'Project of State Significance' for which an EIS is required on 28 November 2008 pursuant to Section 26 of the Queensland *State Development and Public Works Organisation Act 1971* ("SDPWOA"). On 20 March 2009 the Australian Government Department for the Environment, Water, Heritage and the Arts declared the project a 'controlled action' requiring assessment by EIS under the *Environment Protection and Biodiversity Conservation Act 1999* ("EPBC Act"). Accordingly, the project is subject to the assessment and approval processes of both the Commonwealth and the Queensland State Government.

The Terms of Reference (“ToR”) for the EIS were finalised and jointly released by the Australian and Queensland Governments in August 2009. China First is currently progressing environmental studies as part of the preparation of the EIS which is expected to be completed in the first half of 2011. The EIS will address the mine, rail and port aspects of the project, as well as all supporting infrastructure. On completion of the EIS, it will be made available for public comment after which it will be assessed by both Governments.

1.9 Project Implementation

The implementation schedule shows that the project could be commissioned and ready to start production within approximately 36 months from final financial commitment and release for procurement and construction. Based on physical construction commencing in the third quarter of 2011, the first coal could be shipped by the second quarter of 2014. The schedule is shown in Figure 1.9.

The project critical path is given as the design, construction and commissioning of the railway line and associated facilities, i.e. this is expected to have the most effect on the overall project schedule, on the assumption that all permitting associated with the project can be finalised in such time as to allow the planned schedule to proceed.

This schedule provides a high level assessment of the time required for the design, supply and construction of the various project elements following a conventional contracting strategy.

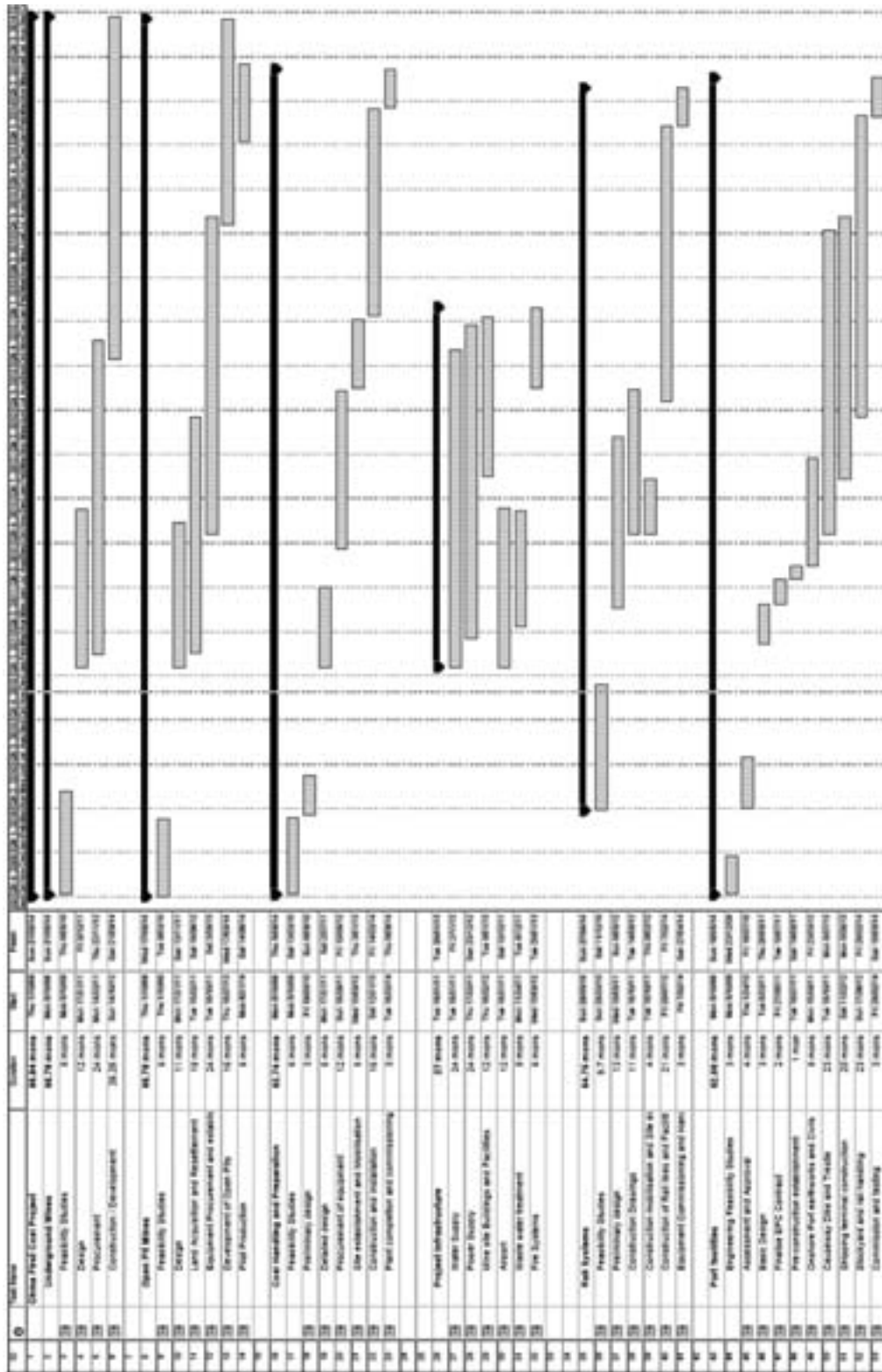


Figure 1.9: CFCP — Summary Project Schedule

1.10 Project Costs**1.10.1 Capital Costs**

The capital cost estimates (explained in further detail in Section 13 of the MCC Financing Study) were calculated to match the development stages of Mine, Rail, Port and their associated infrastructure. All costs in the estimates are reported in Australian Dollars ("AUD") using a base date of 1 January 2010. The capital cost estimate is considered valid as of the current date as ProMet's in-house data indicates there have been minimal increases in equipment and material costs since January 2010 and labour costs have generally been stable.

An Engineering, Procurement and Construction Management ("EPCM") model has been presumed for the project's delivery method and EPCM costs applied to the capital cost estimate. The capital estimates for Mine, Rail and Port are based on best known engineering practices and estimates made at the time of this study. Project capital costs are shown in Table 1.4.

Table 1.4: Capital Cost Estimate

Item	Total (AUD x 1,000)
Underground Mines	\$1,840,288
Open Pits	\$1,652,559
Opex included in Capex Estimate	-\$ 718,000
Coal Preparation Plants	\$ 525,965
Public Infrastructure - included in Underground Mines	\$ 0
Sub-total of Coal Production.	\$3,300,812
Cost of Rail System	\$2,159,291
Cost of Harbour	\$1,469,415
Land Purchases	\$ 70,000
Aircraft and Service Facilities	\$ 60,000
Owner's Funding Requirements	\$ 170,000
Total Base Capital Estimate	\$7,229,518
Basic Reserve Fund	\$ 458,827
Sub-total of Direct Investment.	\$7,688,345
Reserve Fund for Inflation	\$ 324,238
Interest during Construction	\$ 0
Total Project Cost	\$8,012,583
Working Funds - Indirect Costs	\$ 29,914
TOTAL PROJECT CAPEX	<u>\$8,042,497</u>

Notes:

- The above estimates reflect both Australian and international manufacturing costs of indicative equipment suppliers along with current contract markets. Process equipment manufactured in China has been installed in a number of applications in Australia. Generally, it performs as well as equipment manufactured elsewhere provided that proper oversight by the licensor is maintained or in lieu of a licensor, an independent Australian engineering company is retained to provide oversight to assure that all Australia standards that are applicable are utilised. A number of European and America's companies have manufacturing facilities in China that manufacture equipment to their international standards and quality.
- These estimates exclude the contingency allowances made in the preparation of the various individual capital cost estimates, as well as interest.

In line with normal practice for concept level studies, most of the estimated capital costs for the project have been factored at a high level from similar projects, similar project feasibility studies and options studies.

China First plans the project to be constructed with MCC operating as the primary EPCM contractor with fixed price lump sum contracts and completion and process guarantees to be established with major Chinese contractors where much of the manufacturing is carried out in China.

The reported total for the MCC EPCM contract is USD 8.013 billion. In preparing the estimate included in this section, adjustments were made for a number of factors:

- Removing the AUD 718 million allowed for in the Operating Cost Estimates for the development of the mines.
- Excluding the interest that was in MCC's estimate (AUD 366.61 million) to account for the EXIM Bank terms agreed that delay payment of interest to outside the construction period for the project.
- Including the allowances for land purchase and aircraft and service facilities (AUD 130 million) that were not provided for within MCC's estimates.
- Including the allowance for Owner's costs (AUD 170 million) in the capital costs and not provided for within the MCC estimate.

A reconciliation of the MCC estimate is shown in Table 1.5, which explains the adjustments that are necessary to arrive at the capital cost estimate shown in Table 1.4 above.

Table 1.5: Reconciliation of MCC EPCM Contract Price

Item	Total (USD x 1000)	Total (AUD x 1000)
Underground Mines.....	\$1,670,536	\$1,840,284
Open Pits	\$1,500,489	\$1,652,958
Coal Preparation Plants.....	\$ 476,768	\$ 525,214
Sub-total of Coal Production.....	\$3,647,793	\$4,018,455
Cost of Rail System.....	\$1,959,929	\$2,159,083
Cost of Harbour	\$1,334,244	\$1,469,820
Total Base Capital Estimate	\$6,941,966	\$7,647,358
Basic Reserve Fund - Contingency.....	\$ 416,523	\$ 458,847
Sub-total of Direct Investment.....	\$7,358,489	\$8,106,205
Reserve Fund for Inflation	\$ 294,343	\$ 324,252
Interest during Construction	\$ 333,066	\$ 366,910
Total Project Cost.....	\$7,985,898	\$8,797,367
Working Funds	\$ 27,156	\$ 29,915
Total Investment for Project - MCC Estimate.....	\$8,013,054	\$8,827,283
Adjustments		
Re-allocate Mine Development Costs to Opex		-\$ 718,000
Zero Interest paid through Construction Period		-\$ 366,910
Include Land Purchase Allowance.....		\$ 60,000
Include Allowance for Purchase of Aircraft & Service Facilities.....		\$ 70,000
Capitalise Owner's Funding Requirements		\$ 170,000
Total Adjustments.....		-\$ 784,910
Adjusted Total MCC Estimate.....		<u>\$8,042,373</u>

1.10.2 Operating Costs

The expected range of operating costs is shown below in Table 1.6. These operating costs do not include any allowances for financing costs of the capital expenditure for the mine, rail, port or infrastructure.

Table 1.6: Operating Cost Estimate (AUD)

Operating Area	Cost (AUD/Tonne)
Underground Mining/ROM Tonne	10.89 to 14.82
Surface Mining Cost/ROM Tonne	18.80 to 27.00
Average Mining Cost/ROM Tonne	13.71 to 20.35
Raw Coal Handling/ROM Tonne	0.50
Coal Preparation/ROM Tonne	2.00
Tailings and Rejects Disposal/ROM Tonne	0.30
Product Coal Handling/Product Tonne	0.25
Product Coal Cost Loaded on Rail (FOR)	23.18 to 32.41
Rail Transport/Product Tonne	4.54
Port Handling and Shiploading/Product Tonne	1.25
Royalties @ 7% of AUD 100 Sell Price	7.00
Cost per Tonne Loaded on Board Vessel (FOB)	35.97 to 45.20

(Base Date = 1 January 2010)

1.11 Financial Analysis

ProMet, as an independent expert, has been engaged to prepare a report as set out herein, providing a technical assessment of the project and its relevant studies. In preparing the report ProMet has carried out a technical assessment of certain key assumptions underpinning the financial and development model for the capital and operating costs of the Coal Project. In particular, ProMet has prepared a financial analysis for the Coal Project. The basis of valuation, relevant assumptions and the reasons why discounted cash flow (“DCF”) method of valuation is considered most appropriate for the Coal Project are summarised under subsection 1.11.1.

The ProMet key assumptions, technical review, and this report have been prepared in accordance with the code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (“the VALMIN Code”).

1.11.1 Summary of Financial Analysis

All monetary values in this financial analysis are in US dollars, and the analysis has used an exchange rate of AUD = USD 0.80. Information about quantities, capital costs and operating costs provided from studies made for the project, including the work of WorleyParsons and a Project Financing Study (“MCC Study”) have been used. All capital and operating costs in those studies were verified by ProMet and the operating and capital cost data used in this report is consistent with that information.

The capital cost for the financial analysis for the China First Coal Project (“CFCP”) was AUD 8.04 billion¹ and a base date of 1 January 2010. This is based on the cost estimates of this study and includes the mine, processing plant, coal handling, rail, port and associated items.

Operating costs are based on the project production and cost schedules. The estimated operating cost per tonne free on board (“FOB”) for the first full year of operation is AUD 41.27 in 2010 prices.

Revenues are calculated as the volume of sales multiplied by the FOB price of products. Over the 20-year period 1987-2007 the average export price of thermal coal from Australia was USD 33.23 per tonne FOB and over the 10-year period 1997-2007 it was USD 34.61. In 2007 it averaged over USD 50 per tonne and in 2008 was close to USD 90.

Oil and other energy prices fell back in 2008 because of economic recession, but during 2009 thermal coal prices recovered from about USD 60 to close to USD 80 per tonne. In early 2010 prices rose to close to USD 90 per tonne.

In the longer term rising prices of oil and gas will affect the market price of coal. A long-term oil price of USD 80 per barrel in nominal prices (including inflation) is equivalent to USD 12.07 per GJ. If thermal coal were priced at the energy equivalent of crude oil, with an average energy content of 26.6 GJ (the energy in the project's coal) a tonne of coal would be priced at USD 321 per tonne. Because of its characteristics as a fuel, thermal coal has been priced well below the energy equivalent price, at an average of about 35% of that price for most of the past 20 years. In recent years coal prices have not moved up as much as oil prices and thermal coal FOB Australia was priced at about 20% of the energy equivalent price. If in the long term this value recovers to 30%, at an oil price of USD 80 per barrel the price of thermal coal would average $USD\ 12.07 \times 30\% = USD\ 3.62$ per GJ. At that price the project's coal would have a price of $26.6 \times USD\ 3.62 = USD\ 96.29$ per tonne FOB.

The average price of thermal coal from Australia is a mixture of quantities from Newcastle, New South Wales and from Queensland. The project will export coal from Abbot Point in Queensland. For exports to China this port has an advantage of two days' sailing over Newcastle for incoming and outgoing vessels. This four day advantage means that coal from Queensland can command a higher FOB price than coal from Newcastle or than the average export coal.

An alternative view of benchmark for cost is as follows:

The published price data from *indexmundi* for thermal coal uses the value 12,000 btu/lb. The value in ProMet's report is kCal/kg. The conversion factor for kCal/kg to btu/lb is 1.79879622. So, 6,350 kCal/kg converts to 11,422 btu/lb. Site: <http://www.indexmundi.com/commodities/?commodity=coal-australian&months=60> t

¹ Phased according to the schedule for the project and adjusted for inflation during construction

The thermal coal OTC Benchmark Physical Steam Coal Pricing is based on FOBT (Free on Board Trimmed) GAR (Gross as Received) and is 6,300 kCal/kg. So, the China First coal meets the OTC specification for Newcastle coal — and in fact is slightly better. This is data comes from Platts, a McGraw-Hill Company. Site: <http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/coalmethodology.pdf>

Whilst it appears that the index may say 12,000 btu/lb, the actual benchmark calorific value is 6,300 kCal/kg. The average price for thermal coal out of Newcastle for February 2010 through July 2010 was USD 104.2/tonne. Considering that the CFCP product exceeds the benchmark for thermal coal shipped from Newcastle and there is a pricing advantage for the shorter shipping distance, it is reasonable to use USD 100² for the price of CFCP product.

To reflect these factors, for the purpose of this analysis a long-term market price of coal of USD 100 per tonne FOB, increasing with inflation, has been used. Allowing for selling costs in the form of discounts / commissions, a market price of USD 92 per tonne FOB has been used for the selling price of the project's coal in the financial analysis.

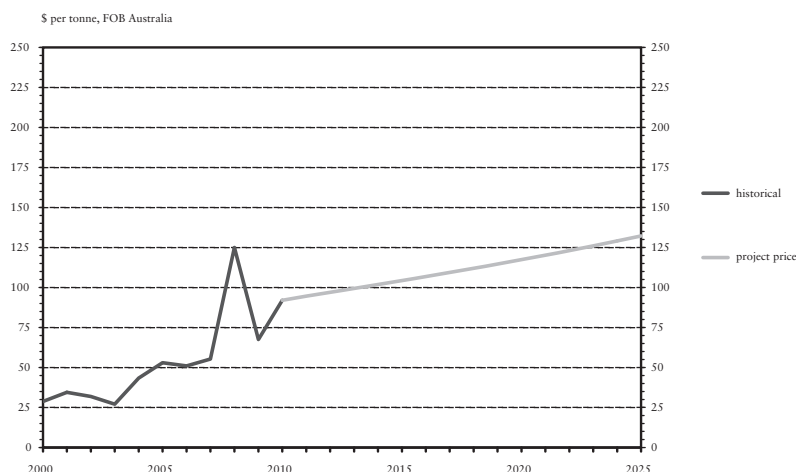
In the financial analysis, ProMet has used constant real price as the base case. In other words, it has commenced with the market price of coal mentioned above and inflated this price and the capital and the operating costs over the life of the model by the inflation rate. The assumed inflation rates used are 2.4% for 2010, 2.8% for 2011, 2.7% for 2012 and 2.4% per annum thereafter for the life of the project. References in this document to the Assumed Escalation Rate are to these inflation rates. The Assumed Escalation Rate is based on ProMet's in-house evaluation of likely inflation rates and correlates with data publicly available from the IMF and other industry sources.

Over the ten year period from 2000 to 2010, the price of thermal coal increased from USD 29 to USD 92 per tonne, an average rate of change of 12.3% per annum. The assumed increases to the market price of thermal coal used for the project, shown in the chart below, is based on the Assumed Escalation Rate, a substantially lower increase in prices than in the recent past. Since this price increase is less than that in recent experience, it is considered prudent and reasonable to use this value. ProMet used a price for product that was escalated along the expected percentage of

² Obviously, there will be price fluctuations, and our belief is that this has been adequately addressed in the 30% sensitivities as presented.

escalation that in effect maintains a constant fixed price. This is similar to the application of escalation to operating costs. The use of constant real price is thus considered prudent and reasonable.

Thermal Coal Prices



Project Life and Depreciation: The project has JORC compliant (i) coal reserves of 1,105 Mt, (ii) measured resources of 1,975 Mt and (iii) indicated resources of 569 Mt. In other words, the project has 1,439 Mt of measured and indicated resources that have yet to be converted into coal reserves. ProMet is confident that at least 295 Mt or 20.5% of the 1,439 Mt resources will be converted into reserves which is consistent with discounting the indicated and measured resources. Given the consistency of the coal deposits shown to date from the current level of drilling, it is fully expected that additional infill drilling by China First would provide for an increase of measured and indicated resource and allow for conversion to reserves to ultimately provide a total reserve of 1,400,000,000 tonnes. In fact, it is believed highly likely that the total coal reserve will be greater than 1.4 billion tonnes. Nevertheless, ProMet has in the financial analysis, assumed that only 1.4 billion tonnes of raw coal would be extracted. Such extraction level matches CFIOP's right to mine, and represents the sum of (i) 1,105 Mt of coal reserves and (ii) 295 Mt of "economically extractable" resources, as opposed to using the full 1,439 Mt of measured and indicated resource. The project has been evaluated over a period of 29 years³, since this is the period over which the initial resource of 1.4 billion tonnes of raw coal would be extracted. Assets are depreciated over 20 years for commercial purposes and over ten years for tax purposes.

Financial Structure: Long-term loans are assumed to be equal to 70% of the capital cost, drawn down as capital expenditure is made over a maximum five year period. Short-term loans cover stocks and work in progress. Loan principal is not repaid until the loan drawdown period is over and repayments are made over a ten year period. The interest rate is 5.5% above LIBOR (London

³ This is 25 years of commercial-scale production plus period of construction and a final year to mine the remaining reserves.

Interbank Offer Rate, currently about 0.6%). For the purpose of analysis, an interest rate of 6.1% was used. Interest is not paid in the first five years, but capitalised and added to the debt for repayment later. An initial fee of 1.5% of the total value of the loan is repaid to the lender for arrangement and management.

Discounted Cash Flows: The method of assessment for the project is analysis of the discounted cash flows. It is well understood that a given nominal amount of money received today is worth more than the same amount received in the future. The difference is known as the time value of money and is an underlying principle used for the valuation of businesses. In effect, businesses are valued according to the level of future cash flows they can generate and the timing of, and risk associated with, those cash flows. This discounted cash flow (“DCF”) method is also considered as the most complete way to evaluate a project, since over the life of the project it:

- takes account of all capital costs and operating costs to extract the mineral and convert it to a marketable product;
- calculates revenue from the sale of the product;
- calculates the cash flows for the project; and
- expresses the present value of those cash flows as a monetary value, using the weighted average cost of capital (“WACC”) as the rate of discount.

Assuming the China First Coal Project will commence commercial production between the second quarter and fourth quarter of 2014, the results of the financial analysis are shown in Table 1.7 below. Net present values (“NPV”) shown represent the net present value of total project cash flows using WACC as discount rate. For example, at 8% discount the NPV after tax in Year 1 is USD 12.04 billion. If the NPV is calculated at Year 5, it increases to USD 24.73 billion.

Table 1.7: Financial Analysis Results

Item		
Return on equity before tax	%	31.9%
Return on equity after tax.	%	29.6%
NPV after tax at 8% in Year 1	USD million	12,040
NPV after tax at 8% in Year 5	USD million	24,729
NPV after tax at 8% in Year 10	USD million	23,711

It is also indicated that:

- the long-term debt service coverage ratio⁴ over the life of the loans is in the range of 4.2 to 9.5 and is positive in all years after construction; and
- the loan life coverage ratio⁵ is 5.9 to 17.6.

⁴ Cash flow from operations less tax as a ratio to the debt interest and principal payments in each year.

⁵ The net present value of cash flows over the remaining life of loans as a ratio to the total of outstanding loans in any year.

These financial ratios are reasonably strong and indicate that long-term debt can be comfortably serviced.

The sensitivity of the project's results to changes in economic assumptions (including exchange rates, operating cost, capital cost, selling price and discount rate) has also been examined by ProMet. Please see sensitivity charts below.

1.11.2 China First Coal Project Sensitivity Analysis

To test the sensitivity of the project to changes in key factors the Base Case presented in this report has been varied by changing up and down by 30% each of the following:

- Operating costs.
- Capital costs.
- Selling prices.
- Exchange rates.

The results are summarised in the table below and the chart, using the net present value after tax as a key indicator.

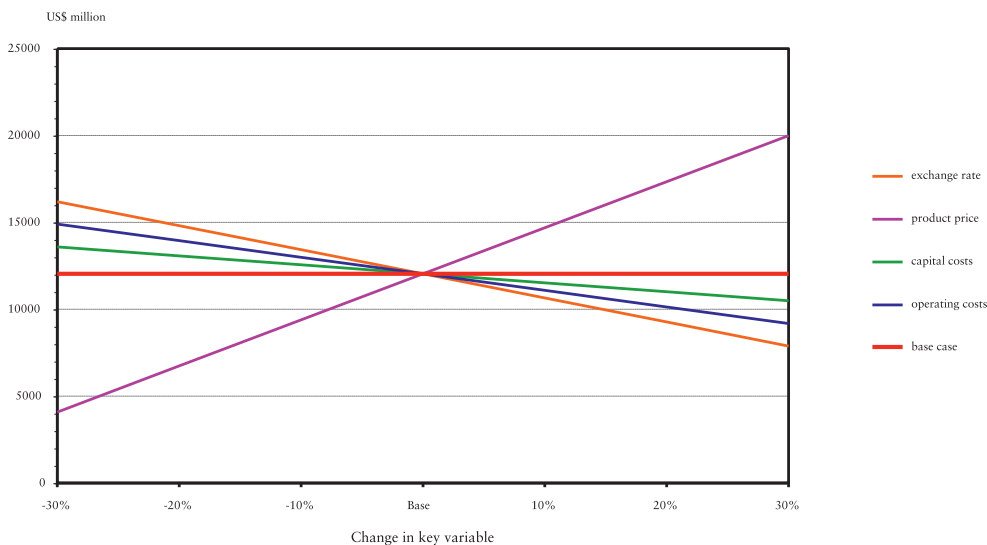
**China First Coal Project
Sensitivity of Net Present Value After Tax**

Item		8.0%
Base Case	USD mm	12,040
Operating Costs -30%.....	USD mm	14,897
Operating Costs +30%	USD mm	9,182
Capital Costs -30%.....	USD mm	13,588
Capital Costs +30%	USD mm	10,492
Selling Prices -30%	USD mm	4,075
Selling Prices +30%.....	USD mm	19,988
Exchange Rate -30%.....	USD mm	16,187
Exchange Rate +30%	USD mm	7,881

This shows, for example, that at a discount rate of 8% a reduction in operating costs by 30%, with all other items unchanged, increases the NPV from USD 12.0 billion in the Base Case to USD 14.9 billion.

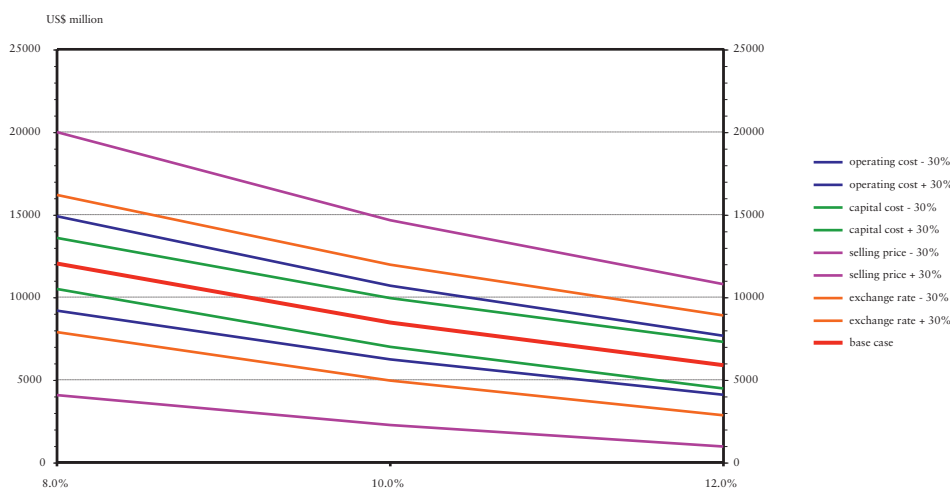
The first chart shows how the NPV for the project changes with variations to key items of cost and revenue.

**China First Coal Sensitivity:
NPV After Tax at 8% and Key Variables**



The second chart shows how the NPV for the project changes with both the variation in key items of cost and the discount rate used, showing discount rates from 8% to 12%.

China First Coal: Sensitivity of NPV After Tax



Horizontal Axis = Discount Rate

**China First Coal Project
Sensitivity of Net Present Value After Tax (in Year 1)**

Item	Discount rate		
	8%	10%	12%
	US\$ mm	US\$ mm	US\$ mm
Base case	12,040	8,464	5,878
Operating costs - 30%	14,897	10,699	7,659
Operating costs + 30%	9,182	6,228	4,095
Capital costs - 30%.	13,588	9,940	7,289
Capital costs + 30%	10,492	6,989	4,467
Selling prices - 30%	4,075	2,257	957
Selling prices + 30%	19,988	14,654	10,780
Exchange rate - 30%.	16,187	11,963	8,894
Exchange rate + 30%	7,881	4,953	2,848

The charts show that the project is sensitive to the key variables in the following descending order of importance: selling prices, exchange rate, operating costs, capital costs.

2. CHINA FIRST IRON ORE PROJECT

2.1 Executive Summary

Mineralogy is the tenement holder of extensive magnetite deposits in the Pilbara region of Western Australia, near Cape Preston. The Balmoral Projects are based on mining rights close to the mouth of the Fortescue River, located 80 km south-west of Karratha, Western Australia adjacent to the North-West Highway and the Dampier to Bunbury gas pipeline and about 30 km from the CITIC Pacific Limited port being developed at Cape Preston. The project that is the subject of this report is shown in Figure 2. The project area falls within the 10,000,000,000 (ten billion) tonne right to mine granted to RHL through its wholly owned subsidiary, CFIO.

The project is for an iron ore mining, concentrate production plant, pelletising plant and associated infrastructure located on granted mining leases. The processing plants and associated facilities are located on Mining Leases M08/128 to 130.

Over a number of years, various significant studies and testwork have been conducted on the Balmoral deposits. The testwork has shown that magnetite concentrates can be successfully extracted from the ore bodies using reliable extraction processes in an economic manner.

The project is based upon CFIO mining one billion tonnes of Mineralogy's large potential ore resources in the Cape Preston region.

The ore body has a Davis Tube Recovery ("DTR") test weight recovery of thirty one point eight percent (31.8%) and a silica grade of four point three five percent (4.35%). Concentrate produced from the project is expected to have a silica grade up to one percent (1.0%) higher than the DTR assays. The life of mine stripping ratio is 0.8:1 (waste to ore).

The grades of concentrate that can be produced are as follows:

Table 2.1: Grades of Concentrate

Element	DR Grade (%)	BF Grade (%)
Fe	71.0	69.5
Fe ⁺⁺	23.1	22.5
SiO ₂	1.5	3.5
Al ₂ O ₃	0.07	0.092
S	0.006	0.008
P	0.007	0.009
Na	0.015	0.019
K	0.017	0.028
Mn	0.010	0.013
CaO	0.07	0.096
MgO	0.148	0.202

**APPENDIX VI INDEPENDENT EXPERT’S REPORT ON THE CHINA FIRST
COAL PROJECT AND THE CHINA FIRST IRON ORE PROJECT**

Note that production of direct reduction grade concentrate would require the addition of a flotation circuit in the concentrate process which is not a part of project nor is it included in the estimates of capital and operating cost for the CFIOP.

The capital cost estimate for the project is AUD 2.73 billion (Base Date = 1 January 2010), plus pre-stripping and mine development, excluding Owner’s costs, contingency and commissioning costs.

The operating cost estimate is AUD 50.09/tonne for concentrate FOB Cape Preston with an additional AUD 12.02/tonne for conversion to BF pellets (Base Date = 1 January 2010).

The working capital required for the China First Iron Ore Project until the date of commencement of revenue generation is estimated to be approximately AUD 154 million.

The capital and working capital cost breakdowns are as shown below:

<u>Year</u>	<u>Capital Expenditure (AUD x 1,000)</u>	<u>Working Capital (AUD x 1,000)</u>	<u>Total Capital (AUD x 1,000)</u>
2011	786,863	25,393	812,256
2012	951,520	74,794	1,026,314
2013	809,940	48,401	858,341
2014	<u>183,677</u>	<u>4,309</u>	<u>187,986</u>
Total	<u>2,732,000</u>	<u>152,897</u>	<u>2,884,898</u>

With timely permitting, the project can be brought into commercial production in 36 months from financial sanction (32 months to introduction of ore into the plant). The project requires six months optimisation and engineering prior to sanction in order to be able to place orders for major items of equipment immediately after sanction.

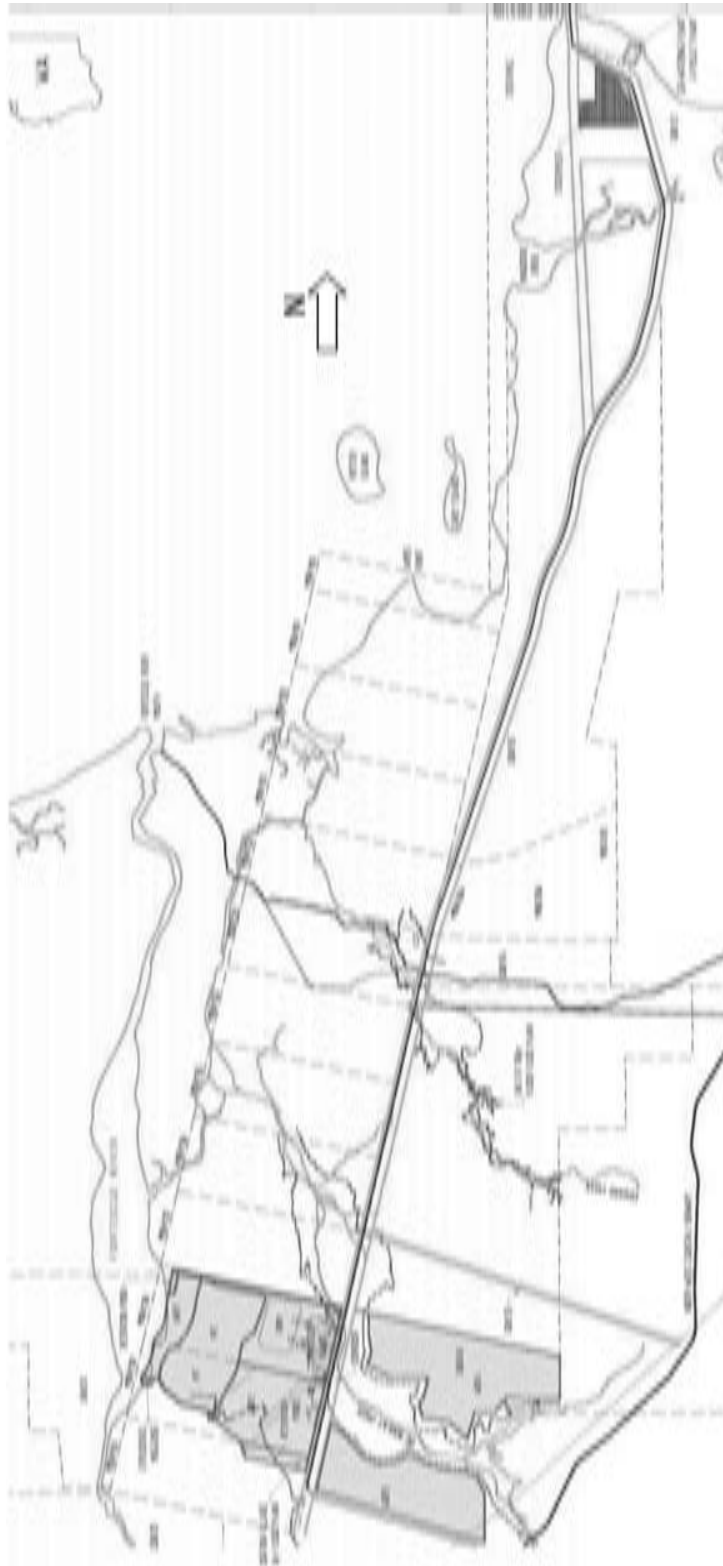


Figure 2.1: CFIOP Location

The critical path items are:

- (a) Power station and port stockyard reclaimer — 32 months from order to commissioning.
- (b) Grinding mills — 24 months delivery ex-works.

This means that these items are expected to have the most effect on the overall project schedule, on the assumption that all permitting associated with the project can be finalised in such time as to allow the planned schedule to proceed.

The project is expected to be developed after the CITIC iron ore project. It will share common infrastructure facilities and the access corridor with that project, as provided for in the “Facilities Deed”. It is anticipated that a contribution to the existing common infrastructure will be made and that it will be necessary to extend those facilities. This will apply to such items as:

- (a) Gas supply.
- (b) Accommodation.
- (c) Village.
- (d) Desalination works.
- (e) Roads.
- (f) Port facilities — jetties and stockyards.

2.2 Project Facilities

2.2.1 Project Description

The key elements for the Feasibility Study base case of 7.0 Mtpa of pellets and 5.2 Mtpa of concentrate in the schematic Figure 2.2 are summarised as follows:

- Open pit mine to a depth of 300 metres with annual movement of ore and waste of approximately 72 Mt, utilising large hydraulic shovels and rear dump trucks.
- Concentrator with an ore feed of approximately 40 Mtpa with a total concentrate production of 12 Mtpa.
- 7 Mtpa pellet plant, the balance of 5.2 Mtpa being shipped as concentrate.
- Stockyard for pellets and concentrate at the process plant site.
- 35 km overland conveyor to Cape Preston.
- 1 million tonne stockyard at Cape Preston.
- Conveying to a barge loading facility with transshipment to Panamax or Capesize vessels offshore.
- Infrastructure, including:
 - (i) Gas fired combined cycle power station (250 MW (ISO)).
 - (ii) Desalination plant, capable of producing approximately 12 GL of water per annum.
 - (iii) Gas, water and electrical distribution.
 - (iv) Roads and service corridors.
 - (v) Accommodation village for up to 3,000 personnel during construction.
 - (vi) Communications.
 - (vii) Workshops and buildings at the mine, process plant and port.

The concentrator processing facilities are further described below.

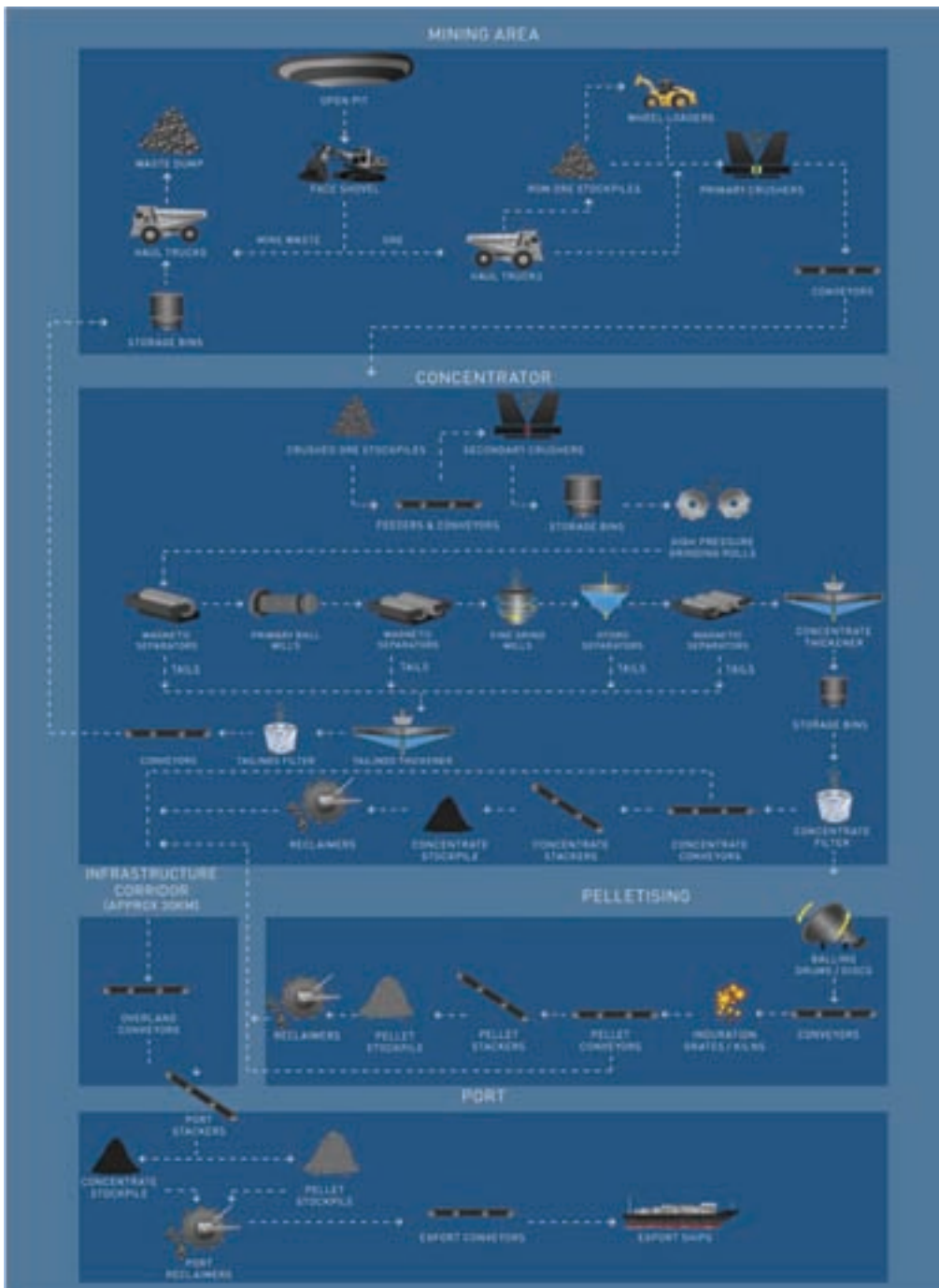


Figure 2.1: Iron Ore Project — Simplified Flow Sheet

2.2.2 Resource, Geology and Mining

This section is included in order to provide an overall summary of the project. The details of the resource, geology and mining for the project are embodied in the reports prepared by ORElogy, Hellman & Schofield and Mineralogy as referenced in this section.

CFIO has access to adequate exploitable reserves of natural resources. These resources have been substantiated in an Independent Geological Report which has been compiled by Hellman & Schofield, dated 29 July 2010. These resources have been defined over an area over which CFIO has exploration and exploitation rights via a Mining Right Lease agreement with Mineralogy Pty Ltd.

The CFIO forms part of the mineral resources reported in the abovementioned report and relates directly to the resources designated as the Balmoral South Deposit in that report. Information was also collated from resource drilling information that is available from the CITIC Pacific Mining Management ("CPMM") and International Minerals ("IM") projects. These projects are described in the subject report.

In June 2009 ORElogy was commissioned by RHL to undertake a scoping level study of the Balmoral South deposit on tenements M08/128 — M08/130 to determine and categorise the ore reserves. This work was based on work done by ORElogy on the mine tenements M08/126 — M08/127 which lie immediately to the north of the RL Balmoral South leases. This report was issued by ORElogy dated 13 July 2009. The report was updated in January 2010 and on 12 July 2010.

2.2.2.1 Drilling

The number of holes and their distribution was as follows for each of the deposits:

Balmoral North M08/118 — M08/122:

Holes	Metres
14 Diamond holes	3,397
3 Percussion holes	240
17 Holes Total	3,637

The holes are drilled along the deposit on an irregular grid at an average spacing of 1,500 m along strike by 400 m across strike.

Balmoral South M08/128 — M08/130:

Holes	Metres
28 Diamond holes	8,869.2
3 Percussion holes	453
31 Holes Total	9,322.2

The holes are drilled along the deposit on a regular grid at an average spacing of 400 m along strike by 200 m across strike.

Bilanoo E08/118:

Holes	Metres
5 Diamond holes	626
6 Percussion holes	474
11 Holes Total	1,100

The holes are drilled along the deposit on an irregular grid at an average spacing of 1,000 m along strike by 1,000 m across strike.

2.2.2.2 Geological Description

The Hamersley Province of the Pilbara region in the north-west of Western Australia is one of the major iron ore provinces in the world. The 2.4 billion year old Hamersley Group outcrops over an area approximately 400 km long east-west and 200 km long north-south and contains a number of significant iron ore deposits.

The Hamersley Group consists of a range of rock types including a number of Banded Iron Formation (“BIF”) units. BIF consists of alternating bands of iron rich (typically magnetite or hematite) and silica rich (e.g. quartz) bands at a millimetre scale. Within the major BIF units, BIF and shale bands are interbedded at the scale of metres to tens of metres, and the major BIF units are separated by major sediment units on a scale of hundreds of metres.

The main unit of economic importance is the Brockman Iron Formation, which occurs below the middle of the Hamersley Group. This unit hosts a large proportion of the iron ore mined in the Pilbara, with the remainder occurring in the Marra Mamba Iron Formation and the later formed Channel Iron Deposits (“CID”) of the Robe Pisolite.

The Brockman Iron Formation consists of two BIF and two shale members, with respective true thicknesses in the Balmoral and Bilanoo areas as indicated below:

Yandicoogina Shale	~60m
Joffre BIF	~300m
Whaleback Shale	~60m
Dales Gorge BIF	~150m

Within each of these BIF members there is a distinctive sequence of shale bands that can be identified using gamma-ray logging, which measures the natural radioactivity in the shale. These distinctive sequences of shale bands serve as a fingerprint for identifying the individual BIF units.

The exceptional regional continuity of the macro (metre scale) and micro (millimetre scale) banding in the BIF units is well documented, with micro-bands correlated over hundreds of kilometres. This strong stratigraphic continuity translates into consistent grades for the primary magnetite BIF units, with little observed variation in grade across the Balmoral and Bilanoo areas for the Joffre member.

At Balmoral, the BIF units outcrop on surface and can be mapped from the north at James Point on M08/118 to the south of Balmoral Station homestead on M08/129, a distance of over 25 km. The average strike of the units is around 15° to 20° east of north. The units dip an average of 45° to the

west and faulting has led to a thickening of the BIF units; with similar units being juxtaposed against each other leading to a repetition of stratigraphy and an increase in the minable widths. Drilling has not closed off the mineralisation yet with the deepest intercept being recorded at a depth of over 750 m below surface.

At Bilanoo, the BIF units outcrop on surface and can be mapped over E08/118 for a distance of around 20 km. The area has been extensively faulted. However, unlike Balmoral, the units dip an average of around 15-18° to the west.

Drilling analyses of the BIF units at Balmoral and Bilanoo are similar with total iron assay at an average of around 31% Fe whilst magnetically recoverable iron averages at 22% magnetic iron.

2.2.2.3 Mining Reserves

Mineralogy has granted to RHL the right to mine up to 10 billion tonnes of magnetite ore from its Western Australian leases. This tonnage can be sourced initially from Balmoral North and Balmoral South, with the remainder coming from E08/118 at Bilanoo. This right to mine does not imply that a Resource or a Reserve of this size has been delineated.

An Ore Reserve statement is provided in Table 2.2 below which shows that approximately 80% of the available Indicated Resource was converted to a Probable Ore reserve based on an evaluation of technical and financial parameters. The following is a summary of the reserves as provided from ORElogy on 12 July 2010:

Table 2.2: RHL Balmoral South Magnetite Project Ore Reserve Estimate

Category	Ore			Concentrate			Waste	Total
	Tonnes (MT)	Mag Fe (%)	DTR (%)	Tonnes (MT)	Mag Fe (%)	SiO ₂ (%)	Tonnes (MT)	Tonnes (MT)
Probable	1,130.8	21.2	30.5	327.8	69.2	3.3	1,334.5	2,465.3

The table above has been classified in accordance with JORC Code guidelines.

Dilution was accounted for in the geological block model — minimum 25 m x 25 m x 12 m mining unit. An allowance for mining ore losses of 2% was applied.

No proven reserves are included in the statement. Probable Reserves are based on Indicated Resources and are supported by good quality modern drilling data. Long-term reserves will be identified via an exploration drilling program targeting areas identified as having inferred resources and possible resources.

Aeromagnetic data over the Balmoral Tenements (M08/118 — M08/130) was acquired by Fugro which overflowed the southern tenements early 2007 with further acquisition of aeromagnetic and radiometric data by Thomson Aviation in July 2007 over the northern tenements and an area located to the north east designated for infrastructure. The two surveys were flown with a 50m height and a traverse line spacing of 50 m with 500 — 550 m tie line spacing.

2.2.2.4 Drilling Data and Feasibility Studies Completed

The independently reported Mineral Resource for the project, completed on 29 July 2009 by Arnold van der Heyden of Hellman & Schofield, forms the basis of the 'Ore Reserve' statement detailed in the ORElogy report. The Mineral Resource estimate is based, on the results from a diamond drilling program completed by Mineralogy over the course of 2008 — 2009, as described above.

The deposits are further described in the referenced reports.

2.2.2.5 Mining Plan

The work completed for the mining feasibility study was based on a hard rock open pit mining operation utilising conventional hydraulic shovel and truck equipment for the primary load and haul fleet. The primary rock breakage is achieved by conventional drill and blast techniques, with secondary breakage completed by either mobile rock breaker or secondary drill and blast (estimated to be less than 2% of ore moved). Although the mining method is based on large-scale mining equipment, there is a requirement to produce a blended ore product from the working faces. The blend will be achieved by short-term scheduling of loading capacity from a number of different ore sources.

The hydraulic shovel and truck option was selected as the basis for the feasibility study as it provided the lowest technical risk relative to the other mining options. It also allowed for greater certainty in estimating the mining capital and operating costs, including a straight-forward tender process to be conducted for the contract mining tenders.

The selective mining unit chosen for the feasibility study was based primarily on achieving the required production rate from the pit without an excessively large mining fleet. In addition, the loading units must be able to maintain an acceptable level of ore loss and dilution for ore production.

The selected loading equipment will have sufficient selectivity to excavate adjacent to and across major structural features, with the ability to discriminate between different material types. The equipment must also be of a sufficient size to provide acceptable unit (\$/tonne) mining cost.

A 650 tonne loading unit was chosen as the appropriate size machine to achieve the requisite mining production. As the waste and ore movement requirements per year are comparable, the same loading unit was selected for both ore and waste handling.

The selection of a 650 tonne hydraulic excavator in face shovel configuration has an effective working height range of 9 m to 15 m. Combined with the minimum lateral dimensions, the smallest SMU size for the loading equipment selected is 9.5 m x 9.5 m x 9.0 m.

2.2.3 Concentrator

The design criteria were established based on available testwork, to produce the desired quantity of a high grade concentrate, with less than 4.5% silica, capable of producing blast furnace ("BF") grade pellets, and the possibility of direct reduction ("DR") grade pellets with the addition of a flotation circuit.

The concentrator plant comprises:

- (a) Primary and secondary crushing.
- (b) High pressure grinding rolls.
- (c) Rougher magnetic separation.
- (d) Ball mills.
- (e) Intermediate magnetic separation.
- (f) Tower mills.
- (g) Cleaner magnetic separation.
- (h) Pressure filtration of concentrate.
- (i) Pressure filtration of tails.
- (j) Conveying of tails for co-disposal with mine waste.

2.2.3.1 Testwork

A testwork program was developed for the International Minerals Balmoral South Project to enable the design of an optimal processing plant for the treatment of the magnetite deposits. This program was employed to ascertain the basic understanding of the deposit (ore hardness, weight recovery and grind size for specific grades) and more specific details relevant to the plant design.

Due to time constraints, a modified program was used. Samples were used to produce a basic understanding of the deposit. Past work on the deposit and the central deposit by Hanna Mining and SGA (Studiengesellschaft für Eisenerzaufbereitung) was also utilised.

Previous testwork has shown that the basis of design is sufficiently reliable to use as a basis for design for the CFIOP Project (previously referred to as the RDI Steel Project).

The following table provides a comparison between the expected concentrate characteristics for the CFIOP and average Australian fines. The values for the average Australian fines have been determined from the 2006 TEX Report for iron ore products shipped from Australia to Japan from April 2003 to March 2004 (the last years for which data is available).

Table 1: Typical Specifications for Iron Ore Concentrate

<u>Element/ Compound</u>	<u>Expected Blast Furnace Grade</u>	<u>Expected Direct Reduction Grade⁽¹⁾</u>	<u>Average Australian Fines</u>
Fe	69.5%	71.0%	61.77%
SiO ₂	3.5%	1.5%	4.03%
Al ₂ O ₃	0.092%	0.07%	1.98%
P	0.009%	0.007%	0.054%

Source: ProMet Engineers' expectations for the China First Iron Ore Project (based on previous testwork by Studiengesellschaft für Eisenerzaufbereitung and Hanna Mining). 2006 TEX Report for average Australian fines data (based on all iron ore products from Australia imported into Japan from April 2003 to March 2004).

Note:

- (1) Production of direct reduction grade concentrate would require the addition of a flotation circuit in the concentrator processing facility, which did not form part of the capital cost estimate of the China First Iron Ore Project. Without a flotation circuit, the facility will produce blast furnace grade concentrate with an expected Fe content of 69.5%.

The following table provides a comparison between the expected pellet characteristics for the CFIOF and average Australian lump ore. The values for the average Australian fines have been determined from the 2006 TEX Report for iron ore products shipped from Australia to Japan from April 2003 to March 2004 (the last years for which data is available).

Table 2: Typical Specifications for Iron Ore Pellets

Element/ Compound	Expected Blast Furnace Grade	Expected Direct Reduction Grade ⁽¹⁾	Average Australian Lump
Fe	66.1%	68.1%	64.24%
SiO ₂	3.8%	1.87%	3.07%
Al ₂ O ₃	0.21%	0.19%	1.16%
P	0.009%	0.007%	0.057%

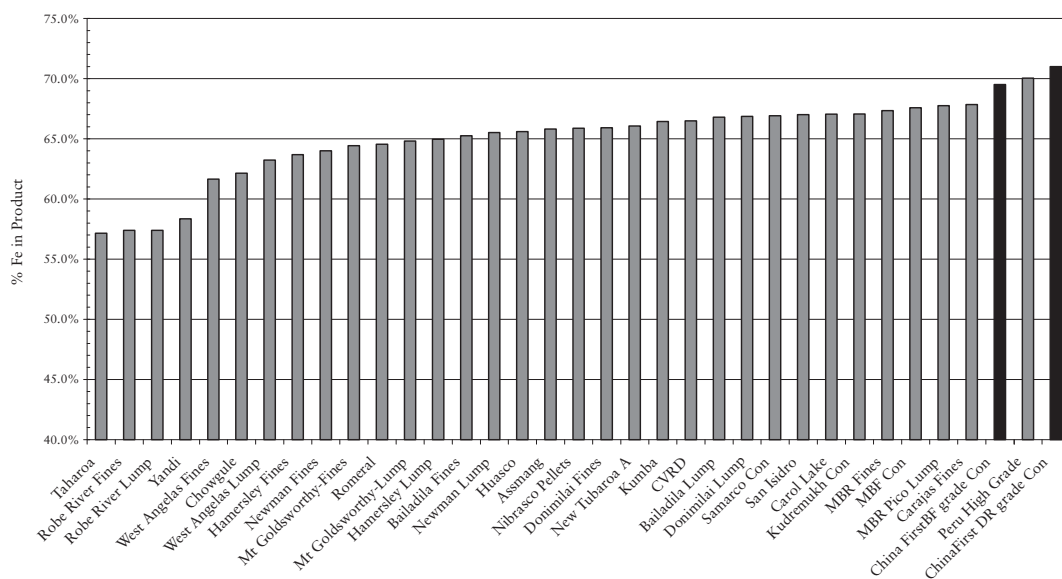
Source: ProMet's expectations for China First Iron Ore Project (based on previous testwork by Studiengesellschaft für Eisenerzaufbereitung and Hanna Mining). 2006 TEX Report for average Australian lump data (based on all iron ore products from Australia imported into Japan from April 2003 to March 2004).

Note:

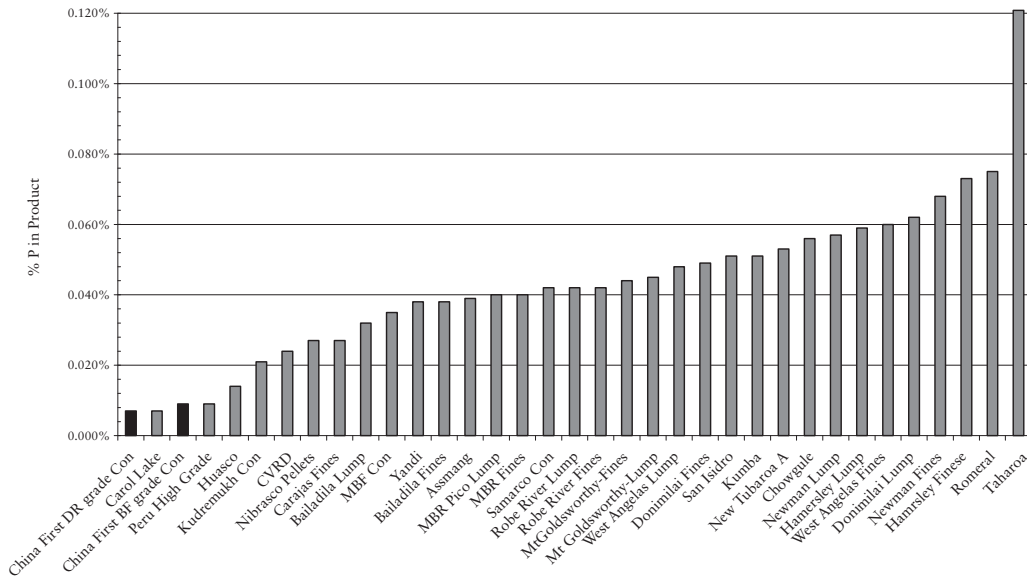
(1) Production of direct reduction grade pellets requires the use of direct reduction grade concentrate.

ProMet has prepared four (4) comparison charts that indicate the expected characteristics of the CFIOF products with those from the 2006 TEX report. The 2006 TEX Report data is from April 2003 to March 2004 and is the last set of this type of data available from that source. Though the data is somewhat dated, the characteristics of mine production normally do not change radically over time and the comparisons are considered to be reasonably accurate today in light of that fact.

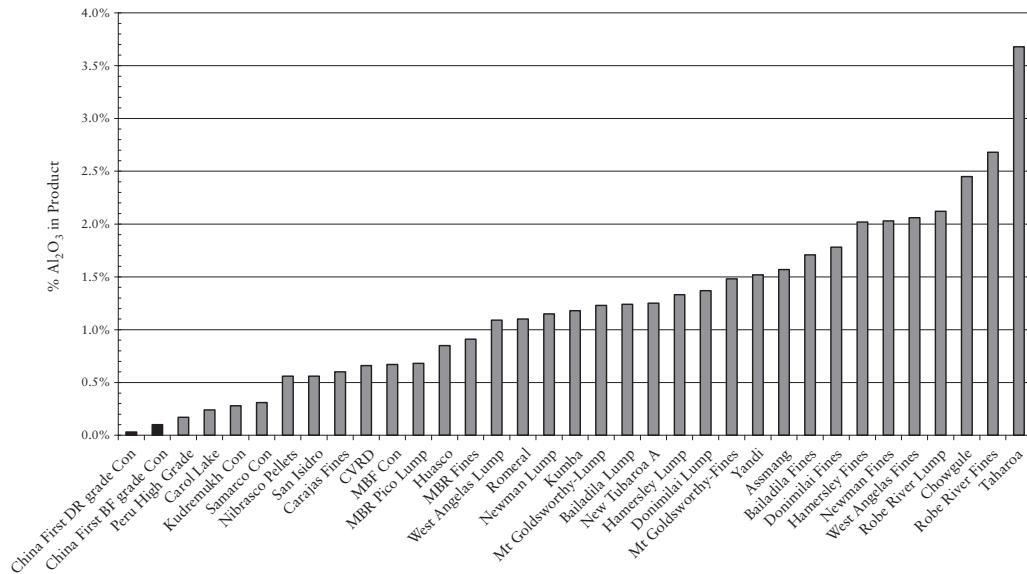
Iron Content of Iron Ore Products Globally — by Mine



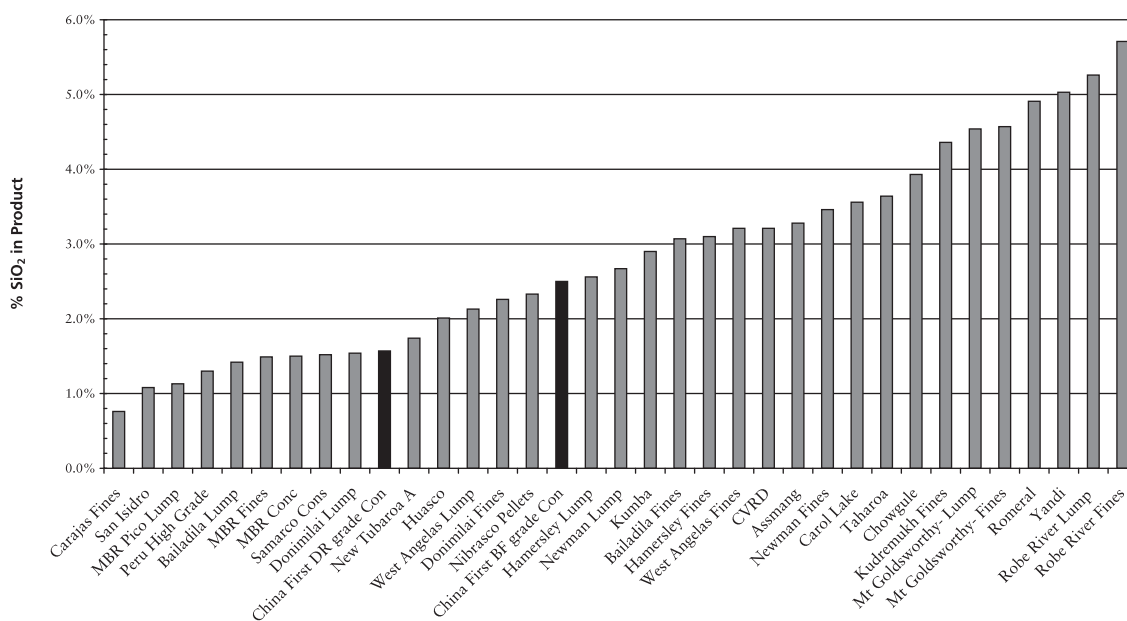
Phosphorus Content of Iron Ore Products Globally — by Mine



Alumina Content of Iron Ore Products Globally — by Mine



Silica Content of Iron Ore Products Globally — by Mine



Please note the following with respect to the aforementioned charts:

- Kudremukh is currently shut down.
- ProMet is not familiar with the Tudou or HIY mine and have excluded this data.
- ProMet has not included the two “Basic” Indian ore since the mines that are the source of ore are unknown.
- The upper limit on the “P” chart does not reflect the very high “P” level of the Taharoa mine as its use would distort the graph dramatically. The ore produced at Taharoa is titanomagnetite ore sold only for special purposes with limited tonnages. It has a 0.161 “P” content.

The mines mentioned in the charts are not intended to be representative for all mines in production all over the world. Nor are the mines listed reflective of any mines or process plants that may have been developed since the last published TEX Report data. However, the charts are sufficiently representative of global iron ore characteristics to reasonably allow a comparison of the CFIOP product to other products.

2.2.3.2 General Process Description

The run of mine ore will be crushed by two semi-mobile crushers suitably located on the site. From there the primary crushed ore will be conveyed to one of two stockpiles.

From this point on, the concentrator operates as two separate lines operating independently of each other, except for sharing common utilities and services. Each of these lines forms two sub-lines following the secondary crushers with some commonality when appropriate. This separation generally continues until the re-combining of tails and concentrate at a common filter plant at the end of the concentration process.

The concentrator circuit design is based on using High Pressure Grinding Roller (“HPGR”) technology, ball mills and tower mills to produce 12 million tonnes per annum of concentrate at a grind of 80% passing 28 micron.

The material will be crushed through the HPGR, wet screened at 3 mm, magnetically concentrated in Rougher Magnetic Separators (“RMS”) and the oversize product recycled to the HPGR. The concentrate from the RMS will be pumped to the ball mills for further grinding. The tails from the RMS, along with the fine tails filter cake, will be conveyed to the tails storage bins.

The RMS concentrate will be ground in each line in two ball mills, reconcentrated in the Intermediate Magnetic Separators (“IMS”) and finally ground to 80% passing 28 micron in tower mills and concentrated in the Cleaner Magnetic Separators (“CMS”). The concentrate from both lines will be treated through individual concentrate thickeners before passing through one filtration circuit.

The unit operations are further described as follows (refer Figure 2.2).

2.2.3.3 Primary Crushing, Conveying, Stockpiling and Secondary Crushing

There will be two semi-mobile primary crushers capable of around 35 million tonnes per annum each. Semi-mobile units have been selected to provide the possibility of future in-pit crushing. The crushed ore stockpiles will hold a live capacity of 15,000 tonnes (six hours) and a total capacity of 100,000 tonnes. The stockpile will be bulldozed for feed material when necessary.

The secondary crushing circuit consists of three secondary cone crushers for each line. Feed from the stockpiles will feed the secondary crusher feed bins each with a nominal 30 minute capacity.

2.2.3.4 HPGR and RMS Circuit

New feed from the two secondary crushing circuits are fed to each line’s single HPGR feed bin. Feed will be passed to the HPGRs at a controlled rate to optimise grinding with the discharge from the HPGRs directed onto screens. The oversize material from the screens (recycle material) re-joins the new feed to the HPGR feed bin via the secondary crusher product conveyor.

The screen undersize is pumped to the RMS units — single drum magnetic separators designed for maximum magnetic yield. The RMS tails is laundered to the coarse tails dewatering screens. The RMS concentrate is pumped to the cyclone feed sumps at the primary ball mills. The coarse tails dewatering screens oversize is combined from the two lines and conveyed to a bin for disposal while the undersize reports to the tailings thickener.

2.2.3.5 Primary Grinding and IMS Circuit

The two lines have been designed to have two ball mills each. Discharge from the ball mills is pumped to the ball mill cyclones. The overflow from these cyclones is pumped to the Intermediate Magnetic Separators (“IMS”). The underflow from the cyclones is reground in the ball mills.

IMS underflow is pumped to the tailings thickener. The concentrate from the IMS is pumped to the derrick screens, where oversize material is directed back to the ball mills and undersize will be stored in agitated storage tanks, acting as surge protection half way through the circuit between the primary and secondary grinding circuits.

2.2.3.6 Secondary Grinding and CMS Circuit

In the secondary grinding circuit the IMS concentrate will be ground to the final product size of 80% passing 28 micron in tower mills, arranged in sets of two tower mills in series. The product from the second tower mill in each series is classified using clusters of cyclones. The underflow is re-fed into the tower mills for further grinding. The overflow is fed to the hydroseparators to remove the very fine silica via the overflow to tailings. The underflow is pumped to the Cleaner Magnetic Separators (“CMS”).

The CMS are triple roll magnets for maximum grade and recovery. The CMS produces final concentrate and the tailings are sent to the thickener for disposal.

2.2.3.7 Final Concentrate Handling

The final concentrate is pumped to the concentrate thickeners, thickened and stored in two agitated storage tanks for each line. The thickened slurry is then pumped to a common filter plant to produce a filter cake with a moisture content of 9%. The filter cake at 9% moisture is well below the TML (transportable moisture limit).

Concentrate is discharged from the filters and transported by conveyor to a stacker/reclaimer near the concentrator. Concentrate is then reclaimed and conveyed to either the pellet plant or the overland conveyor.

2.2.3.8 Tails Disposal

Fine tails will be pumped to the tails filtration plant and dewatered. The filter cake is discharged onto the coarse tailings conveyor for disposal with the coarse tails. The filtrate is returned to the tailings thickener.

The final tailings will consist of coarse tailings from the coarse magnetic separation along with fine filtered tailings from the intermediate and final magnetic separation.

The combined two tailings streams will be transported on a conveyor to the tailings dump area. The conveyor will feed the product into bins from where it will be discharged into trucks for disposal onto the tailings dump.

2.2.3.9 Product Transport and Storage

The concentrate and pellets are stored in 20,000 tonne stockpiles after the filter plant and pellet plant. The product is transported to the port area by a cable belt overland conveyor with a capacity of 2,000 tonnes per hour.

Concentrate and pellets are transported alternatively for durations of approximately 10 hours and 14 hours respectively over each 24 hour period. One product is being stored on the stockpile whilst the other is being conveyed to the port. These stockpiles are served by stacker/reclaimers.

The port stockyard has a capacity of one million tonnes, comprising three piles of concentrate and three piles of pellets, each of 167,000 tonnes. In general, one pile is being reclaimed, one pile is ready for reclaim and one pile is being built at any one time. The piles will be built in windrows so that when reclaimed, each pile will be the blended output of about 110 hours of production. The stacker capacity is 2,000 tonnes per hour.

2.2.3.10 Pelletising

After concentrating and filtering, approximately 6.8 Mtpa of concentrate is directed to the pellet plant, with the 5.2 Mtpa remaining concentrate conveyed to the port stockyard.

Using either a Grate Kiln or a Travelling Grate process, the concentrate is combined with additives (usually bentonite) to form green balls. The gas firing of these balls oxidises the magnetite into hematite. With the additives, 7.0 Mtpa of pellets are produced and conveyed to the port stockyard.

2.2.3.11 Material Handling

Concentrate and pellets will be stacked and reclaimed from product stockpiles at the process plant, discharged onto a 35 km cable belt conveyor and stockpiled at Cape Preston in a stockyard capable of holding 1 million tonnes of product.

From the stockyard at Cape Preston, the concentrate and pellets are reclaimed and conveyed to a barge load out facility for transshipping.

2.2.4 Services and Utilities

2.2.4.1 Power Generation and Distribution

A 250 MW (ISO) gas fired power plant will be located at the process plant. Generation will be performed at 15.7 kV. Distribution to other parts of the project will be at 33 kV.

Power will be purchased from CITIC Pacific at the port, which avoids the need to duplicate transmission lines along the common access corridor connecting the mining and processing areas to the port area.

2.2.4.2 Water Supply

Water will be supplied via a desalination plant that will be located near the port at Cape Preston. Provision will be made to supplement this water supply from a bore field under licence from Mineralogy. Groundwater modelling has shown that the project can proceed based on the sustainable yield of 11 GL/annum.

2.2.5 Port and General Infrastructure

2.2.5.1 Accommodation Village

An accommodation village for up to 3,000 personnel will be established on the mining lease M08-130, approximately 3 km south of the process plant. This village will be downsized at the completion of construction, to service operational needs only. All rooms will be of a similar high standard, incorporating en-suites.

The village will consist of a central common infrastructure comprising reception, administration, medical, shops, dining rooms, wet mess, gymnasium, aerobic rooms, swimming pool, sports area and barbeque facilities, surrounded by modules incorporating the accommodation rooms.

2.2.5.2 Site Access and Roads

Accommodation village access will be via a sealed two lane road to the main coastal highway, approximately 6 km to the south east. From the accommodation village, all facilities will be accessed via roads along the common access corridor which extends 40 km to Cape Preston. An alternative two lane sealed access to the site will be provided from the main coastal highway to CPMM facilities and linked to the common access corridor. A service corridor will be established for water, gas, power transmission, conveyor and an unsealed service road.

2.2.6 Buildings

Support facility buildings such as security, administration, operations, maintenance, mining, emergency response, vehicle workshop, laboratory, process plant warehouse, reagent stores, hazardous material stores, process plant workshop, crib rooms, port office, etc have been located as close as practical to their main usage area.

2.2.7 Port

A number of options have been considered for the port facilities. In the short term, given the relatively low tonnage exported, transshipping has been selected as the preferred method of materials handling, at a marine facility shared with CPMM and International Minerals at Cape Preston. Each company will have individual berthing space and barge loading facilities. Barges of 15,000 DWT will be loaded and towed to a transhipper located approximately 10 nautical miles offshore. Panamax or Capesize vessels are capable of being loaded at a rate of approximately 75,000 tonnes per day. It is assumed that another 12 Mtpa user will be found to share the costs of increasing the size of the CPMM harbour.

Preliminary designs for a deepwater port, capable of directly loading Capesize ships, have been developed. A significant portion of the cost of this port is the dredging of a channel for Capesize ships. On present assumptions, this option would only be comparable with transshipping if an aggregate throughput in excess of 20 Mtpa could be achieved from all projects served by the port at Cape Preston.

2.2.8 Capital and Operating Costs**2.2.8.1 Introduction**

Full details of both the ProMet CAPEX and OPEX can be found in Appendix 36 of the Feasibility Study Report. The capital cost estimate for the Feasibility Study was prepared through a combination of in-house quantity take-offs and pricing, pricing from suppliers and vendors and contributions from third parties. The estimate is broken down into a Work Breakdown Structure.

2.2.8.2 Capital Costs

The currency of the estimate is Australian Dollars (AUD). The estimate base date is 1 January 2010. The capital cost estimate is considered valid as of the current date as ProMet's in-house data indicates there have been minimal increases in equipment and material costs since January 2010 and labour costs have generally been stable. The estimate is summarised in Table 2.3 below.

Table 2.3: CFIOP — Capital Cost Estimate

Item	Duty	Costs (AUD x million)
Concentrator	12 Mtpa	\$ 810
Pellet plant	7 Mtpa	\$ 334
Power	250 MW	\$ 290
Services (power, water, gas).		\$ 420
Village	3000 person	\$ 90
Roads, buildings		\$ 105
Plant/Port Stockyards		\$ 236
Overland conveyor		\$ 157
Port - allowance to contribute to deep water port	12 Mtpa	\$ 150
Site Support Services		\$ 36
EPCM - Balance of plant outside Lump sum packages		\$ 68
Mobile equipment		\$ 8
Total Construction Cost		\$2,704
CPMM Facilities contributions		
Gas		\$ 5
Port		
Convert to deep water port - contribution		
Road - additional contribution to existing roads.		\$ 23
Sub-total		\$ 28
TOTAL PROJECT COST		\$2,732

Cost Base Date = 1 January 2010

The cost estimate is exclusive of any taxes, owner's costs, pre-strip, financing and insurance costs. Details of the exclusions are contained in the project feasibility report.

2.2.8.3 Operating Costs

An operating cost estimate and model were developed for the project. The model includes consumable costs, staffing levels, and maintenance. The maintenance operating cost includes general costs and significant maintenance material costs.

Significant maintenance material cost items were estimated for the Project and include crusher liners and mantles, and conveyor belting. The general maintenance costs have been assumed to be a percentage of the capital cost for each section. Significant processing material cost items were also estimated for the Project. These significant items include, for example, grinding balls, screens and bentonite.

The following Table 2.4 is a summary of the operating cost estimate.

Table 2.4: CFIO — Operating Cost Estimate

Section	Unit	TOTAL		PELLETS		CONCENTRATES	
		Section Operating Costs	Unit Operating Costs	Section Operating Costs	Section Operating Costs	Section Operating Costs	Section Operating Cost
		A\$/Unit	A\$/Annum	A\$/Annum	A\$/t of Pellet	A\$/Annum	A\$/t of Concentrates
Mining	/t ore	\$ 6.57	\$258,864,570	\$146,689,923	\$21.57	\$112,174,647	\$21.57
Crushing	/t ore	\$ 0.32	\$ 12,565,221	\$ 7,120,292	\$ 1.05	\$ 5,444,929	\$ 1.05
Concentrator	/t Concentrate	\$ 19.71	\$236,537,167	\$134,037,728	\$19.71	\$102,499,439	\$19.71
Pellet Plant	/t Pellets	\$ 12.02	\$ 84,134,033	\$ 84,134,033	\$12.02	—	—
Overland/Stack/Reclaim. . .	/t shipped	\$ 1.11	\$ 13,540,627	\$ 7,769,212	\$ 1.11	\$ 5,771,415	\$ 1.11
Port	/t shipped	\$ 4.59	\$ 55,972,843	\$ 32,115,566	\$ 4.59	\$ 23,857,277	\$ 4.59
Technical	/t shipped	\$ 0.03	\$ 405,512	\$ 232,671	\$ 0.03	\$ 172,841	\$ 0.03
Administration - On Site . .	/t shipped	\$ 1.28	\$ 15,560,262	\$ 8,928,019	\$ 1.28	\$ 6,632,243	\$ 1.28
Administration - Off Site . .	/t shipped	\$ 0.75	\$ 9,141,155	\$ 5,244,925	\$ 0.75	\$ 3,896,230	\$ 0.75
Power and Water	/t Concentrate	Included					
Total Operating Cost (FOB)			\$686,721,389	\$426,272,368	\$62.11	\$260,449,021	\$50.09

Cost Base Date = January 2010

2.3 Financial Analysis

2.3.1 General

ProMet, as an independent expert has been engaged to prepare a report as set out herein, providing a technical assessment of the two projects and their relevant studies. In preparing the report ProMet has carried out a technical assessment of certain key assumptions underpinning the financial and development model for the capital and operating costs of the iron ore project. In particular, ProMet

has prepared a financial analysis for the iron ore project. The basis of valuation, relevant assumptions⁶ and the reasons why discounted cash flow (“DCF”) method of valuation is considered most appropriate for the iron ore project are summarised under subsection 2.3.2.

The ProMet key assumptions, technical review, and this report have been prepared in accordance with the code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (“the VALMIN Code”).

2.3.2 Summary of the Financial Analysis

All monetary values in this financial analysis are in US dollars, and the analysis has used an exchange rate of AUD = USD 0.80. Information about quantities, capital costs and operating costs provided from studies made for the project have been used. All capital and operating costs in those studies were verified by ProMet and the operating and capital cost data used in this report is consistent with that information.

The direct capital cost for the project is AUD 2.732 billion.⁷ This is based on the cost estimates of this study and includes the mine, processing plants, product handling, port and associated items.

Operating costs are based on the project production and cost schedules. The estimated operating cost per tonne of iron ore concentrate, FOB Cape Preston, using the long-term exchange rate is AUD 50.09 and the operating cost for pellets is AUD 62.11. This is equivalent to 58.95 US cents per dry metric tonne unit (cents/dmtu, the conventional measure of iron ore prices) for concentrates and 73.69 US cents/dmtu for pellets.

Revenues are calculated as the volume of sales multiplied by the FOB price of products. Market prices for the iron ore products of the project have been assessed. The market for iron ore is currently extremely strong because of demand from China. In the years to come it is expected that the Chinese imports of iron ore fines concentrates for domestic pellet plants and of pellets for blast furnaces will continue to expand greatly.

It is assumed that customers can receive ships up to 150,000 tonnes. If customers are limited to smaller ship sizes, the project is more competitive against long-distance iron ore suppliers and the average product prices would be higher.

In 2009, prices for iron ore products were agreed with Japanese buyers and also applied to sales to consumers in China. The benchmark contract price for fines was established at 97.00 US cents/dmtu, FOB Dampier in Western Australia, for Hamersley and BHP Billiton’s fines. The benchmark price for BF pellets was established at 113.84 US cents/dmtu, FOB Tubarao, Brazil for CVRD’s pellet. These were large reductions from the prices in 2008.

⁶ The China First Iron Ore Project capital cost assumption is generated based upon the feasibility study by ProMet Engineers and is therefore considered reasonable.

⁷ Phased according to the schedule for the project.

In late March 2010, negotiations for iron ore prices for the fiscal year 2010 were settled on a preliminary basis at a large increase over 2009 levels. The key price in determining market levels is the price of sinter fines from Vale, FOB Brazil, which was increased to USD 105 per dry tonne FOB Brazil, an increase of 91% from the 2009 level. This is the equivalent of an increase from 85.4 to 163.4 US cents/dmtu, FOB Brazil. The market price of Hamersley or BHP Billiton iron ore sinter fines, FOB Western Australia for 2009 was 97.0 US cents/dmtu. If this is increased by 91% for 2010 it will rise to 185.5 US cents/dmtu. The market price for Vale blast furnace pellets for 2009 was 113.84 US cents/dmtu, FOB Brazil. If this is increased by 91% for 2010 it will rise to 217.71 US cents/dmtu.

The project's concentrates and pellets have higher iron content than the benchmark products. In the price negotiations for 2008 Australian producers succeeded in obtaining a price premium to reflect their shipping cost advantage in sales to China and the base price FOB Australia for fines therefore reflect that freight premium.

The project's prices will be established in relation to international market prices. For the purpose of this analysis, FOB market prices for the project's products have been calculated in cents per dmtu as:

Magnetite Concentrates

- The 2010 benchmark price FOB Western Australia for Hamersley fines, i.e. 185.5 US cents/dmtu.

BF Pellets

- The 2009 benchmark price FOB Brazil + 91%, plus
- Transport from Brazil to China, less
- Transport from Western Australia to China.

Because the project's iron ore has higher iron content than the benchmark products, a given price in cents/dmtu for benchmark products translates into a higher price per tonne for the project's products.

These prices have been expressed in cents/dmtu and in \$ per wet tonne of iron ore and the results are shown in the table below.

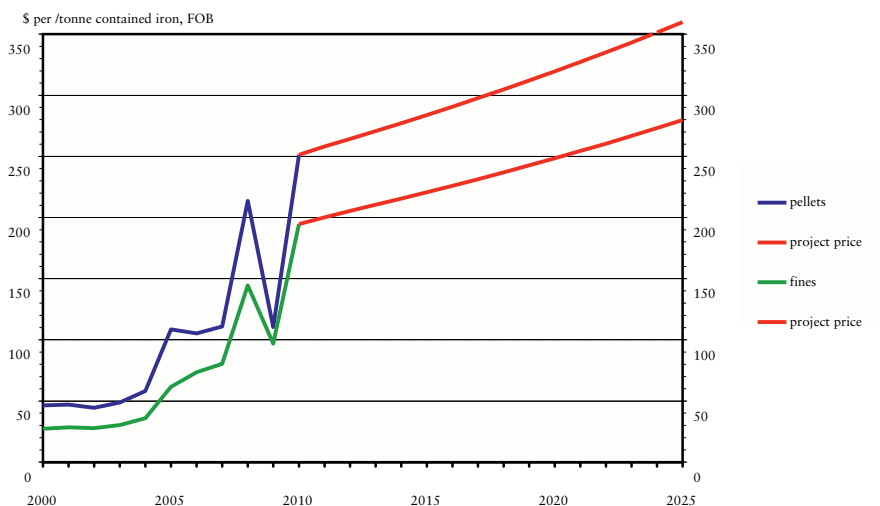
Iron Ore Selling Prices
(US dollars per tonne, FOB shipping point)

Product	Fe content	Price	
	dry %	c/dmtu	USD/t wet
BF Concentrate	69.5%	194.78	132.76
DR Concentrate	71.0%	198.21	135.10
BF Pellet	67.0%	244.64	164.93
DR Pellet	68.1%	269.10	181.43

In the financial analysis, ProMet has used constant real price as the base case. In other words, it has commenced with the current market price of iron ore and inflated this price and the capital and the operating costs over the life of the model by the inflation rate. The assumed inflation rates used are 2.4% for 2010, 2.8% for 2011, 2.7% for 2012 and 2.4% per annum thereafter for the life of the project. References in this document to the Assumed Escalation Rate are to these inflation rates. The Assumed Escalation Rate is based on ProMet’s in-house evaluation of likely inflation rates and correlates with data publicly available from the IMF and other industry sources.

Over the ten year period from 2000 to 2010, the price of iron ore fines⁸ increased from USD 27 to USD 195 per tonne of contained iron, an average increase of 21.7% per annum, while the price of blast furnace pellets rose from USD 46 to USD 251 per tonne, an average increase of 18.4% per annum. The assumed increases to the market price of iron ore produced used for this project, shown in the chart below, is based on the Assumed Escalation Rate, a substantially lower increase in prices than in the recent past. Since this price increase is less than that in recent experience, it is considered prudent and reasonable to use this value. ProMet used a price for product that was escalated along the expected percentage of escalation that in effect maintains a constant fixed price. This is similar to the application of escalation to operating costs. The use of constant real price is thus considered prudent and reasonable.

Iron Ore Prices



⁸ Benchmark price for major consumers in Asia, FOB Australia, as reported by Tex Report, Japan

Project Life and Depreciation: The project will have a capacity for mining about 40 million tonnes of iron ore. Total material moved will be about 66 million tonnes. The right to mine the deposit granted by Mineralogy to Resourcehouse/China First covers 10 billion tonnes of ore. This will permit mining at the proposed rate of about 40 million tonnes for 250 years. The project is divided into phases and the first phase will have 1 billion tonnes of ore, sufficient for 25 years' production. Taking into account an initial ramp-up period and the fact that CFIOP has JORC compliant ore reserves of 1,130.8 million tonnes, the analysis has used an economic life of 29 years after construction. In other words, ProMet has, in the financial analysis, assumed that only 1,130.8 million tonnes of ore reserves would be extracted. Assets are depreciated over 20 years for commercial purposes and over ten years for tax purposes.

Financial Structure: Long-term loans are assumed to be equal to 70% of the capital cost, drawn down as capital expenditure is made over a maximum five year period. Short-term loans cover stocks and work in progress. Loan principal is not repaid until the loan drawdown period is over and repayments are made over a ten year period. The interest rate is 6.5% above LIBOR (London Interbank Offer Rate, currently about 0.6%). For the purpose of analysis, an interest rate of 6.1% was used. Interest is not paid in the first five years, but capitalised and added to the debt for repayment later. An initial fee of 1.5% of the total value of the loan is paid to the lender for arrangement and management.

Discounted Cash Flows: The method of assessment for the project is analysis of the discounted cash flows. It is well understood that a given nominal amount of money received today is worth more than the same amount received in the future. The difference is known as the time value of money and is an underlying principle used for the valuation of businesses. In effect, businesses are valued according to the level of future cash flows they can generate and the timing of, and risk associated with, those cash flows. This discounted cash flow ("DCF") method is also considered as the most complete way to evaluate a project, since over the life of the project it:

- takes account of all capital costs and operating costs to extract the mineral and convert it to a marketable product;
- calculates revenue from the sale of the product;
- calculates the cash flows for the project; and
- expresses the present value of those cash flows as a monetary value, using the weighted average cost of capital as the rate of discount.

Assuming the China First Iron Ore Project will commence commercial production in the first half of 2014, the results of the financial analysis are shown in Table 2.7 below. Net present values ("NPV") shown represent the net present value of total project cash flows using WACC as discount rate. For example, at 8% discount the NPV after tax in Year 1 is USD 8.61 billion. If the NPV is calculated at Year 5, it increases to USD 14.09 billion.

Table 2.7: Financial Results

Item		
Return on equity before tax	%	69.5%
Return on equity after tax	%	57.3%
NPV after tax at 8% in Year 1	USD million	8,610
NPV after tax at 8% in Year 5	USD million	14,089
NPV after tax at 8% in Year 10	USD million	14,522

It is also indicated that:

- the long-term debt service coverage ratio⁹ over the life of the loans is in the range of 7.2 to 14.9 and is positive in all years after construction; and
- the loan life coverage ratio¹⁰ is 10.1 to 27.7.

These financial ratios are reasonably strong and indicate that long-term debt can be comfortably serviced.

The sensitivity of the project's results to changes in economic assumptions (including exchange rate, operating cost, capital cost, selling price and discount rate) has also been examined by ProMet. Please see the sensitivity charts below.

2.3.3 China First Iron Ore Project Sensitivity Analysis

To test the sensitivity of the project to changes in key factors, the Base Case presented in this report has been varied by changing up and down by 30% each of the following:

- Operating costs.
- Capital costs.
- Selling prices.
- Exchange rates.

Those results are summarised in the table below and the chart, using the net present value after tax as a key indicator.

⁹ Cash flow from operations less tax as a ratio to the debt interest and principal payments in each year

¹⁰ The net present value of cash flows over the remaining life of loans as a ratio to the total of outstanding loans in any year

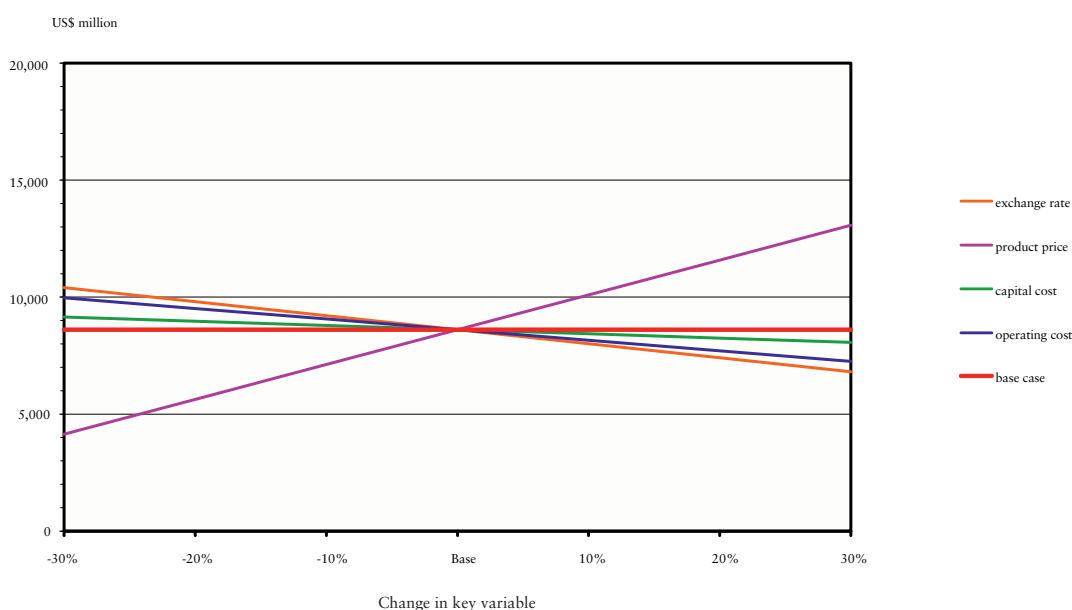
China First Iron Ore Project
Sensitivity of Net Present Value After Tax

Item		8.0%
Base Case	USD mm	8,610
Operating Costs - 30%	USD mm	9,966
Operating Costs + 30%	USD mm	7,253
Capital Costs - 30%	USD mm	9,151
Capital Costs + 30%	USD mm	8,068
Selling Prices - 30%	USD mm	4,144
Selling Prices + 30%	USD mm	13,073
Exchange Rate - 30%	USD mm	10,409
Exchange Rate + 30%	USD mm	6,808

This shows, for example, that at a discount rate of 8% a reduction in operating costs by 30%, with all other items unchanged, increases the NPV from USD 8.61 billion in the Base Case to USD 9.97 billion.

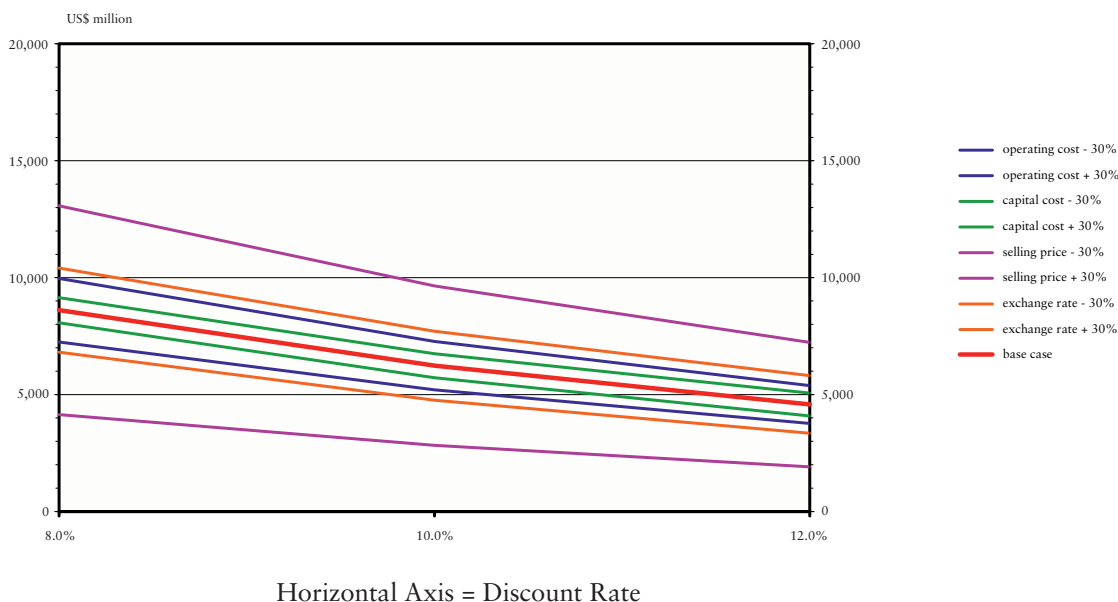
The first chart shows how the NPV for the project changes with variations to key items of cost and revenue.

China First Iron Ore Sensitivity:
NPV After Tax at 8% and Key Variables



The second chart shows how the NPV for the project changes with both the variation in key items of cost and the discount rate used, showing discount rates from 8% to 12%.

China First Iron Ore: Sensitivity of NPV After Tax



NPV after tax	Discount rate		
	8%	10%	12%
	US\$ mm	US\$ mm	US\$ mm
Base case	8,610	6,237	4,577
Operating costs - 30%	9,966	7,274	5,387
Operating costs + 30%	7,253	5,200	3,766
Capital costs - 30%.	9,151	6,750	5,065
Capital costs + 30%	8,068	5,723	4,087
Selling prices - 30%	4,144	2,830	1,916
Selling prices + 30%	13,073	9,643	7,236
Exchange rate - 30%.	10,409	7,707	5,810
Exchange rate + 30%	6,808	4,765	3,341

The charts show that the project is sensitive to the key variables in the following descending order of importance: selling prices, exchange rate, operating costs, capital costs.

AUSTRALIA

The following is a general description of the Australian tax consequences for Shareholders who acquire Offer Shares and hold their shares on capital account. It is not intended to be an authoritative or complete analysis of the taxation laws of Australia, as they apply to the specific circumstances of any particular Shareholder. In particular, the outline does not apply to Shareholders who:

- hold their shares on revenue account or as trading stock;
- are a bank, insurance company, tax exempt organisation or superannuation fund that are subject to special tax rules;
- acquired their shares pursuant to an employee share or option plan;
- are regarded as a “temporary resident” for Australian tax purposes; or
- are non-resident shareholders that hold, or have held, their Shares as an asset of a permanent establishment in Australia.

This description is based upon taxation law and practice in effect at the date of this prospectus. The consequences of acquiring Offer Shares may therefore be different if the law is amended (including retrospectively), the courts change their interpretation of the law, or the Australian Taxation Office or State or Territory revenue offices change their administration of the law.

You are advised to seek independent professional advice regarding the Australian tax consequences of holding Offer Shares according to your own particular circumstances.

General

The Company is incorporated in Australia and is regarded as a resident of Australia for tax purposes. The summary below is prepared on the assumption that the Company will remain resident in Australia for these purposes.

Dividends

Broadly, dividends paid on Offer Shares may be “franked” (fully or in part) or “unfranked”. Franked dividends have franking credits attached. The concept of franking reflects that the underlying profits from which the dividends have been sourced have been subject to Australian corporate income tax. To the extent that a dividend is “unfranked”, no franking credits are attached.

To be entitled to franking credits in respect of franked dividends, the Shareholder must be a “qualified person”. This generally requires that the Shareholder satisfies “holding period” and “related payments” rules. Broadly, the holding period rule requires that the Shareholder has held the shares at risk for 45 days (not counting the day of acquisition or disposal). An exemption may be applicable to certain Shareholders. For example, the holding period rules do not apply to individual Shareholders where the tax offset entitlement does not exceed A\$5,000 in respect of all dividends received during the income year in which the dividend is paid (provided that they satisfy the related payment rules). The qualified person rules are complex and depend on the individual circumstances of each Shareholder. Shareholders should seek their own advice regarding the application of these rules. The comments below assume that the “qualified person” provisions are satisfied by the entity entitled to franking credits on any franked dividends paid by the Company.

Dividends will have different tax implications depending on the tax residency of the Shareholder and whether the dividend is franked or unfranked.

Australian Resident Shareholder

Shareholders who are residents of Australia for tax purposes, will include dividends together with any attached franking credits in their assessable income. A tax offset will be allowed equal to the amount of franking credits attached to the dividend. Any excess tax offset may be refundable to individual and certain other Shareholders (but not companies). Where the Shareholder is a corporate entity, the receipt of a franked dividend will also generally give rise to a credit in the corporate entity's franking account.

Unless an exemption applies, unfranked dividends paid to Shareholders who are Australian residents and who choose not to quote their Tax File Number (or, where applicable, their Australian Business Number) will be subject to a withholding at the top marginal tax rate plus the Medicare levy (currently 46.5%). The Shareholder will, however, be entitled to a credit or refund in their tax return to the extent of the tax withheld.

Non-Australian Resident Shareholder

Dividends paid to a non-resident of Australia will not be subject to dividend withholding tax to the extent that the dividends have been franked under the Australian imputation system or are declared to be "conduit foreign income" (which relates to certain foreign income received by the Company).

However, unfranked dividends (that are not subject to a conduit foreign income declaration) paid to Shareholders who are non-Australian residents (or other Shareholders whose registered address is outside Australia, or who authorise or direct that their dividends be paid at a place outside Australia) will be subject to Australian dividend withholding tax. The general rate of dividend withholding tax is 30% of the unfranked component of the dividend. However, where the Shareholder is resident in a country that has a double tax agreement with Australia, the double tax agreement may reduce the rate of dividend withholding tax.

Future Sale of Offer Shares

The Australian tax consequences of a future sale of the Offer Shares will depend on whether a Shareholder is an Australian resident for tax purposes.

Australian Resident Shareholders

The sale of the Offer Shares will be a capital gains tax ("CGT") event for the Australian resident Shareholder. A capital gain will arise where the proceeds received on sale of the Offer Shares exceed the CGT "cost base" of the Offer Shares. The CGT cost base of an Offer Share will generally include the actual (or deemed cost) of acquisition plus certain other incidental costs, such as brokerage and stamp duty.

Conversely, an Australian resident Shareholder will make a capital loss on the sale of their Offer Shares where the disposal proceeds received are less than the "reduced cost base" of the Offer Shares. In this case, the reduced cost base of an Offer Share is likely to be similar to the cost base. Capital losses can only be used to offset current year capital gains or carried forward to offset future capital gains (subject to certain loss utilisation rules).

Capital gains and capital losses of a Shareholder in a year of income are aggregated to determine whether there is a net capital gain. If there is a net capital gain, it is included in the assessable income of the Shareholder and is subject to income tax. However, a capital gains tax discount may be available to reduce the taxable gain for certain Shareholders (refer below).

Non-Australian Resident Shareholders

The sale of the Offer Shares by a non-resident Shareholder will not be subject to CGT unless the following two criteria are satisfied:

- the non-resident shareholder holds a direct interest in the Company (together with their associates) of at least 10% at the time of sale or throughout a 12 month period that began within 24 months of the time of the sale; and
- 50% or more of the value of the Company's assets is attributable to "real property" situated in Australia (which includes mining, quarrying or prospecting rights in Australia).

Discount Capital Gains

As noted above, a CGT discount may apply to reduce the amount of net capital gains that might otherwise be included in a Shareholder's assessable income.

Shareholders who are individuals or trusts may be eligible for a 50% discount (or a 33 $\frac{1}{3}$ % discount for complying superannuation funds) on any capital gain that arises, provided that they have held their Offer Shares for at least 12 months. No such discount arises with respect to Offer Shares held by companies.

Stamp Duty

An acquisition of Offer Shares by a Shareholder alone or with one or more associates or related persons (as defined in the relevant stamp duties legislation) such that the Shareholder alone or with such associates or related persons does not hold an interest of 90% (or 50% in certain circumstances) or more in the Company, will not be subject to stamp duty.

Goods and Services Tax

The issue of Offer Shares should not result in a GST obligation for Shareholders who are registered or required to be registered for GST. However, those Shareholders should consider their ability to claim input tax credits in respect of advice acquired or brokerage fees incurred in relation to acquiring the Offer Shares.

Estate Duty and Inheritance Tax

Australia does not currently impose taxation in the nature of estate duty or inheritance tax.

HONG KONG

Taxation of Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Taxation on Gains from Sale

No tax is imposed in Hong Kong in respect of gains from the sale of property such as our Shares. However, profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax for persons who carry on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Dealings in Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, under which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of shares whose deaths occur on or after 11 February 2006.

General

Potential investors in the Global Offering should consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and disposing of, or dealing in Shares. It is emphasized that none of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters and their respective directors or any other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, persons resulting from the application for, or purchasing, holding and disposal of, or dealing in Shares.

