
WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The following material waivers from the basic conditions in relation to qualifications for Listing have been applied for and granted from the Stock Exchange.

BASIC CONDITIONS IN RELATION TO QUALIFICATIONS FOR LISTING

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalization, revenue and cash flow; or (iii) market capitalization and revenue requirements. Pursuant to Rule 8.05(1)(a), (b) and (c) of the Listing Rules, the issuer is required to satisfy the profit record requirement, management continuity requirement for at least the three preceding financial years and ownership continuity and control requirement for at least the most recent audited financial year respectively. Chapter 18 of the Listing Rules applies to mineral companies. Under Rules 18.04 of the Listing Rules, the requirements of profit test in Rule 8.05(1), the market capitalization/revenue/cash flow test in Rule 8.05(2), or the market capitalization/revenue test in Rule 8.05(3) of the Listing Rules may not apply if the Stock Exchange is satisfied that the directors and management of the issuer have sufficient and satisfactory experience of at least five years in exploration and/or extraction activities.

Since our Group has been in the preliminary stage of commercial production, our Company cannot meet the profit record requirement under Rule 8.05(1)(a) of the Listing Rules. Further, as all the Directors and a majority of the members of senior management joined our Group for less than three financial years of our Company as set out in the section headed “Directors, Senior Management and Employees” in this Prospectus, our Company cannot meet the requirement for management continuity for at least the three preceding financial years of our Company under Rule 8.05(1)(b) of the Listing Rules. Lastly, due to the change in controlling shareholders as set out in the section headed “History, Reorganization and Corporate Structure” in this Prospectus, our Company cannot meet the requirement of ownership continuity and control requirement for at least the most recent audited financial year of our Company under Rule 8.05(1)(c) of the Listing Rules.

The Directors consider that the pre-conditions to a waiver in Rule 18.04 of the Listing Rules requested by the Stock Exchange were complied with as follows:

(a) Inability to comply with financial standards requirements due to pre-production activities

We have obtained all requisite permits, licenses and approvals for commencing commercial production in 2010 and commenced commercial production of iron concentrate on 1 January 2011. As our Group did not have production during the Track Record Period and only commenced commercial production in January 2011, our Group does not meet the profit record requirement under Rule 8.05(1)(a) of the Listing Rules. We plan to increase our Group’s iron concentrate production capacity at the Yanjiazhuang Mine in three phases. We expect to complete Phase One of our expansion plan in June 2011 which will ramp-up our expected iron ore processing capacity to 3,000 ktpa and total iron concentrate production capacity of approximately 760 ktpa. We commenced preparation for Phase Two of our expansion plan in September 2010. Phase Two is expected to increase our mining and ore processing capacities to 7,000 ktpa and achieve an iron concentrate production capacity of approximately 1,770 ktpa. We intend to further expand our mining and processing capacities to 10,500 ktpa and achieve an iron concentrate production capacity of approximately 2,655 ktpa in Phase Three of our expansion plan, which we expect to complete in the second quarter of 2012. Behre Dolbear has considered our expansion plan and production schedule to be reasonable and achievable.

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(b) Management experience requirement in Rule 18.04

The Board consists of 12 Directors, comprising six executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors have an average of 29 years of mining industry experience. Each of Mr. Yao Zanzun (chief executive officer), Ms. Yu Shuxian, Mr. Li Yuelin (chief operating officer), Mr. Lin Zeshun (chief manager of mining) and Mr. Liu Yongxin (chief manager of ore processing), has more than 28 years of experience in the mining industry. Mr. Jing Zhiqing (chief of mine construction), has approximately 11 years of experience in mine construction and 11 years of experience in civil engineering and construction. Mr. Wang Jiangping (head of safety department) and Mr. Wang Xiaoxing (head of geological exploration) have 12 years and 31 years of experience in the mining industry respectively. We believe our executive Directors and the members of senior management, taken together, have sufficient experience relevant to the exploration and/or extraction activity of our Group (exploration and/or extraction of iron ore), and that each of the core management team (which consists of the executive Directors, Mr. Wang Jiangping and Mr. Wang Xiaoxing) that we relied on has a minimum of five years relevant industry experience. As such, our Company has satisfied the management experience requirement under Rule 18.04 of the Listing Rules.

(c) Primary activity in Rule 18.04

The primary activities of our Group involve the exploration for, development and production of iron ore, being a type of natural resources. Our Group also plans to commence commercial production of gabbro-diabase, being another type of mineral resources. Accordingly, our Group's primary activity is the exploration for and/or extraction of mineral and our Company is a Mineral Company as defined under Rule 18.01 of the Listing Rules, to which Chapter 18 of the Listing Rules applies.

Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.05(1)(a) of the Listing Rules in accordance with the reasoning under Rules 18.04 and 8.05 of the Listing Rules.

Further, our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.05(1)(b) and (c) of the Listing Rules on the basis that:

- (a) Upon completion of the acquisition of equity interest in our Company by the Controlling Shareholders, NWS and VMS became the controlling shareholders of the Company which, our Directors believe, is in a better and stronger business and financial position than under the former controlling shareholders of the Company. NWS as one of the Controlling Shareholders will provide greater stability to facilitate the further development and operation of our Group. Since early 2006, NWS has been implementing a strategy for entering into the resources sector. In light of our Group's significant JORC reserves and resources and strong growth potential, NWS acquired an equity stake in us for implementing a strategic initiative to enter into the mining and resources sector and to implement a strategic vision of using our Company as a platform to acquire and operate mining assets within the steel supply chain. NWS has informed us that it intends to hold its interest in our Company as a long-term investment and that it intends to develop the resources sector as one of NWS' core businesses in the future. VMS has informed us that it also intends to remain as a substantial shareholder for the foreseeable future.

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- (b) The Controlling Shareholders bring significant financial expertise and improved corporate governance practices to our Company. NWS and VMS have brought extensive management and investment experience to our operations. After the acquisition of the 51% equity interest held by Mr. Zhao and the Exchangeable Bonds from the Original Bondholders, the Controlling Shareholders demonstrated their commitment to us by injecting significant capital to fund the ongoing development of our operations; assisting us in obtaining the relevant permits, licenses and approvals required to commence commercial production; enhancing our management team (the Controlling Shareholders appointed Mr. Yao Zanzun as Executive Director, vice chairman and Chief Executive Officer in December 2010 and Ms. Yu Shuxian as Executive Director in March 2011 to strengthen the management team); and providing leadership and expertise to assist us in bringing the Yanjiazhuang Mine from a development stage mining asset into commercial production on 1 January 2011, at a time when iron ore prices had increased almost to previous peak levels in 2008. As a result, we consider that the risks associated with the development of our projects have been substantially reduced over the past six months. Furthermore, to emphasize the concrete support and commitment by NWS to our Company, three representatives of NWS, namely Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian, were appointed in May 2011 as non-executive Directors.
- (c) The intention and objective of the Controlling Shareholders in the acquisitions of the equity interest in us and the Exchangeable Bonds by the Controlling Shareholders are to participate in the long-term development of our Company. The Controlling Shareholders will have held the equity stakes in us for almost one year since the acquisition of Mr. Zhao's 51% equity interest in us on the Listing Date. They confirmed that they have no intention to add or aggregate any other assets or businesses with those of our Group nor to remove any assets or businesses from our Group for the purposes of the Listing.
- (d) Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders are required not to 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 securities of our Company in respect of which they are shown by the Prospectus to be the beneficial owners in the period commencing on the date hereof and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange. To demonstrate their long term commitment to us, NWS and VMS voluntarily offer that they:
- (i) will extend the lock-up period to a period commencing from the date hereof to 30 June 2012, which is effectively a lock-up period of approximately one year after the Listing Date; and
 - (ii) will not during the period from 1 July 2012 to 31 December 2012, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the securities of our Company held by them if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would then cease to be controlling shareholders of the Company.

Such extended lock-up period is longer than the lock-up period required under Rule 10.07 of the Listing Rules which indicates that the Controlling Shareholders are not intending to take advantage of the ownership continuity requirements waiver.

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- (e) Notwithstanding the suspension of the listing application in May 2010 and the subsequent change in the controlling shareholders of our Company, we have continued to pursue the same business and operation as described in our prospectus in the Prior Offering, in particular our pursuit towards a three-phase expansion plan of Yanjiazhuang Mine for the extraction and processing of iron ore as our primary activity. We have obtained the requisite permits, licenses and approvals for commercial production under the applicable PRC laws and regulations and as part of our Phase One commissioning and production ramp-up schedule we commenced commercial production on 1 January 2011. During the course of January and February 2011 we produced and sold 33.0 kt of iron concentrate. To continue and expand our mining operation, we inevitably require further funding for capital expenditures of our expansion plan and future growth initiatives. As we have commenced commercial production on 1 January 2011, proceeding with the Global Offering now will not only provide capital for our operation and new investment opportunities but also allow us to establish our own profile as a separately listed entity with the ability to access the debt and equity capital markets to fund our operations, future development and investment opportunities. Being a separately listed entity will increase the operational and financial transparency of our Company and provide investors and the public with greater clarity on our business, operations and financial performance. It will also provide incentives to our management who are focused on the iron-ore mine operation business.
- (f) Subsequent to the acquisitions of the equity interest in us by the Controlling Shareholders, Mr. Zhao, Mr. Zhao Yinhe, Mr. Liu, Mr. Chen and Mr. Wong Man Cheung have left the management team of our Group. To ensure a smooth and effective operation of our Group as a result of the change in controlling shareholders and to strengthen the business support functions of our Group, the Controlling Shareholders enhanced our senior management team and restructured the board of Directors by adding new executive Directors and senior management team members who have extensive industry and management experience. Mr. Yao Zanzun, one of the executive Directors, has been in the mining industry since 1982 and has international work experience in well-known Chinese and Australian mining corporations, such as a joint venture project with a subsidiary of Rio Tinto Group in Australia, Sinosteel Corporation and CITIC Pacific Limited. Mr. Jing Zhiqing, an executive Director, has approximately 11 years of experience in mine construction and has been involved in mining design and construction, especially in iron ore and civil engineering construction management. Ms. Yu Shuxian, an executive Director, has more than 31 years of experience in the mining and metallurgical industry. Mr. Jiao Ying and Ms. Ho Siu Mei, the newly appointed chief financial officer and company secretary, respectively, both have substantial experience in corporate and financial management. Mr. Wang Xiaoxing, who was re-designated from independent non-executive Director to head of geological exploration of our Group, has 31 years of experience in the exploration and mining industry. Furthermore, to emphasize the concrete support and commitment by NWS to our Company, Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian, non-executive Directors who have extensive management experience, were appointed to oversee our Group in our overall strategy and major management decisions. See “Directors, Senior Management and Employees” for details of these Directors and members of the senior management of our Group. We has confirmed that the Directors and members of the senior management do not have any agreement (other than those already disclosed), arrangement or understanding with any of our Company’s former controlling shareholders or senior management who are no longer with us in relation to our Group’s affairs going forward. All these newly appointed executive Directors, the non-executive Directors and members of the senior management of our Group have solid and substantial knowledge and work experience in their respective fields, including mining operation, mine construction, finance, company secretarial administration and geological

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exploration management, and each of the key members that we relied on has more than five years of experience in the mining industry. Under the leadership of the newly appointed executive Directors and members of the senior management of our Group, we have commenced commercial production on 1 January 2011 and are expected to make a profit attributable to owners of the parent for the six months ending 30 June 2011 to be not less than RMB9.6 million (equivalent to approximately HK\$11.5 million). They will positively contribute to our development and growth and provide better and efficient support to us to implement our strategies and expansion plans.

- (g) According to the Independent Technical Report, the Yanjiazhuang Mine had proved and probable reserves of approximately 260.0 Mt, which were converted from total measured and indicated iron ore resources of approximately 311.8 Mt as of 31 December 2010. The nature of the mining reserve, including its quality and quantity, is the key, if not the most important, factor in potential investors' investment decision in a mining company. The change in the controlling shareholders of the Company does not alter in any way the principal assets of our Group, the Yanjiazhuang Mine. Furthermore, we have commenced commercial production on 1 January 2011 and have progressed from development stage to production stage, and the change of controlling shareholders of the Company before commencement of commercial production did not have any material adverse effect on (i) our transition to the production stage and (ii) our operation as half of the executive Directors have been retained to continue with our existing business pursuit. The Controlling Shareholders have significantly enhanced the quality and strength of our operation by injecting significant capital to fund the ongoing development of our operations; assisting us in obtaining the relevant permits, licenses and approvals required to commence commercial production; enhancing our management team; and providing leadership and expertise in order to assist us in bringing the Yanjiazhuang Mine from a development stage mining asset into commercial production on 1 January 2011. We believe that the Controlling Shareholders bring significant financial expertise and improved corporate governance practices to our Company.
- (h) In the Prior Offering, we have applied for and the Stock Exchange has granted waivers from strict compliance with Rules 8.05 of the Listing Rules (the "**Profit Test Waiver**") as well as Rule 8.12 of the Listing Rules (the "**Rule 8.12 Waiver**"). The change in the controlling shareholders of the Company and the resignation of Mr. Zhao and certain our former directors and members of senior management in 2010 would not affect the basis upon which we applied for the Profit Test Waiver and the Rule 8.12 Waiver. We will comply with the conditions to be imposed by the Stock Exchange in granting the Rule 8.12 Waiver.
- (i) For investors who invest in early stage of natural resources exploration and/or extraction companies, it is common that they make their investment decisions based on the mineral resources and ore reserves of the companies, the mining plan for commercial production and the competency of the management team to carry out the plan so as to assess the investment risk and the potential for reward. The current requirements under Chapter 18 of the Listing Rules are designed to distinguish mineral companies engaging in natural resources exploration and/or extraction business from other companies and to provide potential investors in such mineral companies with sufficient relevant information in making their investment decisions. The relevant disclosure requirement in respect of, among the others, information of the Yanjiazhuang Mine, the proposed clear path to commercial production, the technical report/opinion prepared by an independent competent person (as defined under Rule 18.01(3) of the Listing Rules) and the experience of the members of our management team have been complied with such that the investors are given sufficient material information about us to make their investment decisions.

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MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our Group does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. Our Company has applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that, as our Group's core business operations are based, managed and conducted in the PRC, our Group's management is best able to attend to its functions by being based in the PRC. Our Company has received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our Company's principal communication channel with the Stock Exchange and will ensure that our Company complies with the Listing Rules at all times. The two authorized representatives are Mr. Yao Zaxun, our vice-chairman, Executive Director and chief executive officer and Ms. Ho Siu Mei, our Group's company secretary and general manager in the finance and administration department. Ms. Ho Siu Mei ordinarily resides in Hong Kong and Mr. Yao Zaxun ordinarily resides in the PRC and possesses valid travel documents to visit Hong Kong. Both authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or e-mail;
- (b) in compliance with Rule 3A.19 of the Listing Rules, our Company shall retain a qualified institution to act as compliance advisor for a period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules to advise our Company on its obligations to comply with the Listing Rules, all other applicable laws, rules, codes and guidelines. The compliance advisor will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after listing and, where our Company's authorized representatives are unavailable, act as an additional channel of communication between the Stock Exchange and our Company at least for the period commencing from the Listing Date and ending on the date that our Company publishes its first full financial year results pursuant to Rule 3A.19 of the Listing Rules;
- (c) both authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matter. Our Company will implement a policy whereby (a) each Director will provide his or her mobile phone number, office number, fax number and e-mail address to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she is travelling; and (c) each Director will provide his or her mobile phone number, office phone number, fax number and e-mail address to the Stock Exchange; and
- (d) all Directors who are not ordinary residents in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

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CONTINUING CONNECTED TRANSACTIONS

Our Company has entered into, and is expected to continue, certain transactions which will constitute continuing connected transactions of our Company that are subject to the reporting and announcement requirements under the Listing Rules following the Listing. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to the continuing connected transactions between our Company and its connected person under Chapter 14A of the Listing Rules. For further details, please see the section headed “Relationship with our Controlling Shareholders and Connected Transactions” in this Prospectus.