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This section of this Prospectus discusses information regarding our mine and operations, including reserves, processing capacities and production volumes. Unless otherwise indicated, all technical data in this section is based on the Independent Technical Report, which is included as Appendix V to this Prospectus. In addition, we commissioned Hatch as industry consultant to prepare an independent research report, the Hatch Report. Unless otherwise indicated, information and statistics relating to the global, the PRC and Hebei Province iron ore industry in this and other sections of this Prospectus have been derived from the Hatch Report. We believe that the Hatch Report is an appropriate source for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers and Joint Sponsors, any of the Underwriters, any of their respective directors and advisors or any other persons or parties involved in the Global Offering and no representation is given as to its accuracy.

OVERVIEW

We own and operate the Yanjiazhuang Mine which is the largest privately-owned iron ore mine and the sixth largest iron ore mine in Hebei Province in terms of iron ore reserves, according to Hatch. With our significant JORC reserves and resources, estimated low production cost structure, strong growth potential through our rapid production capacity ramp-up, significant exploration opportunities and strategic location, we believe we are well-positioned to capture increasing market opportunities arising from the strong growth in Chinese steel production and significant shortfall in domestically-produced iron ore historically experienced in China, especially in Hebei Province. Our overall objective is to attain iron ore mining and processing capacities of 10,500 ktpa by the second quarter of 2012. Our vision is to become a leading iron ore operator in China and to implement NWS's strategic initiative of using the Company as a platform to acquire and operate mining assets within the steel supply chain.

China has become the world's largest iron ore importer due to its rapid urbanization and industrialization. Its total iron ore imports reached approximately 618.6 Mt in 2010. The largest steel-producer among China's provinces, Hebei Province produced approximately 23.1% of China's raw steel in 2010. Iron ore production in Hebei Province was not sufficient to meet the demand in the province and, as a result, Hebei's total iron ore imports reached 119.4 Mt in 2010, making it the largest iron ore importing province in China.

Our Iron Ore Mining Operations

We hold the mining rights to the Yanjiazhuang Mine, a large-scale open-pit iron ore mine. 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.

Based on the Independent Technical Report, the Hatch Report and the cost curve prepared by AME, we believe we will be a leading iron ore producer in China with low operating costs. According to AME, the Yanjiazhuang Mine is estimated to be in the lowest 5% of the estimated cost curve for Chinese iron ore producers on an iron equivalent basis. We use cost-efficient mining and processing methods to extract and process our iron ore. We use open-pit mining to extract our reserves. Open-pit mining is characterized by shorter timeframes for mine infrastructure construction, lower capital expenditure requirements and a relatively simple iron ore extraction process. Based on these facts and the estimated future operating costs set forth in the Independent Technical Report, we believe we will be able to maintain a low mining cost structure. We also expect to enjoy low iron ore processing costs because our iron ore is relatively easy to crush and mill due to its density and mineral composition and because the strong magnetic properties of our iron ore allow iron to be easily separated from non-magnetic tailings and waste rocks

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through the use of magnetic pulleys. Moreover, our iron ore resources contain low levels of harmful elements, such as sulfur and phosphorus, which reduces the need to treat tailings. As a result, our overall iron ore processing costs are low and we believe we will be able to produce iron concentrate with an iron grade of 66% through a relatively simple iron ore processing phase.

Furthermore, our estimated future operating costs, as set forth in the Independent Technical Report, are significantly lower than the current iron concentrate prices in China. According to Hatch, the continued rapid growth of China's steel industry will likely be accompanied by increases in domestic iron ore prices. The combination of our estimated future operating costs being significantly lower than current iron ore prices highlights the potential profitability of our operations. For information on our estimated operating and production costs, see “– Our Existing Production Operations and Facilities – Operating Costs.”

Our geographical and geological conditions provide us with favorable mining conditions and enable us to carry out our operations throughout the year, thereby increasing our productivity. Our location provides us with convenient access to available infrastructure, such as major transportation networks and access to water and electricity, which are both key components in our processing operations. In addition, our location in Hebei Province, the largest steel-producer among China's provinces, places us in close proximity to potential steel-producing customers allowing us to enjoy relatively lower transportation costs. There are nine steel producers with a combined steel production capacity of approximately 31.2 Mtpa within approximately 90 km of our operations. Our close proximity to steel producers in Hebei Province enabled us to enter into an agreement regarding the sale of iron concentrate with Shougang Hong Kong (a wholly-owned subsidiary of Shougang Corporation) and memoranda of understanding regarding the sale of iron concentrate with Hebei New Wuan, Handan Iron & Steel, Wen'an Iron & Steel, Hebei Baoxin, Xingtai Weilai and Xingtai Longhai. Our agreement with Shougang Hong Kong also presents a platform for us to contemplate entering into further agreements with them regarding technical support and strategic cooperation in future investment opportunities. Pursuant to the technical assistance agreement, Shougang Hong Kong would provide technical support and expertise to the Company in areas including project exploration, evaluation, due diligence and operations (including at our existing Yanjiazhuang Mine). Additionally, pursuant to the strategic cooperation agreement, the Company could invite an individual from Shougang Hong Kong, in accordance with applicable law, the Listing Rules and Stock Exchange Requirements and the Articles of the Company, to serve as a non-executive director of the Company until the next annual general meeting of the Company, with subsequent re-appointment subject to shareholders' approval.

Based on our current reserves as confirmed by the Independent Technical Advisor, the Yanjiazhuang Mine has a mine life of approximately 26 years based on the assumption that our iron ore processing capacity will increase to 10,500 ktpa by the second quarter of 2012.

Commercial Production and Expansion Plan

We plan to increase our iron concentrate production capacity at the Yanjiazhuang Mine in three phases.

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. We use independent third-party contractors to perform part of our mining, hauling and road building activities.

Following the commencement of commercial production we were impacted by severe droughts that were experienced in Northern China, including the Yanjiazhuang Mine area, which were the worst in 60 years. As a result, we experienced a shortage of water supply to our processing plants and accordingly our production levels were significantly reduced in March 2011. Instead of waiting for the droughts to end and to mitigate our exposure to future droughts, we devoted significant management time and resources to identifying additional water sources and constructing facilities to give us access to them. We identified

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the Lincheng Reservoir as an adequate and reliable future water source and commenced construction of a 20 km long water pipeline to the Lincheng Reservoir. We estimate that the Lincheng Reservoir water project will be completed by August 2011. While operating at a significantly reduced level waiting for the Lincheng Reservoir water project to be completed, we decided to utilize this period of time to undertake efforts to enhance the efficiency and reliability of our processing facilities. We undertook plant construction and modifications, including the planned Phase One upgrade to our No. 2 Processing Facility and the replacement of a section of our ore crushing equipment with machines which are able to produce crushed ores of smaller and more uniform dimensions. The upgrades to the No. 2 Processing Facility and to the crushers are expected to produce iron concentrate with an average grade of 66% or above and enhance processing efficiency and reliability.

We expect to complete Phase One of our expansion plan with processing efficiency optimization in June 2011 and we intend to complete construction of the additional water pipeline to the Lincheng Reservoir by August 2011. While there will be limited production during this period, we expect to resume normal commercial production in September 2011 upon the completion of the water projects and to ramp up to our expected Phase One iron ore processing capacity of 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. During Phase Two, we plan to develop three additional open-pit mining pits, construct one additional dry magnetic cobbing system and build the No. 3 Processing Facility. We expect to complete Phase Two in the third quarter of 2011. 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. We expect to reach this level of production in October 2012. We are in the process of applying for a permit for this ore processing capacity. We intend to supplement Phase One, Phase Two and Phase Three of our expansion plan with the development of a larger tailings storage facility and a new water reservoir, and the construction of a new electricity converting station with two voltage transformers and supporting roadways. Based on the Independent Technical Report, we believe that our plan to increase our mining and processing capacities to 10,500 ktpa and our iron concentrate production capacity to reach approximately 2,655 ktpa is reasonable and achievable in accordance with our three-phase expansion plan.

Gabbro-Diabase Business

In addition to significant iron ore reserves and resources, the Yanjiazhuang Mine also contains gabbro-d diabase resources, a valuable mineral resource that is a mining by-product that naturally occurs in the footwalls and hanging walls of our iron ore bodies. An igneous rock known for its hardness, abrasion resistant qualities and durability, gabbro-d diabase is commonly used to manufacture a wide variety of products, including high-quality, high-end countertops, interior decorative materials and indoor flooring. According to the Independent Technical Report, there are approximately 207 million m³ of indicated gabbro-d diabase resources at the Yanjiazhuang Mine. As the removal of gabbro-d diabase resources is already part of our normal mining operations to reach the underlying iron ore in our mining pits, our commercial production of gabbro-d diabase will benefit from production cost sharing with our iron concentrate production. Thus, we do not expect to expend substantial resources for the extraction of gabbro-d diabase, other than our initial capital expenditure of RMB303.2 million as disclosed under “Financial Information – Financing Of Our Mining Projects.” As a result, we believe that the development of our gabbro-d diabase business will enhance the cost-efficiency and profitability of our operations. We believe the commercialization of gabbro-d diabase increases the exploitable value of the Yanjiazhuang Mine. We plan to commence commercial production of gabbro-d diabase in July 2011 (following receipt of the required permits and approvals) in order to diversify our product portfolio and customer base, add to our revenue sources, and increase the cost-efficiency and profitability of our operations. According to Hatch, China’s stone industry and demand for gabbro-d diabase are expected to continue to grow over the next several years.

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In February 2011, we entered into four memoranda of understanding, with well-known PRC property companies or their subsidiaries, to negotiate future specific purchase contracts for the sale of our gabbro-diabase products. According to Hatch, China's stone industry and gabbro-diabase demand are expected to continue to grow over the next several years. Our Directors believe that the willingness of developers to enter into long-term agreements with us for the sale of gabbro-diabase is further evidence of the likely future demand for our gabbro-diabase products. We may also enter into new contracts with other Independent Third Parties for the sale of our planned gabbro-diabase products.

Financial and Operating Data

We are in a period of rapid expansion and have taken extensive measures to ramp up our iron ore processing capacity. We estimate our total investment for Phase One of our expansion plan at approximately RMB240.1 million, of which we had already invested RMB207.1 million as of 31 December 2010. We estimate a total investment for Phase Two of our expansion plan of approximately RMB380.0 million, of which we had already invested RMB84.6 million as of 31 December 2010. We estimate a total investment for Phase Three of our expansion plan of approximately RMB277.2 million. We also expect to invest approximately RMB303.2 million to develop our gabbro-diabase business.

During the Track Record Period, our business activities were focused on exploration, mine planning, construction and infrastructure development to prepare for the production of iron concentrate and we did not generate revenue from our operations. As a result, our losses for the years ended 31 December 2008, 2009 and 2010 were approximately RMB371,000, RMB2.2 million and RMB2.9 million, respectively.

Potential to Expand through Exploration and Acquisitions

We are also well positioned to significantly increase our resources and reserves further in the future due to the significant exploration potential of the Yanjiazhuang Mine and other neighboring iron ore assets in Hebei Province. Hebei Province has the second largest iron ore reserves and the largest number of iron ore mines in China. We believe this provides us with significant opportunities to expand our operations through exploration activities and carefully selected acquisitions of local assets by leveraging our business scale, strong exploration track record and industry expertise of our management team and our expected strong future operational cash flow and ability to raise debt and equity financing. We also expect to be able to expand our reserves and resources organically through continued exploration inside and outside of our current permitted mining area. According to the Independent Technical Report, there are undrilled areas within the current permitted mining area to the west of the defined iron ore resources, the size of which is equivalent to 30% to 40% of the drilled areas of the Yanjiazhuang Mine ore deposit. The unexplored mineralized ore bodies in these undrilled areas are still open and have the potential to contain substantial iron ore resources according to the Independent Technical Report. Moreover, several of the mineralized ore bodies within the defined resources of the Yanjiazhuang Mine are expected to extend to depths greater than currently drilled. As such, we have the potential to increase our iron ore reserves and resources significantly as we continue to explore the area covered by our current mining permit, particularly because we have not yet reached the bottom of the ore bodies during any of our exploration or mining activities. Based on the findings by the Independent Technical Advisor, we believe that we also have significant potential for defining additional iron ore reserves and resources within mineralized ore bodies that remain open and extend beyond our current permitted mining area.

We have applied to the relevant government body for an exploration license for an adjacent 0.75 km² area. If we receive the exploration license and consider the area to be attractive to us after exploration, we will apply for the relevant permits to develop mining operations in the area. Furthermore, because the areas located to the west beyond the current permitted mining area also have exploration potential according to the Independent Technical Report, we may seek to obtain additional exploration or mining permits to explore and mine them. The development plan for the adjacent 0.75 km² area is not

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included in our three-phase expansion plan. We estimate the costs for the acquisition of mining and exploration rights for this adjacent area to be RMB30 million. We expect that any additional resources discovered at this area could be processed through the facilities we build pursuant to our three-phase expansion plan. The final development plan of this adjacent land is subject to government approval and the outcome of further exploration. We intend to continue expanding our production capacity as we engage in further exploration work and discover additional defined resources and reserves.

In addition, we obtained the direct support of the Lincheng County government authority to consolidate local iron ore assets in a letter dated 2 November 2009. As part of our plan for acquisitive growth and guided by our team of experienced professionals, we entered into an agreement in February 2010 to purchase the exploration rights for two iron ore mines in Hebei Province, namely, the Gangxi Mine and the Shangzhengxi Mine, which cover permitted exploration areas of 5.28 km² and 2.06 km², respectively. We have engaged the 11th Geological Brigade to provide an exploration report for each of the two mines. We expect to receive the exploration report for the Gangxi Mine by the end of 2012 and the exploration report for the Shangzhengxi Mine by the end of 2011. We will then pay RMB6 million plus RMB2/tonne of iron ore reserves to obtain the exploration rights for the Gangxi Mine and RMB3 million plus RMB2/tonne of iron ore reserves to obtain the exploration rights for the Shangzhengxi Mine. The transfer of the exploration rights for these two mines is subject to the approval of the relevant government authorities. Our PRC legal advisor, King & Wood, has confirmed that there are no foreseeable legal impediments for us to obtain the requisite licenses, permits and other regulatory approvals necessary for exploration and mining at these two mines. We expect to conduct further exploration activities at that time, at a cost of approximately RMB20 million. Based on the exploration reports and our exploration activities, we will then decide whether to commence commercial production. Assisted by our executive Directors, who have an average of approximately 29 years of experience in the mining industry, we plan to continue to carefully evaluate and identify selective exploration and acquisition opportunities with significant potential.

COMPETITIVE STRENGTHS

We believe we possess the following strengths:

We stand to benefit from the continuing iron ore supply shortfall in China and, in particular, Hebei Province.

As the largest steel producing nation in the world, China requires a significant amount of iron ore for its steel manufacturing operations. As a result of its substantial shortfall in the domestic iron ore supply, China imports a substantial amount of iron ore in order to meet domestic demand. China has one of the world's fastest growing demands for iron ore and has been the main driver behind the growth of the global iron ore sector, accounting for approximately 53.7% of the world's total iron ore demand in 2009. In 2010 China produced approximately 1,072 Mt of iron ore and imported approximately 618.6 Mt of iron ore. We expect this shortfall in China's iron ore supplies to increase following the recent signs of economic recovery. We believe that China will continue to experience nationwide urbanization and industrialization, driving the need for increased government spending on major infrastructure projects and, we believe, leading to an increased demand for steel and, ultimately, iron ore. As the owner and operator of the largest privately-owned iron ore mine and the sixth largest iron ore mine in Hebei Province in terms of iron ore reserves according to Hatch, we believe we are well-positioned to benefit from the increasing demand for iron ore.

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The location of our iron ore mine in Hebei Province permits us to take advantage of the major regional imbalance between iron ore supply and demand. As the largest steel-producing province in China, Hebei's share in China's total annual steel output has increased from 12.6% in 2001 to 23.1% in 2010. Demand for iron ore by steel producers in Hebei Province has significantly exceeded the supply from Hebei iron ore producers each year since 2001 and, as such, Hebei Province was the largest net iron ore importing province in China in 2009. We enjoy steady demand from local steel producers for our iron concentrate products.

Our significant reserves and resources have the potential to yield high-quality iron concentrate and commercially viable gabbro-diabase in significant quantities.

Our Yanjiazhuang Mine has significant iron ore reserves and resources. 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. We believe the potential to yield high-quality iron concentrate is significant.

In addition, our Yanjiazhuang Mine contains gabbro-diabase, a valuable mineral resource that is a mining by-product and naturally occurs in the footwalls and hanging walls of our iron ore bodies. Based on the Independent Technical Report, there are approximately 207 million m³ of gabbro-diabase resources at the Yanjiazhuang Mine, classified as indicated resources. We plan to sell gabbro-diabase in five forms, namely, quarry stones, slabs, carving stones, powder and crushed stones. Gabbro-diabase is commonly used to manufacture a wide variety of building materials, including high-quality countertops, interior decorative materials and indoor flooring. We believe that our ability to exploit our gabbro-diabase resources will allow us to reduce our mining costs, expand our revenue sources and enhance our overall profitability.

According to Hatch, China's stone industry and gabbro-diabase demand are expected to continue to grow over the next several years. Our Directors believe that the willingness of developers to enter into long-term agreements with us for the sale of gabbro-diabase is further evidence of the likely future demand for our gabbro-diabase products. We may also enter into new contracts with other Independent Third Parties for the sale of our planned gabbro-diabase production.

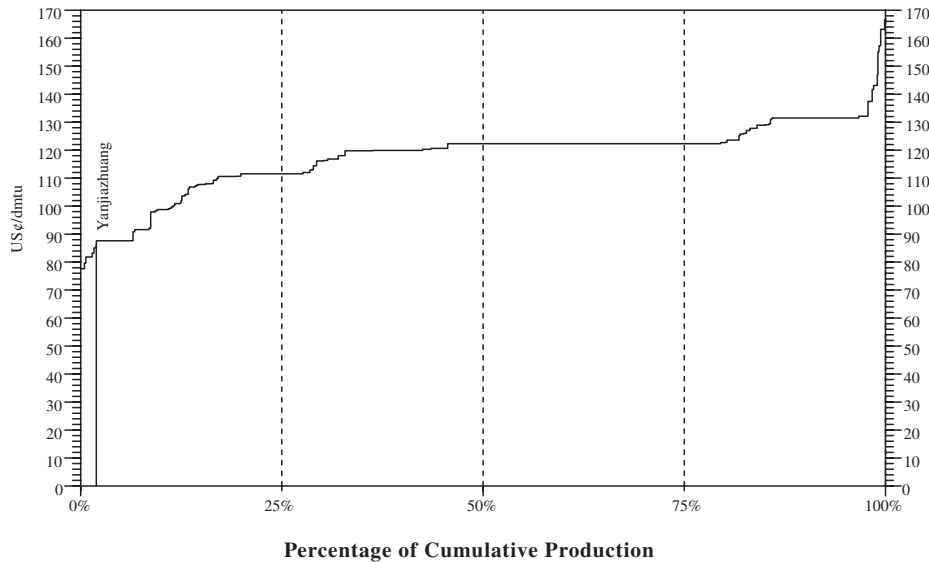
Our open-pit mining and simple processing methods position us to be a low-cost producer of iron concentrate in the markets we serve.

We have adopted mining and processing methods at the Yanjiazhuang Mine which we believe will contribute to our estimated low production cost structure. We utilize the open-pit mining method to extract our reserves. Open-pit mining is characterized by short time frames for mine infrastructure construction, lower capital expenditure requirements, a relatively simple and fast iron ore extraction process and significantly reduced production hazards. Based on these facts and the estimated future operating costs set forth in the Independent Technical Report, we believe we will be able to maintain relatively low mining costs. We also expect to enjoy low iron ore processing costs because our iron ore is relatively easy to crush and mill due to its density and mineral composition and because the strong magnetic properties of our iron ore allow iron to be easily separated from non-magnetic tailings and waste rocks through the use of magnetic pulleys. Moreover, our iron ore resources contain low levels of harmful elements, such as sulfur and phosphorus, reducing the need for the treatment of tailings. As a result, our overall iron ore processing costs are lower and we believe that we are able to produce iron concentrate of an iron grade of 66% through a relatively fast and simple iron ore processing phase.

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The Yanjiazhuang Mine is considered by AME to be in the lowest 5% of the estimated cost curve for Chinese iron ore producers on an iron equivalent basis. The chart below represents the estimated cost curve for PRC iron ore producers, and the estimated position on the curve of the Yanjiazhuang Mine:

Estimated 2011 Iron Ore Costs – FOB Chinese Producers and Provinces



Source: AME

The mining cost for the Yanjiazhuang Mine, which commenced production in January 2011, is based on information provided by the Independent Technical Advisor. When using the cost curve, you should take into consideration the following factors:

- (1) The cost curve is based on Q1 2011 calibrated and benchmarked cash costs and subsequent updates.
- (2) All Chinese mines used in this data sample, including the Yanjiazhuang Mine, are based upon the cost to produce iron ore (including mining, processing, royalties and marketing costs), and incorporate freight cost estimates for delivery to an international sea port.
- (3) The concentrate produced by Yanjiazhuang Mine is estimated to be 66% iron concentrate, which is competitive to the international export trade.
- (4) All mines on the cost curve have been costed on an iron equivalent basis (US\$/dmu) as opposed to run-of-mine basis (US\$/tonne). This costing methodology takes into account the grade and consequently iron content of a product.
- (5) The Company reports that its mine gate cost (including taxes, royalties and government charges) is US\$47.56/tonne of iron ore concentrate (US\$75.06/dmu at 66% iron and 4% moisture). This is an estimate for 2011 based on production in January and February 2011.
- (6) The cost curve provided by AME in this Prospectus is based on information that was available to AME. Available data vary greatly between iron ore operations and projects. Much information may not be reliable due to language difficulties, the confidential nature of the information, the inability to estimate the reliability of AME's sources and a general lack of available information. Consequently, much information has to be estimated and the quality, accuracy and completeness of the resulting cost comparisons will reflect this. Furthermore, forecast costs embody a number of significant assumptions with respect to exchange rates and other technical variables. As a result of these factors, AME has noted that direct comparability between individual projects may be limited, and as such the production and cost estimates in the cost curve must be treated with caution and cannot be relied upon.

In addition, the removal of gabbro-diabase, a mining by-product occurring on the footwalls and hanging walls of our iron ore bodies at the Yanjiazhuang Mine that can be commercialized, is already part of the process of our normal mining operations. We consider the development of gabbro-diabase to be cost-efficient because we do not need to expend substantial resources for its extraction, other than our initial capital expenditures required as disclosed under "Financial Information – Financing Of Our Mining Projects." We expect the adoption of efficient mining and processing techniques will result in a decreased output of waste products and will minimize operating costs. In addition, as we complete our expansion plan and increase our production rates, we expect our operating costs on a per unit basis to decrease further.

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We believe our convenient access to available resources and developed infrastructure provide us with stable and sustained supplies of water for our processing operations, including from surface drainages in the Yanjiazhuang Mine area, the Yanjiazhuang Reservoir, a surface water reservoir with an existing water storage capacity of approximately 120,000 m³, the Huangmi I Reservoir, a surface water reservoir with an existing water storage capacity of approximately 600,000 m³, and the Huangmi II Reservoir, a surface water reservoir with an existing water storage capacity of approximately 1,200,000 m³. We plan to invest approximately RMB40.3 million to secure additional water resources to support our processing facilities, including the completion of construction of the Longjiawan Reservoir, which is expected to have a water storage capacity of 300,000 m³ and which has already started to supply water, and a new water supply system from the Lincheng Reservoir, where we have received local authorities' approval to access a water supply of up to 10,000,000 m³ per year. Moreover, we have ready access to stable electricity supplies from a local power grid, further enhancing our cost-effective operating structure. We believe that, as we expand our production capacity, our simple and efficient mining and production methods will enable us to achieve better control over operating costs and production quality, and providing us with the ability to achieve economies of scale.

We believe we will be able to rapidly expand our operations through production ramp-up.

Our current production expansion plan to attain mining and processing capacities of 10,500 ktpa in the second quarter of 2012 is based on the amount of reserves defined in the Independent Technical Report as of 31 December 2010. We intend to grow our operations organically through the expansion of our existing iron ore reserves and resources and plan to ramp up our iron concentrate production capacity at the Yanjiazhuang Mine in three phases, increasing ore processing capacity to 3,000 ktpa, 7,000 ktpa and 10,500 ktpa. We commenced our expansion plan in the fourth quarter of 2009 and expect to complete the three phases in the second quarter of 2012. We believe we are able to meet this expansion schedule because we utilize the open-pit mining method, characterized by shorter time frames for mine infrastructure construction, lower capital expenditure requirements, a relatively simple and fast iron ore extraction process and significantly reduced safety hazards. We commenced Phase One of our expansion plan in the fourth quarter of 2009. We are currently conducting the Phase One upgrade to our No. 2 Processing Facility. Upon completion of Phase One, which is scheduled for the end of June 2011, we expect to have a total iron ore processing capacity of 3,000 ktpa and total iron concentrate production capacity of approximately 760 ktpa. Upon completion of Phase One, we will have a total of three open-pit mining pits, two dry magnetic cobbing systems and two upgraded processing facilities.

As part of Phase Two of our expansion plan, we plan to increase our mining and ore processing capacities to achieve total mining and ore processing capacities of 7,000 ktpa. Upon completion of Phase Two, we will have a total of six open-pit mining pits, three dry magnetic cobbing systems and three processing facilities. During Phase Three of our expansion plan, we plan to construct two additional mining pits, one dry magnetic cobbing system and a processing facility to increase our mining and ore processing capacities. Upon completion of Phase Three, which we expect will be in the second quarter of 2012, we will have a total of eight open-pit mining pits, four dry magnetic cobbing systems and four processing facilities, and we expect to achieve a total ore processing capacity of 10,500 ktpa, and we expect to reach this level of production in October 2012.

We expect to increase our iron concentrate production capacity to approximately 760 ktpa upon completion of Phase One, 1,770 ktpa upon completion of Phase Two, and 2,655 ktpa upon completion of Phase Three. Based on the Independent Technical Report, we believe our plan to increase our ore processing capacity to reach 10,500 ktpa and our iron concentrate production capacity to reach approximately 2,655 ktpa is reasonable and achievable in accordance with our three-phase expansion plan.

Our operating mine and processing facilities are strategically located near existing and potential customers as well as available resources and developed infrastructure.

Our processing facilities are strategically located within close proximity to our customers and developed transportation networks, enabling customers to access our products at the Yanjiazhuang Mine

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in a timely and cost-efficient manner by a combination of roadways and railways. The Yanjiazhuang Mine is easily accessible by a 8 km highway from Haozhuang Town, which connects to a number of provincial highways. In addition, the Yanjiazhuang Mine is approximately 35 km from a major railway line, the Beijing-Guangzhou railroad, which connects to several major railway lines of Hebei Province, and from the Beijing-Hong Kong-Macau expressway. As a result, unlike iron ore importers whose products are shipped from overseas by means of costly transportation and delivery, our customers incur significantly lower transportation costs when purchasing our iron concentrate. As of the Latest Practicable Date, we have entered into memoranda of understanding with six steel producers located within 120 km of our operations. Our location also places us in close proximity to potential steel-producing customers. For example, there are nine steel producers with a combined steel production capacity of approximately 31.2 Mtpa within approximately 90 km of our operations. Because Hebei Province is China's largest steel producing province, has the highest number of steel mills in China and has experienced continuing shortfall in iron ore supplies, we are strategically located to provide iron concentrate to many potential steel producing customers in the surrounding region.

In addition, Hebei Province benefits from favorable geological, weather and mining conditions. As a result, we believe we will be able to operate our open-pit mining pits for practically the entire year, increasing our productivity and reducing our unit costs. We also have convenient access to available resources and developed infrastructure, providing, steady supply of water, a key component in our processing operations, and electricity from a local power grid meeting the needs of our current operational requirements and future expansion plans for the Yanjiazhuang Mine.

We are well-positioned to further expand our iron ore reserves and resources through exploration and acquisitions.

We have the capacity for continued organic growth within our current permitted mining area. To date, our exploration activities in the Yanjiazhuang Mine area have enabled us to successfully define significant iron ore resources in the upper eastern portion of the deposit. We believe there is additional exploration potential within the 5.22 km² area covered by our current mining permit for the Yanjiazhuang Mine. According to the Independent Technical Report, there are undrilled areas within the current permitted mining area to the west of the defined iron ore resources, the size of which is equivalent to 30% to 40% of the drilled areas of the Yanjiazhuang Mine ore deposit. The unexplored mineralized ore bodies in these undrilled areas are open and expected to contain additional iron ore resources. We believe we have the potential to increase our iron ore resources and reserves as we continue to explore the permitted mining area.

We believe that we also have significant potential for defining additional iron ore resources and reserves within mineralized ore bodies that remain open and extend beyond our current permitted mining area. According to the Independent Technical Report, our current mineralized bodies extend further north, outside of the area covered by our current mining permit. We have applied to the relevant government body for a license to explore the 0.75 km² area adjacent to the northern boundary of the permitted mining area of the Yanjiazhuang Mine for mineralized bodies. If we receive the exploration license and consider the area to be attractive after exploration, we will apply for the relevant mining permits to develop mining operations for the area. Furthermore, because the areas west beyond of the current permitted mining area also have exploration potential according to the Independent Technical Report, we may seek to obtain additional permits to explore or mine such areas. We expect to complete Phase Three of our expansion plan to increase our ore processing capacity to 10,500 ktpa in the second quarter of 2012, and we expect to reach this level of production in October 2012. We will continue to further increase our mining and processing capacities as we engage in further exploration work and discover additional defined reserves within the Yanjiazhuang Mine. We believe, under the guidance of a management team that possesses extensive industry expertise, we will be able to take full advantage of these untapped iron ore resources and secure ample exploration opportunities, yielding additional iron ore reserves.

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In addition, we believe that we are in a strong position to expand our overall operations through acquisitions of iron ore assets in Hebei Province, the leading province in China in terms of iron ore output in 2009 with the second largest iron ore reserves in China and the largest number of iron ore mines. Our location in the iron-rich region of Hebei Province provides us with access to the rich natural resources of the surrounding region and a substantial amount of neighboring iron ore assets. We believe that, in addition to our business scale and solid funding resources, our team of experienced professionals will enable us to carefully evaluate and identify local assets with acquisition potential to grow our resources and reserves. In the 12th Five-Year Plan of Hebei Province (2011 – 2015), the government of Hebei Province again indicated its support for the development and growth of large-scale iron ore producers to increase efficiencies and create economies of scale. We believe these government policies are consistent with, and generally supportive of, our acquisition plans. In a letter dated 2 November 2009, we obtained the direct support of the Lincheng County government authority to consolidate local iron ore assets. With this support, in February 2010 we entered into a contract with the 11th Geological Brigade whereby we proposed to acquire the exploration rights to two iron ore mines located in Hebei Province, the Gangxi Mine and the Shangzhengxi Mine. Leveraging the strong exploration and mining track record of our executive Directors and their demonstrated ability to identify exploration opportunities with high potential, we believe such acquisition targets and other potential acquisition opportunities in Hebei Province will enable us to achieve considerable returns on our investment. The exploration permit for the Gangxi Mine, is located approximately 20 km from the Yanjiazhuang Mine, covers an area of 5.28 km². The exploration permit for the Shangzhengxi Mine, is located approximately 120 km from the Yanjiazhuang Mine, covers an area of 2.06 km². We will decide whether or not to develop commercial mining operations in these two mines upon completion of the exploration reports. We may also consider other potential acquisition opportunities in Hebei Province.

Our executive Directors and senior management team have extensive industry and management experience.

Our executive Directors and senior management comprise a team of experienced professionals with a strong exploration and mining track record, including qualified geologists and engineers, with extensive industry expertise in the areas of exploration, mining, mine construction, processing and mine and production safety and mine management. Our executive Directors are professionals with an average of 29 years of mining industry experience. We believe our executive Directors and senior management possess the skills, foresight and in-depth industry knowledge necessary to capture market opportunities, formulate sound business strategies, assess and manage risks and increase and implement management and production schemes.

Our Controlling Shareholders, NWS and VMS, will bring extensive management and investment experience to our operations.

Our controlling shareholders include (i) NWS, a Hong Kong listed company and one of the leading Hong Kong-based conglomerates, with experience in making large-scale investments in the PRC and (ii) VMS, an investment group with a diversified investment portfolio. They are expected to hold approximately 48% and 27%, respectively, of the total number of Shares of the Company immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-Allotment Option is not exercised).

NWS's diversified business portfolio in the PRC includes more than 60 projects in the high growth sectors of roads, water, energy, ports and logistics. Two of these projects are located in Hebei Province. NWS has also explored investment opportunities in natural resources and mining projects with a view to developing these investments as part of its core business operations. The investment in the Company is part of that strategy. VMS focuses on enforcement of corporate governance standards on its investees, and has devoted considerable capital and human resources to the mining industry.

We expect to benefit from NWS's strong commitment to the Company, and to leverage NWS's global perspective and corporate governance measures, together with its investment, local knowledge and relationship network to enhance our strategic business model.

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We believe the investment by NWS and VMS has enhanced and will maintain the corporate governance culture of the Company at internationally accepted standards, as well as provide guidance for mid- and long-term development of the Company, including potential merger and acquisition opportunities for the Company. The Controlling Shareholders have demonstrated their support for our business plan and management team through the provision of shareholder loans in the amount of approximately US\$84.2 million up to 30 April 2011.

BUSINESS STRATEGIES

Our vision is to become a leading iron ore operator in China and to implement NWS's strategic vision of using the Company as a platform to acquire and operate mining assets within the steel supply chain. We plan to accomplish this goal by pursuing the following strategies:

Develop and expand our mining and processing capacities to ramp up our iron concentrate production.

Our current production expansion plan is to increase our mining and processing capacities to 10,500 ktpa in the second quarter of 2012, and we expect to reach this level of production in October 2012. We will continue to increase our mining and processing capacity as we engage in further exploration work and discover additional defined reserves. Our current mining permit for the Yanjiazhuang Mine allows us to mine at a total capacity of 3,000 ktpa. As part of Phase One of our expansion plan, we intend to increase our iron ore mining and processing capacities at the Yanjiazhuang Mine to achieve 3,000 ktpa. During Phase One of our expansion plan we expect our total iron ore mining capacity to increase to 3,000 ktpa by developing three open-pit mining pits. As part of Phase One of our expansion plan, we have completed the upgrade of the existing No. 2 Processing Facility at the end of May 2011. As a result of these planned increases in mining and processing capacities, in June 2011, we expect to expand our ore processing capacity to 3,000 ktpa and production capacity for iron concentrate to approximately 760 ktpa.

We commenced preparation for Phase Two of our expansion plan in September 2010. Phase Two involves increasing both our mining and ore processing capacities by an additional 4,000 ktpa to reach 7,000 ktpa by the third quarter of 2011 and achieving an iron concentrate production capacity of approximately 1,770 ktpa. To that end, we have applied to the relevant government authorities for the necessary permits for the planned increases in our mining and processing capacities at the Yanjiazhuang Mine. During Phase Two of our expansion plan, we plan to develop three additional open-pit mining pits, construct one additional dry magnetic cobbing system and build the No. 3 Processing Facility, a large ore processing facility with a capacity of 4,000 ktpa.

We intend to further expand our ore processing capacity to 10,500 ktpa and achieve an iron concentrate production capacity of approximately 2,655 ktpa during Phase Three of our expansion plan, which we expect to complete in the second quarter of 2012. We expect to reach this level of production in October 2012. We believe that as the expected growth in demand for iron ore products in China and domestic supply shortfall continue, the expansion of our iron concentrate production capacity will enable us to capture growing market opportunities.

Expand our iron ore reserves and resources through exploration and acquisitions.

We plan to take further advantage of the exploration potential under our existing iron ore mining permit to grow our reserves and resources. As of the Latest Practicable Date, we have not yet explored and developed all of the mineralized bodies in the defined resources located within the 5.22 km² area covered by our current mining permit. As part of our plans for organic growth, we intend to explore the open mineralized ore bodies within our current permitted mining area that have yet to be drilled. Such ore bodies are expected to contain substantial iron ore resources. We believe the mineralized ore bodies within the defined resources extend to even greater depths than currently estimated. We plan to mine

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deeper into these ore bodies with a view to increasing our iron ore resources because the iron content generally increases in relation to the depth of the iron ore source and, as such, these unexplored ore bodies may yield greater quantities of iron ore than we are currently able to estimate. We also plan to expand our operations by exploring mineralized ore bodies that remain open and extend outside of our current permitted mining area. As of the Latest Practicable Date, we have applied to the relevant government authorities to expand the northern boundary of the permitted mining area of the Yanjiazhuang Mine by an additional 0.75 km² to take advantage of neighboring iron ore deposits. This application is subject to relevant government approval. To further increase our access to resources and reserves, we may seek to obtain additional exploration or mining permits to explore or mine the areas located to the west beyond our permitted mining area, which also have exploration potential according to the Independent Technical Report.

In addition, we are actively and selectively seeking opportunities to acquire iron ore assets. We believe that the current policies of the government of Hebei Province, as expressed in the 12th Five-Year Plan of Hebei Province, continue to encourage the growth and development of large-scale iron ore producers to increase efficiencies and economies of scale. These conditions are favorable to our strategy to acquire other iron ore mining and production assets. Through a letter dated 2 November 2009, the Lincheng County government authority recognized our acquisition strategy and indicated its direct support of our activities, which are consistent with its efforts to consolidate the iron ore assets in the surrounding region to create efficient economies of scale. We believe the Lincheng County government's support of our iron ore asset consolidation strategy may include expedited review and approval of our potential merger or acquisition plans and the implementation of its efforts to consolidate iron ore assets. We have entered into a contract with the 11th Geological Brigade in February 2010 to acquire the exploration rights to two iron ore mines located in Hebei Province, the Gangxi Mine and the Shangzhengxi Mine. We will decide whether to develop these mines upon completion of the relevant exploration reports. As we continue to seek potential acquisition targets, we will focus on acquiring mines with exploration rights, leveraging the extensive exploration experience of our geological team, because exploration permits are lower in cost and can be converted into mining permits if reserves are discovered and successfully defined. For example, our average exploration expenditure for the Yanjiazhuang Mine, computed based on our exploration related expenditures accumulated up to 31 December 2010 of RMB19 million and our total proved and probable iron ore reserves of 260.0 mt, was RMB0.07 per tonne. We will also consider acquiring the mining rights of local iron ore assets that offer significant opportunities for the expansion of our iron ore reserves.

We believe the foregoing exploration, acquisition and development strategies will enable us to achieve rapid expansion of our operations and to accelerate our growth. In addition, we estimate that we will invest approximately RMB30 million with respect to our planned exploration activities at the Yanjiazhuang Mine, the Gangxi Mine and the Shangzhengxi Mine. In implementing our exploration, acquisition and development strategies, we will be guided by our executive Directors and senior management, whose extensive industry expertise will facilitate the careful evaluation and selection of potential exploration and acquisition targets to ensure that we exploit mining reserves efficiently, achieve optimal results and create value. Furthermore, we believe that our executive Directors, who have an average of approximately 29 years of mining industry experience, are able to identify selected mine areas with a significant potential of iron reserves and resources so that we may subsequently convert exploration permits into mining permits.

Strengthen our customer relationships and broaden our customer base.

Our close proximity to steel producers in Hebei Province and potentially large amounts of iron ore resources have allowed us to enter into potential long-term supplier relationships with six large steel producing customers: Hebei New Wuan, Handan Iron & Steel, Wen'an Iron & Steel, Hebei Baoxin, Xingtai Weilai and Xingtai Longhai. We intend to develop and strengthen these relationships to stabilize and grow our revenue. Although customer demand in Hebei Province generally tends to be greater than

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what we expect to be able to supply, our executive Directors and senior management have substantial work experience in the steel and mining industries in Hebei Province, and as such are familiar with, and maintain good relationships with, the senior management teams of various steel producers there. These relationships may help us better anticipate the timing of their orders or specific requests so that we may more sufficiently meet the needs of our customers.

We also intend to minimize sales risks by growing our customer base. To that end, we will focus on increasing our geographical reach with a view to broadening our customer base. As we implement our expansion plan to fostering supplier arrangements with a larger but defined group of customers will enable us to reduce marketing costs relating to sales of additional iron ore supplies once we increase our production capacity. In addition, we seek to diversify our customer base as we extend our product coverage to include mining by-products such as gabbro-diabase, which we expect to commence commercial production in July 2011.

Continue to explore growth opportunities through strategic partnerships with major steel manufacturers in China.

We are seeking to develop strategic relationships with prominent steel manufacturers, with a view to complement to our growth strategy. We entered into an agreement with Shougang Hong Kong on 28 April 2011.

Under this agreement, we are obligated to sell, and Shougang Hong Kong is obligated to buy, 30% of our annual iron concentrate production (which we will endeavor to supply at a grade not lower than 66%), at a 3% discount to the market price at the time of supply, regardless of whether Shougang Hong Kong and the Company enter into a definitive supply agreement or specific purchase orders. Furthermore, Shougang Hong Kong has agreed to invest an amount of HK\$400 million in our Shares as a cornerstone investor in our Global Offering. See “Cornerstone Investor”.

Shougang Hong Kong and the Company also expect to enter into agreements to pursue resource-related opportunities in acquisitions in China and overseas and to cooperate in relation to operational matters following any such acquisitions. In addition, Shougang Hong Kong and the Company expect to enter into a separate technical support agreement, pursuant to which Shougang Hong Kong would provide technology support and expertise to the Company in areas including project exploration, evaluation, due diligence, and operations (including at our existing Yanjiazhuang mine). The Shougang Agreement contemplates that Shougang Hong Kong and the Company will negotiate and enter into a strategic cooperation agreement, under which the Company can invite an individual from Shougang Hong Kong, in accordance with applicable law, the Listing Rules and Stock Exchange requirements and the Articles of the Company, to serve as a non-executive director of the Company until the next annual general meeting of the Company and subsequent re-appointment shall be subject to shareholders’ approval.

Shougang Hong Kong, a wholly-owned subsidiary of Shougang Corporation, is a Hong Kong incorporated investment holding company. Through its subsidiaries and associated companies, Shougang Hong Kong is engaged in a variety of diversified businesses such as manufacturing and trading of steel and metallic products, shipping, mineral exploration and mining, property investment, and financial services. Shougang Hong Kong holds a significant number of interests in various companies listed on the Stock Exchange, representing a substantial market value as of the Latest Practicable Date. We are not aware of any reason that would render Shougang Hong Kong unable to honor its obligations under the Shougang Agreement.

As one of the largest Chinese steel companies, Shougang Corporation is a state-owned enterprise under the direct supervision of the State Council of the PRC. Shougang Corporation’s primary focus is on the steel industry, with other operational interests in the mining, electronics and machinery, construction and real estate, service and trading industries. It is a market leader in the areas of steel industry,

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production specifications and technical expertise. Shougang Corporation's major iron production facilities are located in Hebei Province. Shougang Corporation has not guaranteed the obligations of Shougang Hong Kong under the Shougang Agreement.

Shougang Hong Kong represents an established party with whom the Company would work in the future to foster growth opportunities, develop new and existing projects and acquire increased technical expertise. In the future we will seek to enter into strategic cooperation with other major steel manufacturers in China.

Explore opportunities to develop our gabbro-diabase resources.

While maintaining our focus on the production of iron concentrate, we plan to explore the potential for the extraction of gabbro-diabase resources in the Yanjiazhuang Mine in conjunction with our iron ore mining. Gabbro-diabase, a valuable mineral resource, is commonly used to manufacture a wide variety of high-quality and high-end building products, including high-quality, high-end counter tops, interior decorative materials and indoor flooring. By developing gabbro-diabase for sale in conjunction with our existing iron ore mining, we anticipate adding a diversified revenue stream without significantly increasing our operating costs. According to the Independent Technical Report, there are approximately 207 million m³ of indicated gabbro-diabase resources at the Yanjiazhuang Mine. We plan to invest approximately RMB303.2 million to develop and commercialize these resources. We expect to commence commercial production of gabbro-diabase products in July 2011 ramping up to an annual gabbro-diabase mining capacity of 1 million m³. We expect approximately 20% of our mined gabbro-diabase resources, (200,000 m³), will be cut directly as quarry stones, and one-half of these (100,000 m³), will be sold directly to customers for their further customization. We expect to process the remaining 100,000 m³ of quarry stones into approximately 1.5 million m² of slabs. In addition, we plan to produce carving stones, powder and crushed stones from the remaining 800,000 m³ of our mined gabbro-diabase resources.

We believe that the ability to cost-effectively extract gabbro-diabase resources from our existing mine and thus expand our product offerings will open up new markets to us, improve the cost-efficiency of our operations and broaden our revenue sources as reflected by the memoranda of understanding for sale of gabbro-diabase we have entered into.

OUR PRODUCTS

Principal Product

We specialize in the production of iron concentrate that is mostly used in the manufacture of steel in China.

We commenced commercial production on 1 January 2011. We produced and sold 33.0 kt of iron concentrate in January and February 2011. We believe that the strong magnetic properties of our iron ore will enable us to yield iron concentrate of a grade of 66.0%. Based on the Independent Technical Report, we believe that our production plans, which include the production of iron concentrate of a grade of 66.0%, are reasonable and achievable and the production of iron concentrate at a grade of 66.0% meets the quality specifications of local iron concentrate customers.

Mining By-product to be Developed — Gabbro-diabase

In addition to the production of iron concentrate, we plan to develop our gabbro-diabase resources in four stages between January 2011 and the first quarter of 2013, and to commence commercial production of gabbro-diabase in July 2011. Gabbro-diabase is a valuable mineral resource naturally occurring in the footwalls and hanging walls of our iron ore bodies at the Yanjiazhuang Mine. According to the Independent Technical Report, there are approximately 207 million m³ of indicated gabbro-diabase resources at the Yanjiazhuang Mine, classified as such under the JORC Code. Gabbro-diabase is an igneous rock known for its hardness, abrasion resistant qualities and durability. Gabbro-diabase, along

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with diabase, exhibits market characteristics that are similar to granite and each such stone product is generally substitutable for the other. For additional information regarding the market characteristics of diabase and granite, see “Industry Overview – Introduction to Diabase.”

We consider the production of gabbro-diabase to be cost-efficient because we do not need to expend substantial resources for its production. Based on the Independent Technical Report, the commercial production of our gabbro-diabase resources is expected to benefit from production cost-sharing with our iron concentrate production process. The removal of gabbro-diabase is already part of our normal mining operations to reach the underlying iron ore. We believe the commercialization of gabbro-diabase increases the value of the Yanjiazhuang Mine. As a result of these factors, we are in the process of developing more efficient strategies to mine and commercialize this product.

OUR MINERAL RESOURCES

Overview

As of the Latest Practicable Date, we held a mining permit for the Yanjiazhuang Mine, located in southern Hebei Province, China. We commenced commercial production on 1 January 2011. We produced and sold 33.0 kt of iron concentrate in January and February 2011. We successfully completed test runs and limited trial production of our facilities and equipment. The following table sets forth detailed information for the Yanjiazhuang Mine.

	Yanjiazhuang Mine
Background data:	
Test runs of facilities and equipment	20 December through 31 December 2010
Fine-tuning of equipment	20 December through 31 December 2010
Detailed drilling and survey	January 2010
Nature of mine	Iron ore mine
Type of mining permitted	Magnetic open-pit mining
Mine life	26 years ⁽¹⁾
Permitted mining rights area (km ²)	5.22
Permitted exploration rights area (km ²)	5.79 (10 December 2007 – 17 April 2008) 3.24 (27 March 2008 – 20 May 2009) ⁽²⁾
Reserves and resources data (based on JORC Code):	
<i>Iron ore</i>	
Proved reserves (Mt as of 31 December 2010)	85.8 ⁽³⁾
Probable reserves (Mt as of 31 December 2010)	174.2 ⁽³⁾
Total proved and probable reserves (Mt as of 31 December 2010)	260.0 ⁽³⁾
Total measured and indicated resources (Mt as of 31 December 2010)	311.8
<i>Gabbro-diabase</i>	
Total indicated resources (million m ³ as of March 2010)	207

We acquired our mining right for the iron ore reserves in the current permitted mining area of the Yanjiazhuang Mine for consideration of RMB21.4 million (including exploration costs), which has been fully paid as of 31 December 2010.

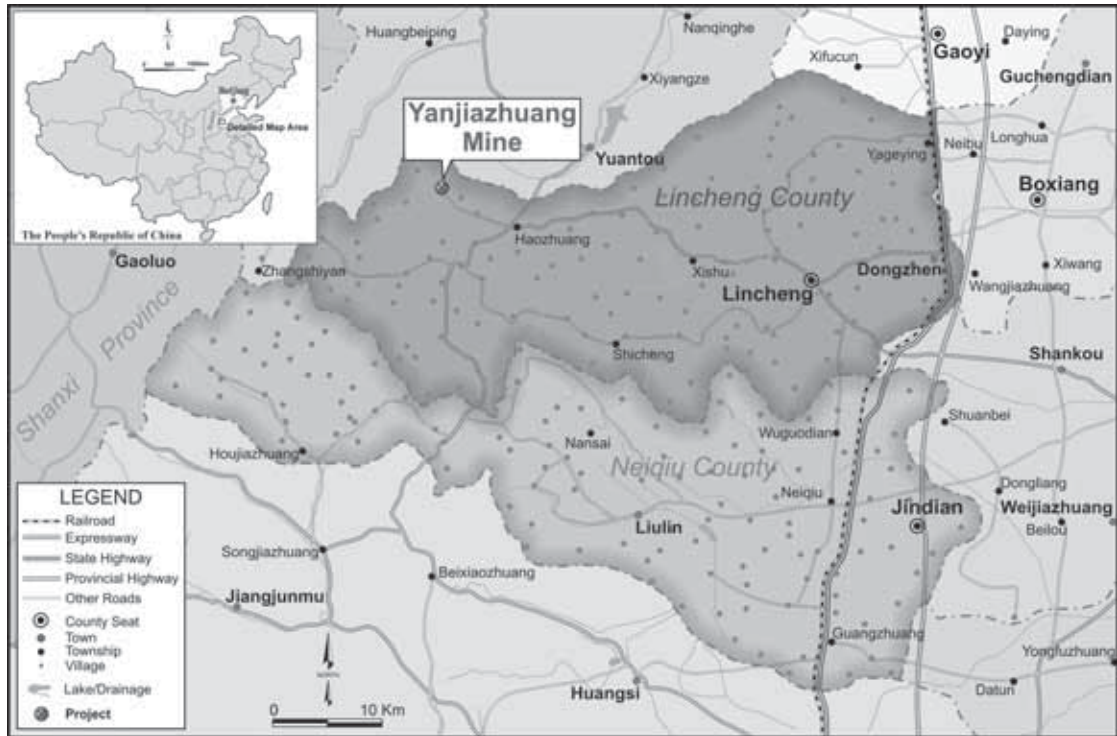
Note: Our attributable share of the ore reserve and mineral resource is 99%. The reporting standard for ore reserve and mineral resource is the Australian JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

- (1) According to the Independent Technical Advisor, the estimated mine life of the Yanjiazhuang Mine is approximately 26 years based on its ore reserve estimates as of 31 December 2010 and assuming mining and ore processing capacities gradually increase to 10,500 ktpa in the second quarter of 2012 (we expect to reach this level of production in October 2012) and gradually decrease at the end of the Yanjiazhuang Mine’s life.

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- (2) Our exploration permit obtained in March 2008 expired upon its conversion to a mining permit in May 2009.
- (3) Proved reserves of 85.8 Mt and probable reserves of 174.2 Mt have been converted from total measured and indicated resources of 311.8 Mt.

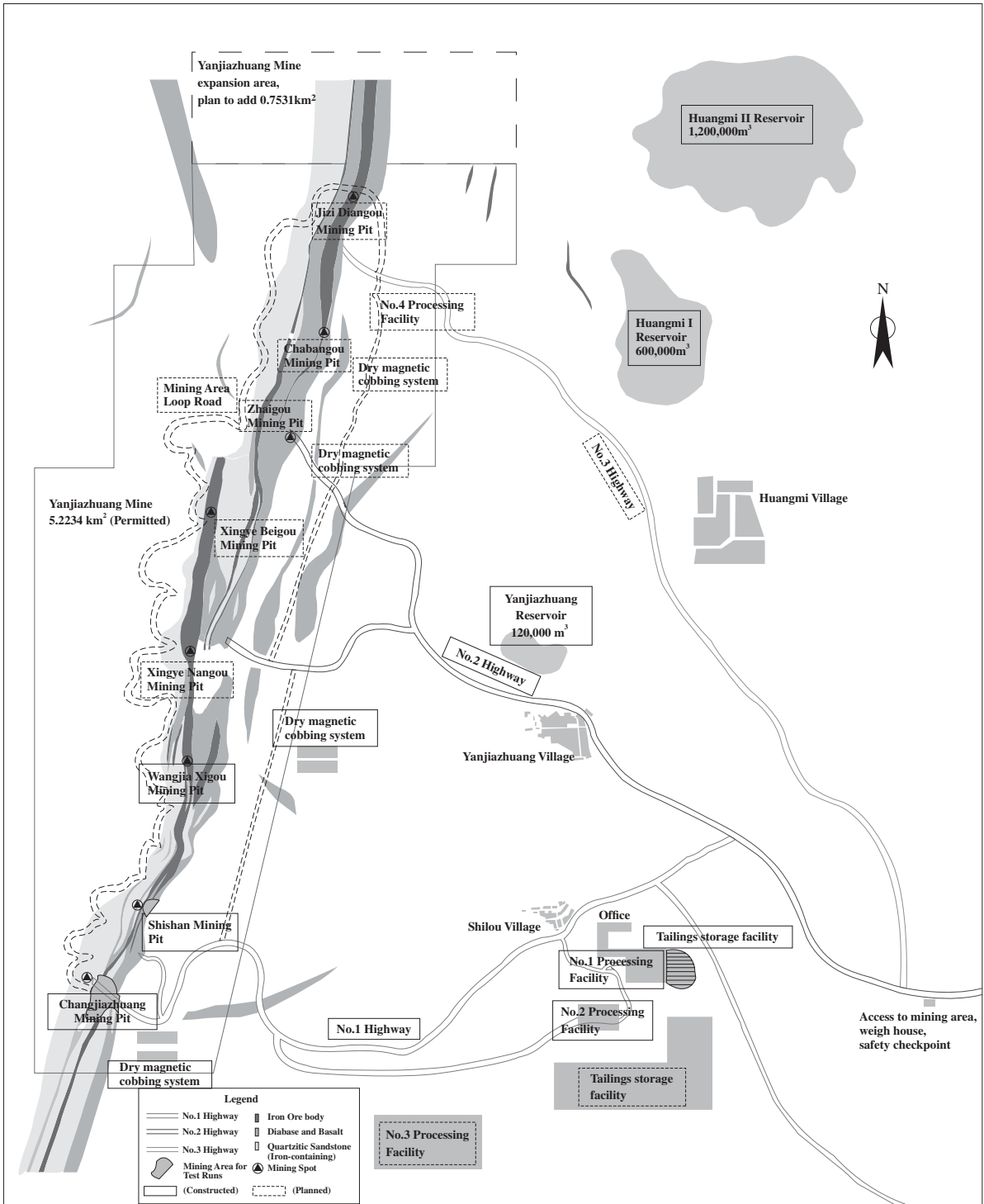
The following map illustrates the location of the Yanjiazhuang Mine:



Source: Independent Technical Report

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The following map sets forth details of our current operations and planned development of the Yanjiazhuang Mine:



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We commenced commercial production on 1 January 2011. For additional information about our expansion plan, see “— Future Plans for Expanding Production Capacity for the Yanjiazhuang Mine” and “Financial Information — Financing of Our Mining Projects.”

Our location in Hebei Province provides us with a strategic mining environment. The favorable geological, weather and mining conditions of the region allow for the operation of our facilities for practically the entire year. We source our water, a key component in our iron mining and production processes, from surface drainages in the Yanjiazhuang Mine area, the Yanjiazhuang Reservoir (a surface water reservoir with an existing water storage capacity of approximately 120,000 m³) and the Huangmi I and Huangmi II Reservoirs (surface water reservoirs with an existing water storage capacity of approximately 600,000 m³ and 1,200,000 m³ respectively), all located close proximity to the Yanjiazhuang Mine. We plan to secure additional water resources to support our processing facilities, including completing construction of Longjiawan Reservoir, which is expected to have a water storage capacity of 300,000 m³ and which has already started to supply water, as well as a new water supply system from Lincheng Reservoir. We have received local authorities’ approval to access a water supply of up to 10,000,000 m³ per year from the Lincheng Reservoir. Our power supply is provided by the local Lincheng County power grid through the Haozhuang Town substation located approximately 7 km east of the Yanjiazhuang Mine. We plan to construct two new converting stations which will each have a capacity of 32,000 kVA. We expect to invest approximately RMB28.6 million in the construction of the two converting stations, of which one each is expected to be completed by the end of Phase Two and Phase Three.

Within the Yanjiazhuang Mine property, we have constructed access roads to the planned open pit. The Independent Technical Advisor has opined that these roads will be sufficient to support the planned Phase One production. We plan to extend these roads to additional portions of the planned open pit mining area to support Phase Two and Phase Three of our three-phase expansion plan.

Mine design

Our current mining permit for the Yanjiazhuang Mine is for open-pit mining. The four identified ore bodies in the Yanjiazhuang Mine generally protrude as outcrops on ridges and are ideal for exploitation using this method. Upon reaching a certain stage of our mining operations after our three-phase production ramp up, we may construct a conveyor system to haul the pre-concentrated ore to our processing facilities. In addition, we intend to improve our road transportation infrastructure within the Yanjiazhuang Mine area to complement our planned expansion by building and expanding roads between our mining pits, processing facilities and other supporting facilities.

Sinosteel conducted a pre-feasibility study, including pit optimization, pit design and estimation of future operating costs, and developed a mine plan, both of which were reviewed by Behre Dolbear. Behre Dolbear’s review indicates that Sinosteel’s pit optimization and final pit design for the Yanjiazhuang Mine have generally been performed correctly. The scope of work performed under the pre-feasibility study is greater than that under a scoping study required under the Listing Rules. We commenced commercial production on 1 January 2011. The Company currently operates under the mine plan, which has been reviewed by Behre Dolbear. Behre Dolbear has noted that a detailed mine plan is not critical to the operations and profitability of Yanjiazhuang Mine, especially at the early stage of the Company’s operations. While the existing mine plan is appropriate to support mining operations, the Company continues to refine and enhance the comprehensiveness of its mine plan with a view to further improving its production efficiency and profitability. The Company’s current mine plan is not considered to be a “detailed” mine plan as it did not use a detailed grade model, the pit slope was not based on a detailed geotechnical study and the mine production schedule was not based on detailed pit phase design. However, as the ore grade is relatively consistent, not using a detailed grade model is considered acceptable for a pre-feasibility study-level mine plan; mine production based on the current mine plan is operational and profitable. Behre Dolbear is of the opinion that the absence of a detailed mine plan would not materially adversely impact the Company’s mining operations in the earlier years and would not impact the Company’s ability to achieve commercial production. The Company is

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preparing more detailed two-year and 10-year mine plans, which are expected to be completed in September 2011. Furthermore, the Company has also begun preparing a detailed 26-year mine plan which is expected to be completed in December 2011. In the course of preparing the two-year detailed mine plan, the Company's findings are generally consistent with the assessment on the Yanjiazhuang Mine performed by Behre Dolbear. The findings from the preparation of the two-year detailed mine plan have not indicated anything that would materially adversely affect the Company's current mining operations. Based on the progress and the analyses so far, the Company expects that its two-year detailed mine plan would not have any material adverse deviations from the pre-feasibility study conducted by Sinosteel and reviewed by Behre Dolbear. The Company will make appropriate announcements in relation to each of these mine plans in accordance with the Listing Rules as and when appropriate.

We have not conducted a detailed geotechnical study to develop our mine plan. The purpose of a detailed geotechnical study is to fully optimize a pit for mining activities and Behre Dolbear has confirmed it is not essential to have completed additional geotechnical or grade studies in order to conduct profitable mining operations or to reach commercial production.

In China, mining companies will generally employ a relatively conservative (i.e. lower) slope angle in the absence of a detailed geotechnical study, resulting in a higher stripping ratio (i.e. assumption that more waste needs to be removed). As part of the Company's approach to developing a prudent mine plan, higher stripping ratios starting in year three (2013) which further increase in year seven (2017) have been adopted in the absence of detailed geotechnical study for the Yanjiazhuang Mine. Behre Dolbear's review indicates that the forecast operating costs for the Yanjiazhuang Mine are generally in line with similar operations in China, and therefore are considered reasonable and achievable. Behre Dolbear further concluded that the forecast operating costs, which employ a relatively conservative approach with respect to stripping ratios, as described on page V-37 of the Independent Technical Report, are significantly lower than the current and forecast iron concentrate prices in China, thus indicating that the Yanjiazhuang Mine should be a profitable mining operation. In light of the existing conditions at the Yanjiazhuang Mine and the current stage of the mine's development, the Company believes that the existing geotechnical studies and mine plan are appropriate. The Company will continue to evaluate the need for additional geotechnical studies and expects to continue to update its mine plan periodically as the mine develops. In the event that additional geotechnical work is undertaken, the Company believes that it may be possible to increase the pit slope angle, which could reduce the stripping ratio and enhance margins and profitability.

Mineral ore

According to the Independent Technical Report, at least four mineralized bodies containing magnetite, a type of iron ore, have been detected in the mining rights area of the Yanjiazhuang Mine. This iron ore contains low levels of harmful elements, such as sulfur and phosphorus.

The following table sets forth information regarding our iron ore reserves as of 31 December 2010:

JORC Ore Reserve Category	Tonnage	Grades		Contained Metals	
	Mt	TFe %	mFe %	TFe Mt	mFe Mt
Proved	85.80	21.39	18.48	18.35	15.85
Probable	174.21	19.97	17.30	34.79	30.13
Total	260.01	20.43	17.68	53.14	45.98

Source: Independent Technical Report

Note: Our attributable share of the ore reserves is 99%. The reporting standard for our iron ore reserves is the Australian JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

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The following table sets forth information regarding the iron ore resources, as classified under the JORC Code, in the four mineralized bodies of the Yanjiazhuang Mine as of 31 December 2010:

Mineralized Body Number	JORC Mineral Resource Category	Tonnage Mt	Grades		Contained Metals	
			TFe %	mFe %	TFe Mt	mFe Mt
I	Measured	40.32	23.36	21.00	9.42	8.47
	Indicated	20.24	20.60	17.96	4.17	3.64
	Subtotal	60.56	22.43	19.98	13.59	12.10
II	Measured	40.28	22.46	18.37	9.05	7.40
	Indicated	61.10	22.20	17.67	13.50	10.79
	Subtotal	101.38	22.24	17.94	22.55	18.19
III	Measured	19.20	20.92	18.52	4.02	3.56
	Indicated	129.81	20.60	18.53	26.74	24.05
	Subtotal	149.01	20.64	18.53	30.76	27.61
IV	Indicated	0.81	19.15	16.78	0.16	0.14
Total	Measured	99.80	22.53	19.46	22.48	19.42
	Indicated	211.96	21.03	18.22	44.57	38.62
	Total	311.76	21.51	18.62	67.05	58.04

Source: Independent Technical Report

Note: Our attributable share of the mineral resource is 99%. The reporting standard for mineral resource is the Australian JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

Mine life

According to the Independent Technical Advisor, the estimated mine life of the Yanjiazhuang Mine is approximately 26 years based on its ore reserve estimates as of 31 December 2010 and assuming mining and ore processing capacities gradually increase to 10,500 ktpa in the second quarter of 2012 (we expect to reach this level of production in October 2012) and gradually decrease at the end of the Yanjiazhuang Mine's life. However, an increase in resources due to additional exploration and development of the mines or the expansion of the Yanjiazhuang Mine permit area could extend the mine life. Conversely, if we increase our planned production rate or if the amount of reserves is less than we expect, the mine life of the Yanjiazhuang Mine could be shortened.

Expansion

As of the Latest Practicable Date, we have applied to the relevant government body for a license to explore a 0.75 km² area adjacent to the northern boundary of the permitted mining area of the Yanjiazhuang Mine for mineralized bodies. The development plan for this adjacent 0.75 km² area is not included in our three-phase expansion. We estimate the costs for the acquisition of mining and exploration rights for this adjacent area to be RMB30 million. We expect that any additional resources discovered at this area could be processed through the facilities we build in our three-phase expansion plan. The final development plan of this adjacent land is subject to government approval and the outcome of further exploration. If we receive the exploration license and consider the area to be attractive after exploration, we will apply for the relevant permits to develop mining operations for such area.

Technical Risk Assessment

Our Independent Technical Advisor, Behre Dolbear, has performed a risk assessment on the Yanjiazhuang Mine and our production facilities and has confirmed in its report that it does not consider any of the perceived technical risks associated with the Yanjiazhuang Mine as “high” risks. Our management team is aware of the operational risks and fully understands that the management of safety and production are important elements to reduce the operational risks involved. For further information, see “Appendix V — Independent Technical Report”.

No material changes have occurred in our iron ore reserves and resources since the effective date of the Independent Technical Report included in Appendix V to this prospectus.

OUR MINING RIGHTS

Under PRC laws, mining companies must obtain, at the minimum, a mining permit and the relevant production safety permits for a mining site prior to the commencement of commercial production. Mining companies in Hebei province must also obtain relevant metallurgical mineral production permits. The primary relevant PRC laws and regulations governing iron ore mining activities include the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), Implementing Rules on the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》), Regulations on Production Safety Permits (《安全生產許可證條例》), Implementing Rules on the Production Safety Permits of Non-coal Mining Enterprises (《非煤礦礦山企業安全生產許可證實施辦法》) and Rules on the Supervision and Administration of Production and Trading of Metallurgical Mineral Products of Hebei Province (《冶金礦產品生產經營監督管理條例》). See “Regulation”.

Mining companies may also obtain an exploration permit prior to obtaining a mining permit in order to conduct exploration activities to determine if a potential mining area is commercially feasible. Upon deciding to continue with the development of a mining area, a mining company may then apply for mining and relevant production safety permits.

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We obtained an initial exploration permit for the Yanjiazhuang Mine in December 2007. We renewed the relevant portion of the exploration permit in March 2008, which was then converted into a mining permit in May 2009. The following table summarizes information related to our mining, exploration, production safety and metallurgical mineral production permits for the Yanjiazhuang Mine:

Permit type	Registered permit holder	Area (km ²)	Permit issuance date (month/year)	Permit expiry date (month/year)	Scope of Permit
Exploration permits ⁽¹⁾	Xingye Mining	5.79 3.24	December 2007 March 2008	Expired May 2009 ⁽²⁾	
Mining permit ⁽¹⁾	Xingye Mining	5.22	May 2009	July 2017	Type of mine: Iron ore mine Operation scale: 3,000 ktpa for open-pit mining
Production safety permits . . .	Xingye Mining	N/A	April 2008 August 2010	April 2011 ⁽³⁾ August 2013	Tailings storage facility Open-pit mining
Metallurgical mineral production permits	Xingye Mining	N/A	September 2010 September 2010	September 2013 September 2013	Iron ore Iron concentrate

(1) As of 31 December 2010, we have paid RMB2.3 million in fees and expenditures for our mining and exploration permits.

(2) Our exploration permit obtained in March 2008 expired upon its conversion to a mining permit in May 2009.

(3) We currently do not have a valid production safety permit for our tailings storage facility as the permit has expired, and we are currently applying for a new permit. For more information, see “Risk Factors — Risks Relating to our Business — Our failure or inability to obtain, retain and renew required government approvals, permits and licenses for our exploration and mining activities could materially and adversely affect our business, financial condition and results of operations.”

Exploration Permits

We obtained exploration rights on 10 December 2007 for a land area of 5.79 km² and additional exploration rights on 27 March 2008 to explore the mining area of the Yanjiazhuang Mine. During the term of our exploration permit issued in December 2007, we obtained sufficient exploration results for an area of land measuring 2.55 km². As a result, we did not need to further explore that area when we renewed our exploration permit. We applied for and obtained a renewed exploration permit in March 2008 for the remaining 3.24 km² area of land.

As advised by our PRC legal advisor, King & Wood, under relevant PRC laws and regulations, a mining permit holder possesses the right to explore the area covered by the mining permit, and exploration permits are only necessary when a mining permit has not previously been obtained for the area under exploration. Our exploration permit issued in March 2008 was converted into a mining permit in May 2009. As the permitted mining area under our mining permit includes the 3.24 km² area of land covered under the exploration permit issued in March 2008, it is not necessary for us to maintain a current exploration permit for such area. Upon obtaining our current mining permit, the exploration permit covering the 3.24 km² of land expired. As of the Latest Practicable Date, we had not engaged in any exploration or mining activities without a valid exploration or mining permit.

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Mining Permits

On 20 May 2009, we obtained one mining permit covering an area of approximately 5.22 km² with a mining quota of 3,000 ktpa of iron ore for the Yanjiazhuang Mine. This permit expires in 2017. We have applied to the relevant government body for a license to explore a 0.75 km² area adjacent to the northern boundary of the permitted mining area of the Yanjiazhuang Mine for mineralized bodies. If we receive the exploration license and consider the area to be attractive to us after exploration, we will apply for the relevant permits to develop mining operations for the area. We estimate the costs for the acquisition of mining and exploration rights of the 0.75 km² expansion area will be approximately RMB30 million.

Under the relevant PRC laws, if residual reserves remain after a mining permit expires, the mining permit holder may apply for renewal for an additional term. As advised by our PRC legal advisor, King & Wood, as long as the Yanjiazhuang Mine has residual proved and probable reserves upon expiration of the mining permit, we are permitted to apply for a renewal of our mining permit, and there are no foreseeable legal impediments for us to renew our mining permit. We plan to continue to renew our mining permit for the Yanjiazhuang Mine for the duration of its estimated mine life.

Production Safety Permits

Under PRC laws and regulations, mining companies are required to obtain the necessary production safety permits upon successful inspection of their facilities. During the inspection of the facilities, the establishment of production safety facilities and compliance with production safety standards are inspected and reviewed to determine their sufficiency. On 23 July 2009, the Xingtai Municipal Production Safety Administration and Supervision Bureau (邢臺市安全生產監督管理局) issued a notice permitting us to engage in the design and construction of our mining pits and facilities. A production safety permit for open-pit mining at the Yanjiazhuang Mine was issued to us in August 2010 for a term of three years, expiring in August 2013. A production safety permit for a tailings storage facility at the Yanjiazhuang Mine was issued in April 2008 for a term of three years and expired in April 2011, and we are currently applying for a new permit. For additional information, see “Risk Factors — Risks Relating to our Business — Our failure or inability to obtain, retain and renew required government approvals, permits and licenses for our exploration and mining activities could materially and adversely affect our business, financial condition and results of operations.”

As of the Latest Practicable Date, our PRC legal advisor, King & Wood, has advised that there are no foreseeable legal impediments for us to renew the production safety permits.

Metallurgical Mineral Production Permits

Under the local rules and regulations of Hebei Province, mining companies are required to obtain metallurgical mineral production permits after obtaining the relevant business license, mining permit and production safety permits but prior to commencing commercial production. We obtained all requisite permits, licenses and approvals in 2010 and commenced commercial production of iron concentrate as of 1 January 2011.

As of the Latest Practicable Date, our PRC legal advisor, King & Wood, has advised that there are no foreseeable legal impediments for us to renew the metallurgical mineral production permits.

OUR EXISTING PRODUCTION OPERATIONS AND FACILITIES

Overview

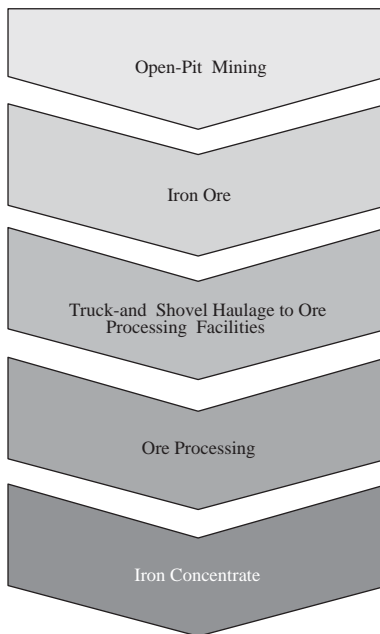
We are primarily engaged in the business of mining and processing iron ore to produce iron concentrate. We commenced commercial production on 1 January 2011. We produced and sold 33.0 kt of iron concentrate in January and February 2011.

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During the Track Record Period, we focused on exploring and developing the Yanjiazhuang Mine. In less than four years since the signing of the letter of investment with the People's Government of Lincheng County of Hebei Province in March 2006 we completed initial exploration activities, and excavated and constructed a mining site comprising two open-pit mining pits, two ore processing facilities and one dry magnetic cobbing system. We have also developed access to supporting infrastructure including sourcing water supplies from surface drainages in the Yanjiazhuang Mine area, the Yanjiazhuang Reservoir, which has an existing water storage capacity of approximately 120,000 m³, the Huangmi I Reservoir, which has an existing water storage capacity of approximately 600,000 m³ and the Huangmi II Reservoir, which has an existing water storage capacity of approximately 1,200,000 m³, and obtaining water from the Longjiawan Reservoir and having received local authorities' approval to access a water supply of up to 10,000,000 m³ per year from the Lincheng Reservoir. We have also constructed roadways within the Yanjiazhuang Mine area to increase our hauling capacity between mining pits and processing facilities and increase access from our mine area to a local highway.

Production Process

The following diagram sets forth our production process of our iron concentrate as of the Latest Practicable Date:



Our iron concentrate production involves three main processes: mining, hauling and ore processing.

Mining

We follow standard mining procedures in accordance with the general practice in the iron ore industry. After completing initial exploration activities, we conduct drilling, sampling and analysis to identify and determine the location and characteristics of the underlying ore. Based on the initial analysis, we typically outline a plan setting forth the planned mining and production operations, including the technical aspects such as the planning and design of the pits, processing facilities, and operational safety as well as connecting roadways and other supporting infrastructural needs. We commission outside technical advisors to conduct feasibility studies on the mining plan layout. In accordance with the relevant PRC regulations, we engage a professional mine design company with the requisite qualification prescribed by the PRC Government to carry out the mine construction design based on an exploration report that we submit to the PRC Government.

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We intend to mine the Yanjiazhuang Mine as an open pit operation for a significant portion of its life as long as mineralized bodies are exposed on the mine surface. We use the open-pit mining method to extract iron ore from the ore bodies exposed on the mine surface, as outcropping ridges. We have been able to uncover and mine the ore using the drill-and-blast, excavator-and-truck method. The main mining equipment that we use for our mining operations includes rotary drills, air compressing equipment, excavators, breaking hammers, down-hole drills and shovel dozers. We also engage third-party contractors to mine our iron resources and consolidate the extracted iron ore at the mine for hauling. See “— Third-Party Contractors”. According to the Independent Technical Report, the expected strip ratio for the initial three production years will increase from 2.41:1.00 to 3.00:1.00, and will then remain constant at 3.00:1.00 up to year seven of our planned production, after which the strip ratio is expected to increase to 3.40:1.00 for approximately 15 years. For additional information, see “Risk Factors — Risks Relating to Our Business — Our operations are primarily exposed to uncertainties in relation to one major project, the Yanjiazhuang Mine.” and Appendix V — Independent Technical Report — Risk Analysis — Open Pit Mining.

We also intend to utilize the open-pit mining method to extract our gabbro-dabase resources, which occur in the footwalls and hanging walls of our iron ore bodies at the Yanjiazhuang Mine. The removal of gabbro-dabase is already a part of our normal mining operations in order to reach the underlying iron ore in our mining pits. As a result, it is expected that the production of gabbro-dabase, including mining costs, will benefit from production cost sharing with the production of iron concentrate.

Hauling

We hire third-party contractors to perform our hauling activities. After we extract the iron ore, the third-party contractors load the ore onto 42-tonne dump trucks using 4 m³ shovels and haul the iron ore to our processing facilities employing the conventional truck-and-shovel hauling technique. We also hire a third-party contractor to provide hauling services for our waste rock. The third-party contractor hauls any waste rock resulting from our mining activities to waste rock dumps located east of the Yanjiazhuang Mine area.

We have built roadways to facilitate the hauling of iron ore between our mining sites and processing facilities as well as between our two existing processing facilities. As of the Latest Practicable Date, these roadways were sufficient for the hauling of 3,000 ktpa of iron ore per year and we did not experience any shortage of hauling capacity during the Track Record Period. We also plan to increase the roadways within the Yanjiazhuang Mine area as part of our expansion plan. We intend to complete basic roadworks by the end of Phase Two. Our planned road infrastructure will be used solely to accommodate our planned increase in mining and ore processing capacities, including the construction and expansion of roadways to provide sufficient access for our customers to obtain iron concentrate from our processing facilities. We intend to share usage of the roadways that we construct as part of our expansion plan with the residents of the nearby Yanjiazhuang Village. We entered into an agreement with the Yanjiazhuang Village on 19 July 2006 for a term of thirty years with respect to the roadways in the Yanjiazhuang Mine area. According to the terms of the agreement, we obtained usage rights, but not ownership rights, to roads that we construct in the Yanjiazhuang Mine area, and the Yanjiazhuang Village possesses both usage and ownership rights to such roads. All of these roadways are public roads. As advised by our PRC legal advisor, King & Wood, we are not required to obtain approvals for such planned roadway infrastructure as we do not possess the ownership rights to such roads, and we are entitled to construct and expand such roads with the consent of the Yanjiazhuang Village. We obtained the consent of the Yanjiazhuang Village on 6 March 2010. Our Directors and our PRC legal advisor, King & Wood, are of the opinion that the likelihood of being challenged by the PRC government authorities regarding the construction of the planned roadways is remote; and the possibility that the Yanjiazhuang Village would withdraw its consent for us to construct additional planned roadways is low as the agreements that we have entered into with the Yanjiazhuang Village do not provide the Yanjiazhuang Village with the right to withdraw its consent.

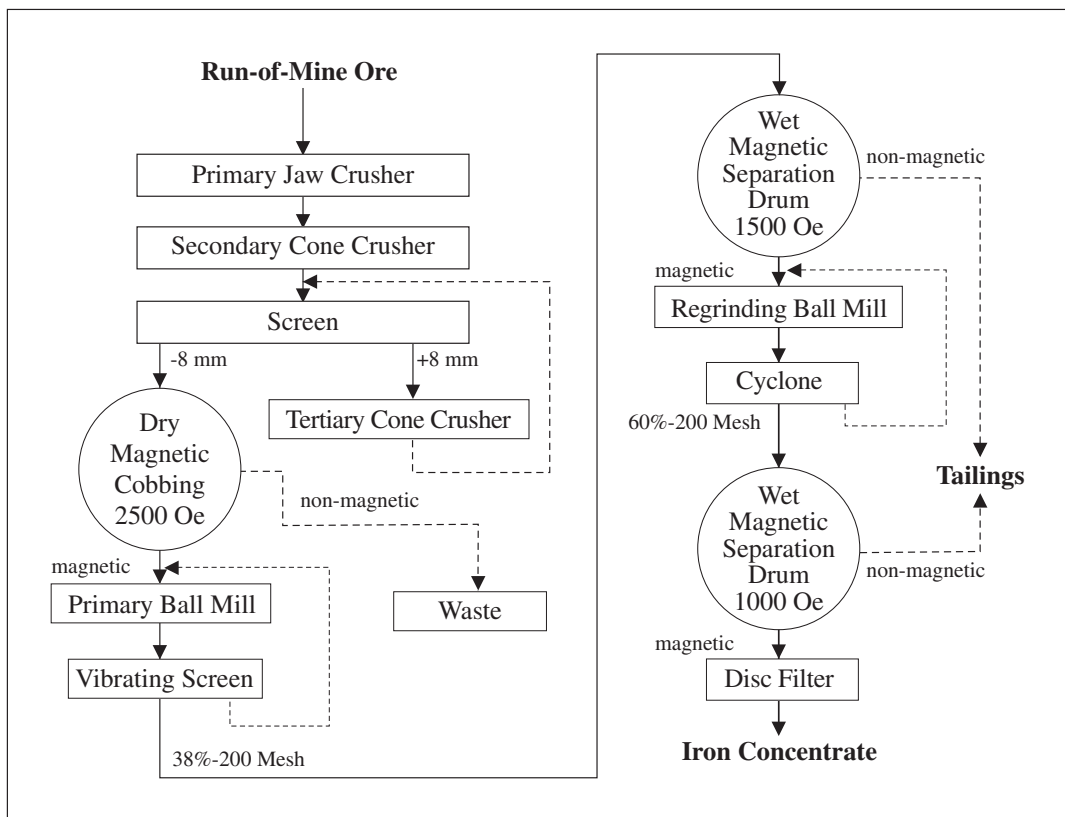
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For additional information about our planned increase in road infrastructure, see “— Future Plans for Expanding Production Capacity for the Yanjiazhuang Mine.” We believe our planned increase in roadway capacity is adequate for the hauling needs of our mining and processing operations as well as for customers to access our processing facilities to obtain iron concentrate in each phase of our expansion plan. We expect our hauling costs to increase in line with the increased activity in our business operations and the expected growth of our operations during Phase Two and Phase Three of our expansion plan.

In order to leverage the raised terrain of the Yanjiazhuang Mine, we may construct a conveyor system after our three-phase expansion plan is complete. The conveyor system, if constructed, would likely be used when the mining environment has turned to a normal open-pit mine from the current surface open-pit mine, of which truck transportation of iron ore is more suitable and cost efficient. We currently estimate that our mine site will become a normal open-pit mine from the current surface open-pit mine in the sixth year of commercial production (2016). The conveyor system would be used to transport the pre-concentrated ore, which is produced after the raw ore is processed by crushing and dry magnetic cobbing to reduce its volume by approximately 30%, to one of the four processing facilities. We expect the conveyor system would be a more efficient method of transporting the pre-concentrated ore to processing facilities than truck haulage. However, until a conveyor system is constructed, the pre-concentrated ore would be trucked to the processing facilities. Our decision whether to proceed with the construction of the conveyor system in the future, will be based on a number of factors such as economic viability and our strategy at that time. No capital commitment has been made in respect of a conveyor system and we expect that, should we construct a conveyor system, it will be funded through internally generated funds.

Ore Processing

As of the Latest Practicable Date, we operated crushers, two dry magnetic cobbing systems and two operational wet-magnetic separation ore processing facilities, namely, the No. 1 Processing Facility and the No. 2 Processing Facility, to process iron ore into iron concentrate. We produce iron concentrate through a relatively simple, low cost and environmentally safe process which includes three-stage crushing, dry magnetic cobbing, two-stage grinding; and wet magnetic separation and concentrate dewatering. The diagram below illustrates our ore processing process:



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The main phases of our processing operations are:

- *Crushing.* After excavation, iron ore is hauled to the crushers and crushed to a suitable fineness;
- *Dry magnetic cobbing.* After crushing, the ore is separated into magnetic pre-concentrate and non-magnetic waste through dry magnetic cobbing at a magnetic field intensity of 2,500 Oe. The non-magnetic tailings are hauled to a waste rock dumpsite for disposal;
- *Grinding.* The magnetic pre-concentrates are put through a grinding process using both ball mills and vibrating sieves/cyclones in two separate stages, once before each of the two phases of the wet magnetic separation process; and
- *Wet magnetic separation and concentrate dewatering.* After the initial grinding stage, a wet magnetic separation drum with a magnetic field intensity of 1,500 Oe is employed to concentrate the ore. This concentrate is fed through a second grinding process and then subsequently run through a second wet magnetic separation drum with a decreased magnetic field intensity of 1,000 Oe. Upon completion of the wet magnetic separation process, final iron concentrate are dried naturally or are processed in a disc filter. After the dewatering process, when the moisture content of the concentrates is reduced, the final iron concentrate can be transported, distributed and sold.

Our processing facilities generate tailings from the wet magnetic separation process. These tailings are drained by gravity into a tailings storage facility. Our tailings can be used in the production of cement and bricks. In addition, we strive to implement environmentally-responsible processes at our facilities, by recycling and reusing the water from the tailing ponds. We plan to construct a larger tailings storage facility in Phase Two of our expansion plan to process an increased amount of tailings resulting from our planned growth in ore processing capacities.

Processing Facilities

Our two existing processing facilities are located approximately 5 km from the Yanjiazhuang Mine, and approximately 600 m from each other. The No. 1 and No. 2 processing facilities adopt the same procedures for processing 1,300 ktpa and, after the completion of Phase One, 1,700 ktpa, respectively, of iron ore. The main equipment used for our processing operations includes jaw crushers, cone crushers, magnetic pulleys, ball mills and magnetic concentrators.

The following table sets forth the designed processing capacity of our two processing facilities as at the end of Phase One:

	Ore Processing Capacity ⁽¹⁾	Iron Concentrate Production Capacity ⁽²⁾
	(ktpa)	(ktpa)
No. 1 Processing Facility	1,300	330
No. 2 Processing Facility (currently off-line for upgrade until June 2011)	1,700	430
Total	3,000	760

(1) The ore processing capacity figures are approximate numbers and are calculated based on a number of factors including equipment capacity, equipment operating hours and the grade of the ore used.

(2) The iron concentrate production capacity figures are approximate numbers and are calculated based on a number of factors including equipment capacity, equipment operating hours and the grade of the ore used.

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During initial production at our facilities and equipment from 20 December 2010 to 27 January 2011, we processed a total of 167.7 kt of iron ore and produced a total of 40.9 kt of iron concentrate. The following table summarizes the initial production results from 20 December 2010 to 27 January 2011 at the Yanjiazhuang Mine. During the period from 20 December to 31 December 2010, we engaged in limited trial production. We commenced commercial production on 1 January 2011.

Item	Unit	Number
Raw ore feed		
tonnage	t	167,693
TFe grade	%	22.96
mFe grade	%	17.93
TFe content	t	38,502
mFe content	t	30,067
mFe/TFe Ratio		0.781
Grinding ore feed (after dry magnetic cobbing)		
tonnage	t	124,522
grinding ore/raw ore ratio		0.743
Concentrate produced (after wet magnetic separation)		
tonnage	t	40,863
TFe grade	%	64.24
TFe content	t	26,189
Raw ore/Concentrate ratio		4.104
Processing iron recovery		
raw ore to concentrate	%	68.18
Productivity		
number of working days	day	32
raw ore processing	tpd	5,240
grinding ore processing	tpd	3,902
concentrate production	tpd	1,277
Wet magnetic separation tailings grade		
TFe	%	3.41
mFe	%	0.87

Source: Independent Technical Report

During the test runs from 20 December 2010 to 27 January 2011, we achieved average daily processing rates of 5,240 tpd of raw ore and produced iron concentrate at an average daily rate of 1,277 tpd.

We commenced commercial production on 1 January 2011. We produced and sold 33.0 kt of iron concentrate in January and February 2011.

We plan to increase our ore processing capacity to 10,500 ktpa in the second quarter of 2012. We expect our ore processing capacity to increase to 3,000 ktpa upon completion of Phase One of our expansion plan in June 2011. Following the completion of Phase One, we expect to continue to increase our ore processing capacity to 7,000 ktpa by the end of Phase Two of our expansion plan in the third quarter of 2011. We plan to further increase our ore processing capacity to 10,500 ktpa by the end of Phase Three of our expansion plan, which we intend to complete in the second quarter of 2012. We expect to reach this level of production in October 2012. The table below sets forth details of our production and

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planned production upon commencement of commercial production on 1 January 2011, as indicated in the Independent Technical Report:

Item	2011	2012	2013	2014	2015	2016	2017-2031
Processed Iron Ore⁽¹⁾							
Tonnage (kt)	790	6,300	10,500	10,500	10,500	10,500	10,500
TFe Grade (%)	20.43	20.43	20.43	20.43	20.43	20.43	20.43
TFe Content (kt)	161	1,287	2,145	2,145	2,145	2,145	2,145
Processing Recovery							
Dry Magnetic Cobbing (%)	91.89	91.89	91.89	91.89	91.89	91.89	91.89
Wet Magnetic Separation (%) ..	88.90	88.90	88.90	88.90	88.90	88.90	88.90
Overall Recovery (%)	81.70	81.70	81.70	81.70	81.70	81.70	81.70
Final Product							
Iron Concentrate (kt)	200	1,590	2,655	2,655	2,655	2,655	2,655
TFe Grade (%)	66	66	66	66	66	66	66
TFe Content (kt)	132	1,052	1,752	1,752	1,752	1,752	1,752
Ore/Concentrate Ratio	3.954	3.954	3.954	3.954	3.954	3.954	3.954

Source: Independent Technical Report

Note: Our attributable share of the mineral resources is 99%

- (1) We may, from time to time, increase the utilization rate of our processing facilities, thereby increasing our actual processing capacities. Based on the Independent Technical Report, we expect to be able to operate our processing facilities for up to 330 working days per year, which is a common practice in the industry.

Operating costs

The Independent Technical Advisor has also provided an estimate of our operating and production costs based on our operating costs during initial production from 20 December 2010 to 27 January 2011. According to the Independent Technical Report, the estimated costs are significantly lower than the current and forecast iron concentrate prices in China, indicating the potential for profitability for the Yanjiazhuang Mine operations. The table below sets forth a summary of historical and estimated operating and production costs for the Yanjiazhuang Mine, as indicated in the Independent Technical Report:

Item	20 December 2010 – 27 January 2011	2011	2012	2013	2014	2015	2016	2017 to 2031
Open Pit Mining Cost								
Contract Ore Mining Cost (RMB/t of ore)	5.39	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Contract Ore Transportation (RMB/t of ore)	7.20	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Contract Waste Mining Cost (RMB/t of waste)	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Contract Waste Transportation (RMB/t of waste)	2.66	2.00	2.00	2.00	2.00	2.00	2.00	2.50
Mining Management (RMB/t of ore)	0.59	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Strip Ratio (waste to ore)	1.00	2.41	2.51	3.00	3.00	3.00	3.00	3.40
Total Mining Cost (RMB/t of ore)	18.84	33.02	33.72	37.15	37.15	37.15	37.15	41.65
Total Mining Cost (US\$/t of ore)	2.88	5.04	5.15	5.67	5.67	5.67	5.67	6.36
Processing Cost								
Workforce Employment (RMB/t of ore)	2.92	1.23	1.23	1.23	1.23	1.23	1.23	1.23
Transportation of Workforce (RMB/t of ore)	–	–	–	–	–	–	–	–
Consumables (RMB/t of ore)	6.81	13.27	13.27	13.27	13.27	13.27	13.27	13.27
Fuel, Electricity and Water (RMB/t of ore)	16.87	12.21	12.21	12.21	12.21	12.21	12.21	12.21
Total Processing Cost (RMB/t of ore)	26.60	26.71	26.71	26.71	26.71	26.71	26.71	26.71
Total Processing Cost (US\$/t of ore)	4.06	4.08	4.08	4.08	4.08	4.08	4.08	4.08

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Item	20 December 2010 – 27 January							2017
	2011	2011	2012	2013	2014	2015	2016	to 2031
Open Pit Mining Cost								
Total Mining and Processing Cost (RMB/t of ore)	45.44	59.73	60.43	63.86	63.86	63.86	63.86	68.36
Total Mining and Processing Cost (US\$/t of ore)	6.94	9.12	9.23	9.75	9.75	9.75	9.75	10.44
Total Mining and Processing Cost (RMB/t of concentrate)								
	186.49	236.17	238.94	252.50	252.50	252.50	252.50	270.30
Total Mining and Processing Cost (US\$/t of concentrate)								
	28.47	36.06	36.48	38.55	38.55	38.55	38.55	41.27
G&A and Other Cost								
On and Off-Site Management (RMB/t of ore)	1.04	1.22	2.80	3.15	3.15	3.15	3.15	3.15
Environmental Protection and Monitoring (RMB/t of ore)	0.24	0.67	0.80	1.10	1.10	1.10	1.10	1.10
Product Marketing and Transport (RMB/t of ore)	3.32	8.57	8.57	8.57	8.57	8.57	8.57	8.57
Non-Income Taxes, Royalties and Governmental Charges (RMB/t of ore)	7.24	7.25	7.65	7.60	7.60	7.60	7.60	7.60
Interest Expense (RMB/t of ore)	–	–	–	–	–	–	–	–
Contingency Allowances (RMB/t of ore)	–	1.35	1.66	0.54	0.54	0.54	0.54	0.54
Total G&A and Other Cost (RMB/t of ore)	11.84	19.06	21.48	20.96	20.96	20.96	20.96	20.96
Total G&A and Other Cost (US\$/t of ore)	1.81	2.91	3.28	3.20	3.20	3.20	3.20	3.20
Total Operating Cost (RMB/t of ore)	57.28	78.79	81.91	84.82	84.82	84.82	84.82	89.32
Total Operating Cost (US\$/t of ore)	8.75	12.03	12.51	12.95	12.95	12.95	12.95	13.64
Total Operating Cost (RMB/t of iron concentrate) ⁽¹⁾	235.08	311.54	323.87	335.38	335.38	335.38	335.38	353.17
Total Operating Cost (US\$/t of iron concentrate)	35.89	47.56	49.45	51.20	51.20	51.20	51.20	53.92
Depreciation and Amortization (RMB/t of ore)	5.34	3.50	1.70	1.60	1.60	1.60	1.60	1.00
Depreciation and Amortization (US\$/t of ore)	0.82	0.53	0.26	0.24	0.24	0.24	0.24	0.15
Total Production Cost (RMB/t of ore)	62.63	82.29	83.61	86.42	86.42	86.42	86.42	90.32
Total Production Cost (US\$/t of ore)	9.56	12.56	12.76	13.19	13.19	13.19	13.19	13.79
Total Production Cost (RMB/t of iron concentrate) ⁽¹⁾	257.03	325.37	330.59	341.70	341.70	341.70	341.70	357.13
Total Production Cost (US\$/t of iron concentrate)	39.24	49.68	50.47	52.17	52.17	52.17	52.17	54.52

Source: Independent Technical Report

As noted in the Independent Technical Report, no inflation factors have been built into the above operating cost estimates and waste mining costs will increase every year after the initial several years as the pit deepens that cause an increase in the hauling distance. We can provide no assurance that our actual operating and production costs will not differ materially from the above estimated operating and production costs.

Third-Party Contractors

During the Track Record Period, we engaged independent third-party contractors to assist us in our mining, hauling, improvement and building activities. The following table summarizes key information about each of our third-party contractors:

Type of Contractor	Roles and Activities Performed	Number of Contractors ⁽¹⁾	Work Commencement Date
Independent Third-Party Mining Contractor	Extract our iron ore, consolidate the extracted iron ore at the mine for hauling.	13	October 2009 ⁽²⁾

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Type of Contractor	Roles and Activities Performed	Number of Contractors ⁽¹⁾	Work Commencement Date
Independent Third-Party Hauling Contractor	Haul the iron ore that we excavate from our mining pits to our processing facilities.	45	July 2009
Independent Third-Party Building Contractor	(i) Build certain roadways within the Yanjiazhuang Mine to facilitate access between the mining pits, processing facilities and other areas of the mining site.	2	September 2006
	(ii) Build foundations and plants of No. 1 and No. 2 Dry Magnetic Cobbing Systems and No. 3 Processing Facility and facilities of Lincheng Reservoir water project, the converting station and new tailings storage.	5	April 2010
	(iii) Enhance the existing No. 1 and No. 2 Processing Facilities.	2	April 2010

(1) As of 31 May 2011.

(2) Most contracts are for a one-year term, which we may renew as necessary.

We engage third-party contractors to extract our iron ore, consolidate the extracted iron ore at the mine for hauling and remove the waste rock from our mining activities to waste rock dumps located outside the Yanjiazhuang Mine. Our mining management personnel oversee the third-party mining contractors. We obtain quotes from third parties during the selection of our independent third-party contractors based on price, skill and experience. According to the terms of the contracting agreement, we pay the independent contractors in several stages, including a portion at the beginning of the contracted work and at agreed-upon intervals during the work progress. Upon the completion and satisfactory evaluation of the contracted work, we will make a payment to the contractors in an amount that would bring the cumulative payment to the contractors up to 95% of the total contracted work price. We pay the remaining 5% of the contracted work price at the end of one year after completion of the contracted work.

In addition, we currently engage several independent third-party hauling contractors to haul the iron ore that we excavate from our mining pits to our processing facilities. These hauling contractors are supervised by our transportation and technical teams. We obtained quotes from third parties during the selection of our independent third-party contractors based on price, skill and experience. We pay the independent third-party contractors on a monthly basis. Pursuant to the contracts, the independent third-party contractors are responsible for losses resulting from accidents that occur during the performance of the contracted work, including vehicle malfunctions and personal injury.

During the Track Record Period, we engaged third-party contractors to build certain roadways within the Yanjiazhuang Mine to facilitate access between the mining pits, processing facilities and other areas of the mining site.

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In selecting third-party contractors, we require the third-party contractors to have the relevant production safety permits issued by SAWS and, in cases where we hire third-party contractors for mining activities, the relevant qualifications issued by the construction administrative authorities. Such third-party contractors are required to carry out their work in accordance with the design and schedule of the relevant assignments as well as with our quality, safety and environmental standards, which are typically defined in the contracts we sign. Our specialized technical management personnel typically supervises the work performed by our third-party contractors and regularly inspects safety management. Because we engage independent third-party contractors, we believe that maintaining a stable relationship with our contractors and the contractors' satisfactory performance are both critical to the success of our business operations. Under relevant PRC law, we are not required to purchase social insurance for the third-party contractors we engage because they are not considered our employees. During the Track Record Period, we did not have any disputes with the independent third-party contractors that would have resulted in a material adverse effect on our business, financial condition or results of operations. In addition, we have not experienced any suspensions or delays as a result of any improper act of the independent third-party contractors during the Track Record Period. See "Risk Factors — Risks Relating to Our Business — We engage third-party contractors for some of our mining operations."

FUTURE PLANS FOR EXPANDING PRODUCTION CAPACITY FOR THE YANJIASHUANG MINE

Due to the significant demand for iron concentrate in the PRC and Hebei Province market, we intend to increase our iron concentrate production capacity. For additional information regarding the shortage of iron concentrate supplies in the local market, see "Industry Overview — Overview of the Iron Ore Industry — Hebei Iron Ore Industry — Iron ore demand." Through our three-phase expansion plan, we intend to increase our processing capacity to 10,500 ktpa in the second quarter of 2012, and we expect to reach this level of production in October 2012. We commenced Phase One in the fourth quarter of 2009.

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. We use independent third-party contractors to perform part of our mining, hauling and road building activities.

Following the commencement of commercial production, we were impacted by severe droughts in Northern China, including the Yanjiazhuang Mine area, which were the worst experienced in the last 60 years. As a result we experienced a shortage of water supply to our processing plants and accordingly, our production levels were significantly reduced in March 2011. Instead of waiting for the drought to end and to mitigate our exposure to future droughts, we devoted significant management time and resources to identifying additional water sources and constructing facilities to give us access to them. We identified the Lincheng Reservoir as an adequate and reliable future water source and commenced construction of a 20 km long water pipeline to the Lincheng Reservoir. We estimate the Lincheng Reservoir water project will be completed by August 2011. While operating at a significantly reduced level waiting for the Lincheng Reservoir water project to be completed, we decided to utilize this period of time to undertake efforts to enhance the efficiency and reliability of our processing facilities. We undertook plant construction and modifications, including the planned Phase One upgrade to our No. 2 Processing Facility and the replacement of a section of our ore crushing equipment with machines which are able to produce crushed ores of smaller and more uniform dimensions. The upgrades to the No. 2 Processing Facility and to the crushers are expected to produce iron concentrate with an average grade of 66% or above and allow us to enhance processing efficiency and reliability.

We expect to complete Phase One of our expansion plan with processing efficiency optimization in June 2011 and we intend to complete construction of the additional water pipeline to the Lincheng Reservoir by August 2011. While there will be limited production during this period, we expect to resume

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normal commercial production in September 2011 upon the completion of the water projects and to ramp up to our expected Phase One iron ore processing capacity of 3,000 ktpa and total iron concentrate production capacity of approximately 760 ktpa.

We commenced preparation for Phase Two of our expansion plan, and expect to complete Phase Two in the third quarter of 2011, increasing our mining and ore processing capacities to 7,000 ktpa. Phase Three is expected to be completed in the second quarter of 2012 and is expected to increase our processing capacity to 10,500 ktpa. We expect to reach this level of production in October 2012. We intend to fund our expansion plan with the revenue generated from our operations as well as the proceeds of the Global Offering. The timeline below highlights our key development and expansion milestones for our expansion plan.

Development phase	Increase in iron ore mining and ore processing capacities ⁽¹⁾	Increase in iron concentrate production capacity	Increase in iron concentrate production volume	Capital expenditure ⁽²⁾ (RMB in millions)	2009				2010				2011				2012				2013			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase One	3,000 ktpa	approx 760 ktpa	approx 760 ktpa	240.1 ⁽⁴⁾																				
Phase Two	from 3,000 ktpa to 7,000 ktpa	from approx 760 ktpa to approx 1,770 ktpa	from approx 760 ktpa to approx 1,770 ktpa	380.0																				
Phase Three	from 7,000 ktpa to 10,500 ktpa	from approx 1,770 ktpa to approx 2,655 ktpa	from approx 1,770 ktpa to approx 2,655 ktpa	277.2																				
Gabbro-diabase ⁽³⁾				303.2																				
Total				1,200.5																				

Estimated schedule to achieve production capacity

- (1) Planned processing capacities for Phase One, Phase Two and Phase Three of our expansion plan are the designed capacities of our processing facilities based on 300 working days per year. We may, from time to time, increase the utilization rate of our processing facilities, thereby increasing our actual processing capacities. Based on the Independent Technical Report, we expect to be able to operate our processing facilities for up to 330 working days per year, which is a common practice in the industry.
- (2) Our Board approved our planned expenditures for Phase One, Phase Two and Phase Three of our expansion plan in June 2011 and approved our planned gabbro-diabase expenditures in June 2011.
- (3) We plan to commence commercial production of quarry stones and crushed stones in July 2011; slabs and powder in November 2011; and carving stones in the second quarter of 2013.
- (4) Capital expenditures for Phase One include expenditures of all processing facilities and equipment incurred since the beginning of the development of Yanjiazhuang Mine.

Phase One

We commenced Phase One in the fourth quarter of 2009, to develop three open-pit mining pits, construct two dry magnetic cobbing facilities and construct and upgrade two processing facilities. We expect to fully complete Phase One in June 2011 by replacing a section of our ore crushing equipment with machines which are able to produce crushed ore of smaller and more uniform dimensions and finishing the upgrade of No. 2 Processing Facility. Upon completion of Phase One, our total processing capacity is expected to be 3,000 ktpa and our iron concentrate production capacity is expected to be approximately 330 ktpa and approximately 430 ktpa at the No. 1 and No. 2 Processing Facilities, respectively, for a total of approximately 760 ktpa.

Our expansion plans to achieve the increase in mining and ore processing capacities during Phase One are set forth below.

Mine Development

We have a total of three mining pits and increasing access to potential iron ore resources.

Dry Magnetic Cobbing Systems

We expect to invest approximately RMB55.2 million to construct and upgrade the No.1 and No.2 dry magnetic cobbing systems, each with a capacity of 1,500 ktpa to complement our increased

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potential to process iron ore resources and the expansion of our processing facilities. We currently have a total of two dry magnetic cobbing systems and we are replacing a section of the ore crushing equipment with machines which are able to produce crushed ores of smaller and more uniform dimensions.

Processing Facilities

Our two existing processing facilities, the No. 1 Processing Facility and No. 2 Processing Facility, originally had an ore processing capacity of 360 ktpa and 720 ktpa, respectively, and an iron concentrate production capacity of approximately 90 ktpa and approximately 180 ktpa, respectively. We have installed industry equipment such as ball mills and magnetic concentrators to enhance and upgrade our No. 1 Processing Facility. On the basis of our production experience in January and February 2011, we decided to accelerate the commencement of the planned Phase One upgrade to our No. 2 Processing Facility. Upon completion of the Phase One upgrade, which is scheduled for the end of June 2011, we expect our total ore processing capacity to be 3,000 ktpa and our total iron concentrate production capacity to be approximately 330 ktpa and approximately 430 ktpa at the No.1 and No.2 Processing Facilities, respectively, for a total of approximately 760 ktpa.

Supporting infrastructure and equipment

We built a total of 36 km of road infrastructure within the Yanjiazhuang Mine area to support the planned increase in mining and ore processing capacities in Phase One of our expansion plan, through an investment of approximately RMB73.2 million up to 31 December 2010. In addition, we invested a total of approximately RMB18.3 million on water supply facilities including the construction of nearby Huangmi Reservoirs I and II up to 31 December 2010. The expansion of the Huangmi Reservoirs were completed in October 2010. As part of our Huangmi Reservoirs I and II expansion plan, we engaged in activities such as land expropriation, dam construction, earth and rock engineering and water diversion to expand the reservoir's water storage capacity to 600,000 m³ and 1,200,000 m³, respectively. In addition, we invested approximately RMB3.1 million to acquire supporting equipment to complement our planned growth in mining and processing capacities up to 31 December 2010. We also plan to invest approximately RMB3.0 million in land rehabilitation in the Yanjiazhuang Mine area. Also, we will invest approximately RMB2.3 million to improve our existing tailings storage facility.

Phase Two

We commenced preparation for Phase Two of our expansion plan in September 2010, and expect to complete Phase Two in the third quarter of 2011. We are in the process of applying for the necessary approvals to commence construction of Phase Two. We plan to increase our mining and ore processing capacities by an additional 4,000 ktpa to attain total mining and ore processing capacities of 7,000 ktpa. During Phase Two, we intend to continue improving existing facilities and develop new infrastructure to support our planned expansion. We estimate a total investment to complete Phase Two of our expansion plans of approximately RMB380.0 million. Of this estimated amount, we have already invested approximately RMB84.6 million as of 31 December 2010. We estimate that we will make an additional investment of approximately RMB295.4 million to complete Phase Two.

As a result of Phase Two of our expansion plan, we expect to increase our iron concentrate production capacity by an additional approximately 1,000 ktpa to achieve a total iron concentrate production capacity of approximately 1,770 ktpa. Details of our expansion plans for Phase Two are set forth below.

Mine Development

We plan to invest approximately RMB15.0 million to add three additional open-pit mining pits and approximately RMB34.9 million for mining equipment at the Yanjiazhuang Mine during Phase Two. By the end of Phase Two, we expect to have a total of six mining pits at the Yanjiazhuang Mine.

Dry Magnetic Cobbing Systems

We plan to construct one additional dry magnetic cobbing system for which we expect to spend approximately RMB55.9 million, to complement the construction of a new processing facility, the No. 3 Processing Facility in Phase Two. Upon completion of Phase Two, we estimate we will have a total of three dry magnetic cobbing systems that will be able to process up to 7,000 ktpa of iron ore.

Processing Facilities

During Phase Two, we plan to construct a third processing facility, the No. 3 Processing Facility, with planned ore processing capacity of 4,000 ktpa and planned iron concentrate production capacity of approximately 1,000 ktpa. We intend to invest an additional approximately RMB85.4 million to construct the No. 3 Processing Facility.

Supporting infrastructure and equipment

In addition, we intend to develop our supporting infrastructure to complement our growth during Phase Two. We plan to build and expand a total of 29 km of road infrastructure within the Yanjiazhuang Mine area to support the planned increase in mining and ore processing capacities from 3,000 ktpa to 7,000 ktpa, spending approximately RMB83.7 million. We plan to invest approximately RMB40.3 million to secure more water resources to support our processing facilities, including the completion of construction of the Longjiawan Reservoir, which has already started to supply water, and a new water supply system from the Lincheng Reservoir. We have received local authorities' to access a water supply of up to 10,000,000 m³ per year from the Lincheng Reservoir. In response to the unusually severe drought affecting Northern China, we have accelerated the commencement of the construction of a water pipeline to the Lincheng Reservoir to ensure the availability of an adequate and reliable water supply. We expect to complete construction of these pipelines in August 2011. We are also constructing a retaining pool to hold water in our mine facilities. We also plan to build a converting station with two voltage transformers, investing approximately RMB13.6 million in the construction of the converting station and two voltage transformers. The construction of the converting station commenced after we obtained an approval from Xingtai City Electricity Supply Co. (邢台供电公司). The converting station is expected to be completed by the end of August 2011. In addition, we intend to invest approximately RMB17.0 million to purchase supporting equipment.

We intend to invest approximately RMB7.0 million for land rehabilitation and approximately RMB27.2 million to construct a new tailings storage facility. We also plan to construct more tailings storage facilities in the future, in order to achieve a total storage capacity of approximately 82 million m³, which could sustain our production for more than 20 years.

Phase Three

We intend to further expand our mining and ore processing as well as iron concentrate production capacities during Phase Three, which we expect to complete in the second quarter of 2012. During Phase Three, we plan to increase our mining and ore processing capacities by an additional 3,500 ktpa to achieve a total of 10,500 ktpa, and to increase our iron concentrate production capacity by an additional approximately 885 ktpa to achieve a total of approximately 2,655 ktpa. We expect to reach this level of production in October 2012. We expect to invest a total of approximately RMB277.2 million to complete Phase Three of our expansion plan. Details of our expansion plans for Phase Three are set forth below.

Mine Development

During Phase Three, we expect to invest approximately RMB10.0 million on developing two additional open-pit mining pits and approximately RMB40.0 million on purchasing additional mining equipment. By the end of Phase Three, we plan to have a total of eight mining pits at the Yanjiazhuang Mine.

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Dry Magnetic Cobbing Systems

We estimate capital expenditures of approximately RMB56.0 million on the construction of one additional dry magnetic cobbing system in Phase Three of our expansion plan. Upon completion of Phase Three, we expect to have a total of four dry magnetic cobbing systems.

Processing Facilities

We intend to invest approximately RMB85.0 million to construct a fourth processing facility, namely, the No. 4 Processing Facility to achieve a total processing capacity of 10,500 ktpa in Phase Three of our expansion plan.

Supporting infrastructure and equipment

Our plans to develop our supporting infrastructure during Phase Three including expenditures on road infrastructure, supporting equipment, land rehabilitation, a new electrical converting station and a tailings storage facility. We intend to invest approximately RMB29.3 million to build and expand additional road infrastructure within the Yanjiazhuang Mine area to support the planned increase in mining and ore processing capacities from 7,000 ktpa to 10,500 ktpa in Phase Three of our expansion plan. Please see “ — Our Existing Production Operations and Facilities – Hauling” for a discussion of our agreement relating to the construction of roads with Yanjiazhuang Village.

In addition, we expect to invest approximately RMB16.9 million in order to purchase additional supporting equipment, approximately RMB10.0 million on land rehabilitation fees, approximately RMB15.0 million for a 32,000 kVA converting station and approximately RMB15.0 million to construct a new tailings storage facility for No. 4 Processing Facility.

GABBRO-DIABASE

We plan to produce gabbro-diabase products in five forms: quarry stones, slabs, carving stones, powder and crushed stones. Quarry stones, which are cut with wire saws and disc saws directly from the footwalls and hanging walls of our iron ore bodies, can be sold to customers for further customization. The slabs can be used for a variety of products including high-quality and high-end countertops, interior decorative materials, indoor flooring, exterior wall decorative materials, outdoor paving and landscaping materials, and high-end tombstones, while carving stones can be customized by third parties into various shapes and sizes necessary for their own commercial needs. Gabbro-diabase powder is used in cement mixture to produce concrete and crushed stones are commonly used in paving material for roadways.

Development Plan

We plan to develop our gabbro-diabase resources in four stages between January 2011 and the first quarter of 2013. The first stage of the gabbro-diabase resources development commenced in January 2011, during which we have completed all of the related land expropriation works and hired Mr. Li Yuehui, the head of gabbro-diabase mining of the Group, to oversee our gabbro-diabase production. As of the Latest Practicable Date, we have begun preliminary open-pit cutting works in order to access suitable spots for gabbro-diabase mining, constructed road infrastructure and production facilities for quarry stones and crushed stones. We have commenced sourcing the equipment suppliers in order to prepare for the commercial production of quarry stones and crushed stones in July 2011. We plan to commence commercial production of quarry stones and crushed stones after obtaining all the requisite permits and approvals, including the approval for fixed-asset investment, environmental protection approval in respect of our facilities, waste discharge permits, mining permits, and/or exploration permit and production safety permit. We expect to spend approximately RMB42.6 million for the first stage of development. During the second stage, which we expect to initiate between July 2011 and October 2011, we will continue the construction work initiated in stage one and pay fees for requisite permits and

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licenses. In addition, we will also begin construction of production facilities on the land granted to us by Lincheng County Industrial Park Administration Committee (“LCIPAC”) (as described below), for slabs and powder, both to be commercially produced in November 2011. We expect to spend approximately RMB84.8 million for the second stage of development. Upon the completion of the second stage, we expect to commence the third stage of developing our gabbro-diabase resources. Between November 2011 and March 2012, we plan to complete all construction initiated in the first and second stages. We expect to spend approximately RMB73.9 million for the third stage of development. During the fourth stage of our gabbro-diabase development plan, which we estimate will take place between April 2012 and March 2013, we will construct a production facility for carving stones. Starting from April 2013, we plan to commence our commercial production of carving stones, in addition to the other gabbro-diabase products which will have been commercially produced in earlier stages. We expect to spend approximately RMB100.2 million for the fourth stage of development.

In June 2010, we entered into a project investment agreement with LCIPAC. LCIPAC has agreed that it will grant us the right to use a parcel of land of 50mu (33,333 m²) by way of public transfer, to be granted by way of a separate agreement which has not been finalized. We intend to use this land to construct our gabbro-diabase production and processing facilities. As the rights to use the land have not been granted to us by LCIPAC, we have not accounted for these rights in our financial statements. We expect to spend approximately RMB180 million to construct our facilities on this land, including RMB120 million for fixed asset investments. Under this agreement, we are required to pay between RMB64,000 and RMB100,000 per mu, depending upon the total amount of fixed asset investment we make (with the higher payment amount being owed in the event we do not invest a certain percentage of our expected fixed asset investment cost). Under this agreement, we are required to complete and commence operation of the production and processing facilities by June 2011. If we fail to commence operation by that date and we are unable to continue construction, LCIPAC may take back our land use rights. If we do not pay the required fees, we may be required to pay damages to LCIPAC. As of the Latest Practicable Date, we have commenced construction of our gabbro-diabase production facilities.

Upon commercial production, we aim to ramp up to an annual gabbro-diabase mining capacity of 1 million m³. We expect approximately 20% of our mined gabbro-diabase resources, or 200,000 m³, will be cut directly as quarry stones. We plan to sell one-half of our mined quarry stones, or 100,000 m³, directly to customers for their further customization. We expect to process the remaining 100,000 m³ of quarry stones into approximately 1.5 million m² of slabs. In addition, we plan to produce carving stones, powder and crushed stones from the remaining 800,000 m³ of our mined gabbro-diabase resources.

We entered into memoranda of understanding in February 2011 with Hengda Real Estate Group Limited (a subsidiary of Evergrande Real Estate Group Limited), Sinolink Properties Limited (a subsidiary of Sinolink Worldwide Holdings Limited), Glorious Qiwei (Shanghai) Industries, Co., Ltd. (a subsidiary of Glorious Property Holdings Limited) and Champ Max Enterprise Limited (a subsidiary of C C Land Holdings Limited), all of which are PRC property companies or their subsidiaries, and are Independent Third Parties. In April 2011, we amended the memoranda of understanding with Hengda Real Estate Group Limited and Champ Max Enterprise Limited. Under the terms of these original and amended memoranda of understanding, the buyer and seller have agreed to negotiate the terms of future specific purchase contracts specifying the amount of gabbro-diabase, the price and other terms. If we cannot agree on such terms, then no such sale will occur. These memoranda of understanding are effective from 1 May 2011 to 31 December 2015 and contemplate possible sales up to an aggregate of 507,000 m², 897,000 m², 1,287,000 m², 1,287,000 m² and 1,287,000 m² in 2011, 2012, 2013, 2014 and 2015, respectively. Certain of these memoranda of understanding further specify that the current average market price of gabbro-diabase slabs is RMB150 per m², although there is no certainty we will make any sales at this price.

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According to Hatch, China's stone industry and gabbro-dabase demand are expected to continue to grow over the next several years. Our Directors believe that the willingness of developers to enter into long-term agreements with us for the sale of gabbro-dabase is further evidence of the likely future demand for our gabbro-dabase products. We may also enter into new contracts with other Independent Third Parties for the sale of our planned gabbro-dabase products.

Our plans to develop and produce gabbro-dabase will require water and electricity supplies. We believe our current and future plans for water and electricity supplies will be sufficient for our gabbro-dabase development. For information regarding our water and electricity sources, see “– Utilities – Water” and “– Utilities – Electricity.”

For information regarding the rights, licenses, permits and approvals we expect to obtain for the commercial production of our gabbro-dabase resources, see “– Compliance – Rights, Licenses, Permits and Approvals.” For information regarding the risks in developing our gabbro-dabase resources, see “Risk Factors – Risks Relating to Our Business – We may not have sufficient managerial resources to bring our gabbro-dabase into production.”

FUTURE PLANS FOR DEVELOPING OTHER MINES

In February 2010, we entered into a contract with the 11th Geological Brigade, an Independent Third Party, to acquire the exploration rights to two iron ore mines: (i) the Gangxi Mine, located in Lincheng County, Hebei Province, China; and (ii) the Shangzhengxi Mine, located near Shahe City, Hebei Province, China. The Gangxi and Shangzhengxi Mines are located approximately 20 km and 120 km, respectively, from the Yanjiazhuang Mine. The exploration permits for the Gangxi Mine and the Shangzhengxi Mine cover areas of 5.28 km² and 2.06 km², respectively.

According to the terms of the contract, the 11th Geological Brigade has agreed to complete the necessary transfer procedures within one year from the date of the contract, upon which we will pay RMB6 million for the exploration rights to the Gangxi Mine and RMB3 million for the exploration rights to the Shangzhengxi Mine. In addition, we have agreed to reimburse the 11th Geological Brigade for the total amount of exploration fees to be incurred by them as well as pay RMB2/tonne for the estimated reserves of the mines to be determined after the completion of exploration work for both mines. Under the terms of the agreement, we are not obligated to pay the exploration fees incurred by the 11th Geological Brigade if iron ore reserves are not discovered as a result of the exploration work. The contract transfer of the exploration rights for these two mines is subject to the approval of the relevant government authorities. Our PRC legal advisor, King & Wood, has confirmed that there are no foreseeable legal impediments to obtaining the requisite licenses, permits and other regulatory approvals necessary for exploration and mining at these two mines.

As of the Latest Practicable Date, the Gangxi Mine and the Shangzhengxi Mine were in the early stages of preliminary exploration work. As a result, information regarding the scope of exploration, mining method and technology to be used, iron ore quality, expected annual production volumes, and estimated resources and reserves were not yet available. Under the guidance of our executive Directors and senior management, who possess extensive mining and exploration experience, we expect to spend approximately RMB720.0 million for the acquisition and exploration of these two mines and other mines in Hebei Province not yet identified by us. We will decide whether or not to develop commercial mining operations in these two mines upon completion of the exploration reports. For additional information, see “Risk Factors – Risks Relating to Our Business – Our exploration and mining projects, acquisition activities and expansion plans require substantial capital investment and may not achieve the intended economic results.” and “Financial Information – Financing of Our Mining Projects.”

SALES AND MARKETING

We commenced commercial production on 1 January 2011. Our sales and marketing strategy is focused primarily on the PRC domestic market and in particular, the steel producing companies in our surrounding regions in Hebei Province.

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Customers

We focus on our sales to direct customers who purchase our products for use in their steel manufacturing operations. Because our operations are strategically located in Hebei Province, the largest steel-producing province in China, we are in close proximity to potential customers for our iron concentrate.

We are seeking to develop strategic relationships with prominent steel manufacturers, with a view to complement to our growth strategy. We entered into an agreement with Shougang Hong Kong on 28 April 2011.

Under this agreement, we are obligated to sell, and Shougang Hong Kong is obligated to buy, 30% of our annual iron concentrate production (which we will endeavor to supply at a grade not lower than 66%), at a 3% discount to the market price at the time of supply, regardless of whether Shougang Hong Kong and the Company enter into a definitive supply agreement or specific purchase orders. Furthermore, Shougang Hong Kong has agreed to invest an amount of HK\$400 million in our shares as a cornerstone investor in our Global Offering. See “Cornerstone Investor”.

Shougang Hong Kong and the Company also expect to enter into agreements to pursue resource-related opportunities in acquisitions in China and overseas and to cooperate in relation to operational matters following any such acquisitions. In addition, Shougang Hong Kong and the Company expect to enter into a separate technical support agreement, pursuant to which Shougang Hong Kong would provide technology support and expertise to the Company in areas including project exploration, evaluation, due diligence, and operations (including at our existing Yanjiazhuang mine). The Shougang Agreement contemplates that Shougang Hong Kong and the Company will negotiate and enter into a strategic cooperation agreement, under which the Company can invite an individual from Shougang Hong Kong, in accordance with applicable law, the Listing Rules and Stock Exchange requirements and the Articles of the Company, to serve as a non-executive director of the Company until the next annual general meeting of the Company and subsequent re-appointment shall be subject to shareholders’ approval.

Shougang Hong Kong, a wholly-owned subsidiary of Shougang Corporation, is a Hong Kong incorporated investment holding company. Through its subsidiaries and associated companies, Shougang Hong Kong is engaged in a variety of diversified businesses such as manufacturing and trading of steel and metallic products, shipping, mineral exploration and mining, property investment, and financial services. Shougang Hong Kong holds a significant number of interests in various companies listed on the Stock Exchange, representing a substantial market value as of the Latest Practicable Date. We are not aware of any reason that would render Shougang Hong Kong unable to honor its obligations under the Shougang Agreement.

As one of the largest Chinese steel companies, Shougang Corporation is a state-owned enterprise under the direct supervision of the State Council of the PRC. Shougang Corporation’s primary focus is on the steel industry, with other operational interests in the mining, electronics and machinery, construction and real estate, service and trading industries. It is a market leader in the areas of steel industry, production specifications and technical expertise. Shougang Corporation’s major iron production facilities are located in the Hebei Province. Shougang Corporation has not guaranteed the obligations of Shougang Hong Kong under the Shougang Agreement.

Shougang Hong Kong represents an established party with whom the Company would work in the future to foster growth opportunities, develop new and existing projects and acquire increased technical expertise. In the future we will seek to enter into strategic cooperation with other major steel manufacturers in China.

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We have also entered into memoranda of understanding in 2009 with Hebei New Wuan, Handan Iron & Steel, Wen'an Iron & Steel, Hebei Baoxin, Xingtai Weilai and Xingtai Longhai, all of which are major steel producers in Hebei Province and are Independent Third Parties. Under the terms of these memoranda of understanding, we have agreed with each of these parties to negotiate the terms of future specific purchase contracts specifying the amount of iron concentrate, the price and other terms. If we cannot agree on such terms, then no such sale will occur. The Company expects that after the completion of Phase One and after further progress has been made on Phases Two and Phase Three of the expansion plan, the Company will seek to enter into long-term binding sales contracts with these parties and other potential long-term customers, which is expected to occur in the second half of 2011.

The Company believes that, barring unforeseen circumstances, it will be able to sell substantially all of its iron concentrate production for 2011 and 2012.

Our customers will arrange for transportation of the iron concentrate from our processing facilities to their sites. We estimate that transportation costs for customers located within a radius of approximately 100 km of our operations will be approximately RMB28/tonne, based on roadway transportation costs for similarly situated companies in our vicinity. We sold iron concentrate at an average price of approximately RMB1,140/tonne (including VAT) in January and February 2011.

We intend to develop and maintain these relationships in order to stabilize and grow our revenue. As of the Latest Practicable Date, none of our Directors or their associates or our shareholders who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of these six potential customers.

Delivery of products

We plan to sell our products ex-factory. We do not intend to arrange for the transportation of our iron concentrate products to our customers, which will be stated in the agreements entered into at the time of purchase. The six steel producers with whom we have entered into memoranda of understanding are located within 120 km of our operations. We estimate that transportation costs borne by these customers will be approximately RMB28/tonne, based on roadway transportation costs for similarly situated companies in our vicinity.

UTILITIES

Water

Water is a key component of our iron concentrate production process. We source our water supply from surface drainages in the Yanjiazhuang Mine area and the Yanjiazhuang Reservoir, a surface water reservoir with an existing water storage capacity of approximately 120,000 m³, located in a ravine upstream from our processing facilities. During the wet season (July to September), waterflows from the surface drainages are ordinarily sufficient to provide the fresh water needed for our existing and planned ore processing facilities. We supplement our fresh water sources for our ore processing facilities during the dry season with water from the Yanjiazhuang Reservoir and the Huangmi Reservoirs. In addition, we expect to recycle and reuse up to 80% of the water used in our ore processing and tailings storage facility for use in mineral processing or dust suppression.

We signed an agreement with the Lincheng Haozhuang Town Yanjiazhuang Village Committee (臨城郝莊鎮閆家莊村委會) in May 2006 to obtain water use rights to the Yanjiazhuang Reservoir during a ten-year period as a water source for our operations at the Yanjiazhuang Mine. Under the terms of the agreement, we have been granted access to the water from the reservoir and are responsible for investing in its maintenance and any expenses we incur in taking water from the reservoir. In addition to the agreement, our water rights to the Yanjiazhuang Reservoir are also based on an underground water supply harvesting permit that we obtained on 9 September 2009, which will expire on 9 September 2014, and a confirmation letter issued by the Lincheng County Water Bureau dated 13 November 2009.

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We also source our water supplies from the Huangmi I Reservoir, for which we obtained water use rights based on a ten-year contract that we entered into with the Lincheng Haozhuang Town Huangmi Village Committee (臨城郝莊鎮皇迷村村委會) on 27 February 2010. We completed the expansion of the Huangmi I Reservoir to a water storage capacity of 600,000 m³ in February 2010. As part of our investment in the Huangmi I Reservoir, we engaged in land expropriation, dam construction, earth and rock engineering and water diversion activities to expand the reservoir's water storage capacity. According to the terms of the contract, we are not restricted in the amount of water we may draw from the Huangmi I Reservoir. The Lincheng Haozhuang Town Huangmi Village Committee also has the right to permit village residents to use water from the Huangmi I Reservoir for farming purposes.

In addition, to prepare for possible water shortages and to ensure that we have sufficient water supply for our future growth plans, we entered into a 20-year contract with the Lincheng Haozhuang Town Huangmi Village Committee on 27 February 2010 to obtain water use rights to the Huangmi II Reservoir, a new reservoir nearby which was completed in October 2010, with an existing water storage capacity of 1,200,000 m³. We have invested a total of RMB20.2 million on improving the water supply facilities up to 31 December 2010.

Furthermore, we plan to invest approximately RMB39.1 million to secure additional water resources to support our processing facilities, including completing construction of the Longjiawan Reservoir which is expected to have a water storage capacity of 300,000 m³ and has already started to supply water, and constructing a new water supply system from the Lincheng Reservoir. We have received local authorities approval to access a water supply of up to 10,000,000 m³ per year from the Lincheng Reservoir. In response to the unusually severe drought affecting Northern China, we have commenced construction of a water pipeline to the Lincheng Reservoir to ensure the availability of an adequate and reliable water supply. We expect to complete construction of this pipeline in August 2011. We are also constructing a retaining pool to hold water in our mine facilities. During the Track Record Period, we did not experience any shortages in water supply that caused a material adverse effect to our business, financial condition or results of operations.

Electricity

We have entered into a three-year contract starting from August 2009 to purchase electricity from a state-owned electricity supplier, Lincheng County Hebei Electricity Supply Co. (臨城縣供電公司). Under the electricity supply contract, we pay for our electricity supplies at rates approved by the price administration government department. As we did not commence commercial production before 1 January 2011, we did not consume a significant amount of electricity during the Track Record Period. During the Track Record Period, we did not experience any interruption arising from sudden shortages or suspensions of electricity supplies that caused any material adverse effect to our business, financial condition or results of operations.

To ensure a sufficient supply of electricity for our planned increase in mining and ore processing capacities to 10,500 ktpa, we plan to construct two new converting stations which will each have a capacity of 32,000 kVA. We expect to invest approximately RMB28.6 million in total in the construction of the two converting stations, which are expected to be completed by the end of Phase Two and Phase Three respectively. The electrical equipment will be required to connect to the planned processing facilities and the open-pit mining and transportation system to the main substation in Lincheng County through a new electricity transmission line, which the local state-owned electricity supplier is expected to construct. Our Directors believe that we should not have substantial difficulties in obtaining electricity supplies as our electricity supplier is the primary state-owned electricity supplier in Hebei Province.

For additional information regarding our utilities, see "Risk Factors — Risks Relating to Our Business — Our operations depend on an adequate and timely supply of water, electricity and other critical supplies and equipment."

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RAW MATERIALS, AUXILIARY MATERIALS, MACHINERY AND EQUIPMENT

Raw Materials and Auxiliary Materials

The iron ore extracted from our mine is our principal raw material. We do not purchase iron ore from third parties. The auxiliary materials used in our production process include forged steel grinding balls, chemical products, lubricants and fuel.

Our purchases during the Track Record Period consisted of processing materials, such as chromium alloy, kerosene, gasoline, lubricants and metal tools. For the years ended 31 December 2009 and 2010, purchases from our five largest suppliers together accounted for approximately 91% and 52% of our total supply purchases, respectively while the largest supplier accounted for approximately 42% and 19% of our total supply purchases. Going forward, we expect our raw materials purchases to be a lower percentage of our total supply purchases as more of our expenses will be directly related to production. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued capital, is related to or owns any interest in any of our five largest suppliers.

All of our suppliers are independent third parties and are primarily based in Hebei Province. We have not signed any fixed or long-term contract with any of our suppliers. We maintain a good relationship with our suppliers and did not enter into disputes with any of them during the Track Record Period.

Machinery and Equipment

Our exploration, mining and production activities require the purchase of many types of machinery and equipment, including but not limited to, drilling machines, air compressors and ore crushers. All our machinery and equipment for exploration, mining and production are sourced from local third-party suppliers in the PRC.

See also “Risk Factors — Risks Relating to Our Business — Our operations depend on an adequate and timely supply of water, electricity and other critical supplies and equipment.”

COMPETITION

China’s domestic iron ore market is characterized by competition among a large number of iron ore suppliers, with no individually dominant nationwide supplier. Approximately 80.0% of total PRC iron output in 2009 originated from small- and medium-sized mines, while the remaining 20.0% was produced by large mines in China. Upon commercial production, our Yanjiazhuang Mine would also be considered a large-scale iron ore mine, as defined by the NBSC. For additional information regarding the definition of small-scale, medium-scale and large-scale iron ore mines, see “Industry Overview — Overview of the Iron Ore Industry — PRC Iron Ore Industry — PRC Iron Ore Production Capacity.”

Within Hebei Province, we believe our Yanjiazhuang Mine is the largest privately-owned iron ore mine in terms of iron ore reserves. Key state-owned iron ore producers in Hebei Province include Hebei Steel Group, Shougang Group and Hanxing Mining, who produced 26.4 Mt, 10.8 Mt and 7.0 Mt, respectively, of iron ore in China in 2010, according to Hatch. As our iron ore resources are greater than 300 Mt, we believe, based on the Hatch Report, that we are the largest-privately-owned iron ore operator in Hebei Province, in terms of iron ore reserves.

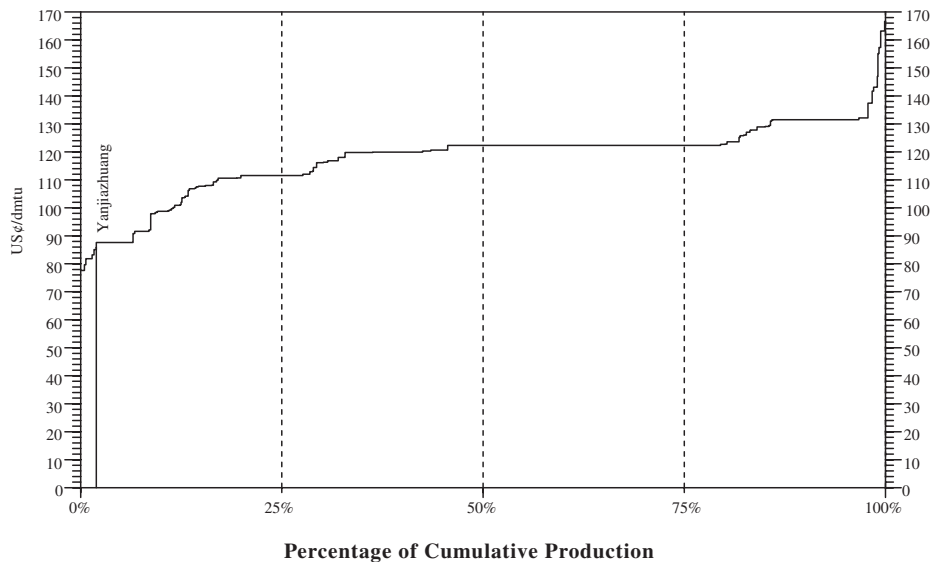
While China ranked third globally in terms of iron ore reserves according to USGS, it has historically experienced significant shortfalls in domestically-produced iron ore. In particular, although Hebei Province has the largest number of iron ore mines in China, its iron ore output is unable to sufficiently meet demand from local steel manufacturers. Despite being one of the top iron ore producing regions in China, Hebei remained the largest net importer of iron ore in China. As such, local steel producers purchase iron ore from any number of local suppliers, in addition to importing from

international iron ore producers, as necessary. The four largest sources of iron ore imports into China have historically been Australia, Brazil, India and South Africa, which all together accounted for approximately 84.5% of total iron imports into China in 2010. As a result, although China’s iron ore market is segmented principally by location, given the significant costs associated with iron ore transport, domestic prices of iron ore across provinces in China are also influenced by imported iron ore prices, especially those of iron ore imported on a spot basis. However, because the demand for iron concentrate by China’s steel producers has historically substantially exceeded domestic supply and this significant shortfall is expected to continue until a market shift occurs in the supply and demand for iron ore, we do not believe competition from other iron ore producers currently presents a substantial challenge to the market demand for our products. To the extent we may compete with other iron ore producers, we expect to focus on potential customers primarily in the local Hebei Province market.

Although we believe most iron concentrate producers in Hebei Province are in a position to benefit from the anticipated increase in demand and significant shortfall of iron concentrate supplies in the region, to the extent that we compete with other local iron concentrate producers, we believe we are competitive due to the cost-efficiency with which we mine and process iron ore and our proximity to local steel manufacturers. We believe that we are able to easily produce iron concentrate at a high grade of 66% in a cost-efficient manner. This is supported by the estimated position of the Yanjiazhuang Mine by AME to be in the lowest 5% of the estimated cost curve for Chinese iron ore producers on an iron equivalent basis.

The chart below represents the estimated cost curve for PRC iron ore producers, and the estimated position on the curve of the Yanjiazhuang Mine:

Estimated 2011 Iron Ore Costs – FOB Chinese Producers and Provinces



Source: AME

The mining cost for the Yanjiuzhuang Mine, which commenced production in January 2011, is based on information provided by the Independent Technical Advisor. When using the cost curve, you should take into consideration the following factors:

- (1) The cost curve is based on Q1 2011 calibrated and benchmarked cash costs and subsequent updates.
- (2) All Chinese mines used in this data sample, including the Yanjiazhuang Mine, are based upon the cost to produce iron ore (including mining, processing, royalties and marketing costs), and incorporate freight cost estimates for delivery to an international sea port.
- (3) The concentrate produced by Yanjiazhuang Mine is estimated to be 66% iron concentrate, which is competitive to the international export trade.
- (4) All mines on the cost curve have been costed on an iron equivalent basis (US\$/dmtn) as opposed to run-of-mine basis (US\$/tonne). This costing methodology takes into account the grade and consequently iron content of a product.

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- (5) The Company reports that its mine gate cost (including taxes, royalties and government charges) is US\$47.56/tonne of iron ore concentrate (US\$75.06/dmtu at 66% iron and 4% moisture). This is an estimate for 2011 based on production in January and February 2011.
- (6) The cost curve provided by AME in this Prospectus is based on information that was available to AME. Available data vary greatly between iron ore operations and projects. Much information may not be reliable due to language difficulties, the confidential nature of the information, the inability to estimate the reliability of AME's sources and a general lack of available information. Consequently, much information has to be estimated and the quality, accuracy and completeness of the resulting cost comparisons will reflect this. Furthermore, forecast costs embody a number of significant assumptions with respect to exchange rates and other technical variables. As a result of these factors, AME has noted that direct comparability between individual projects may be limited, and as such the production and cost estimates in the cost curve must be treated with caution and cannot be relied upon.

Moreover, as we are located within Hebei Province, the largest steel producer among China's provinces, we are within close proximity to many of our existing and potential customers. For example, there are approximately nine steel producers with a combined steel production capacity of approximately 31.2 Mtpa within approximately 90 km of our mining operations. In addition, we have signed memoranda of understanding with six customers in Hebei Province that are all located within 120 km of the Yanjiazhuang Mine. Due to our location in Hebei Province, we believe their transportation costs to transport iron concentrate from our processing facilities to their sites would be lower than their estimated costs in transporting iron ore imports from various ports, such as Qingdao port in Shandong Province, which is located approximately 500 km from the Yanjiazhuang Mine. See "— Sales and Marketing — Delivery of products." As a result, we believe our proximity to existing and potential customers reduces their transportation costs in obtaining iron concentrate, thereby enhancing our competitiveness in the iron concentrate market.

For additional information regarding Hebei iron ore market and industry, see "Industry Overview — Overview of the Iron Ore Industry — Hebei Iron Ore Industry — Competition."

INVENTORY AND QUALITY CONTROL

Our inventory includes iron ore extracted from the mining pits, crushed pre-concentrate produced in the dry magnetic cobbing system, and the final iron concentrate stored at the ore processing facilities before they are loaded onto the trucks of our customers for transportation. We take measurements of our lump ore and iron concentrate products at three points during the production process, including at the dry magnetic cobbing system, at the processing facilities and upon the sale of our iron concentrate to a customer. We have also put procedures into place to keep daily inventory records of the iron concentrate processed, stored, and sold at our two ore processing facilities.

Most of our products are required to meet strict product specifications and environmental protection standards. We are in the process of implementing a quality management system, compiling a quality control manual and implementing a comprehensive quality control system in an effort to maintain quality controls. We monitor our products through on-site inspections of our mining site as well as regular sample checking of our products. Our quality testing laboratory is fully equipped to carry out quality checks on our iron concentrate. We have established a quality control department to ensure all of our products meet the relevant quality control standards.

COMPLIANCE

Rights, Licenses, Permits and Approvals

We have applied for and obtained all permits and approvals necessary to conduct exploration and mining activities at the Yanjiazhuang Mine under relevant PRC laws and regulations, including the two exploration permits we obtained in December 2007 and March 2008 and our mining permit obtained in May 2009. We have not experienced any difficulties in or rejections of our applications for exploration and mining permits or other rights, licenses or approvals that we have applied for in the past. We seek to

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comply with local and national laws, other than as set forth below. Where there are differences between local and national laws, we seek to comply first with the local government requirements.

In addition to the permits and approvals necessary to commence commercial production of iron concentrate, we will apply for any licenses, permits and approvals, as appropriate, that may be required to execute our expansion plan to ultimately attain mining and ore processing capacities of 10,500 ktpa with respect to our iron ore resources. For example, we expect to obtain a new mining permit for a larger operating scale with respect to the mining of our iron ore resources, obtain the approval for fixed-asset investment, obtain or renew certain production safety permits and the waste discharge permit and pass the inspection of the environmental protection facilities in connection with our planned increases in mining and processing capacities. Our current permit allows for mining and ore processing of up to 3,000 ktpa. We are in the process of applying for a permit to attain ore processing capacity of up to 10,500 ktpa. Upon receipt of this permit, we will be required to pay resource fees to the Department of Land and Resources. These resource fees include mining fees and exploration fees. According to the *Administration Measures for the Registration of Mining of Mineral Resources* (《礦產資源開採登記管理辦法》), if an applicant applies for mining or exploration rights for a mine and the mine's exploration is financed by the state, then the applicant shall pay fees to the Department of Land and Resources. As the exploration for the Yanjiazhuang Mine was financed by the state, we will be required to pay these resource fees. Both the mining fees and the exploration fees shall be appraised by an appraisal agency approved by the Department of Land and Resources, and the appraisal result shall also be confirmed by the Department of Land and Resources. No calculation formula of the amount of mining and exploration fee is provided in this regulation and we are therefore uncertain of the exact amount of the mining and exploration fee that we will have to pay upon receipt of this permit. Based on preliminary discussions with the relevant government department, however, we expect the amount of these fees to be approximately RMB300 million. However, as the exact amount of the resource fee can only be ascertained when the Department of Land and Resources confirms the appraisal result and notifies us of the result, this amount is only an estimate and is subject to change. Based on the advice of our PRC legal advisor, King & Wood, we believe that there are no foreseeable legal impediments for us to obtain such requisite permits, licenses and approvals in a timely manner, including the mining rights to an increased amount of iron ore resources and reserves.

Under relevant PRC rules and regulations, we are also required to obtain certain permits and approvals for the development and commercial production of our gabbro-diabase resources. These permits and approvals include the approval for fixed-asset investment, approval for inspection of the environmental protection facilities, waste discharge permit, mining permit and/or exploration permit and production safety permits. As confirmed by our PRC legal advisor, King & Wood, there are no foreseeable legal impediments for us to obtain such permits and approvals. We expect to obtain the requisite permits and approvals in the second quarter of 2011, prior to commencing the commercial production of our gabbro-diabase resources. For further information about such permits and approvals, see "Regulation." Based on the advice of our PRC legal advisor, King & Wood, we believe that there are no foreseeable legal impediments for us to obtain the requisite permits, licenses and approvals for the commercial production of our gabbro-diabase resources.

Incidents of Non-Compliance

Employee social benefits insurance

We maintain the required PRC employee social benefits insurance in accordance with various implementation policies issued by local government authorities, which may be less stringent than the requirements under PRC labor laws and regulations. We have taken measures to maintain social benefits insurance for all of our PRC employees pursuant to PRC labor laws and regulations in the future.

We may be ordered by the labor and social security department of the local government to rectify the non-compliance, and the employer that is found to be responsible for the non-compliance may be

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sanctioned with a fine in the amount of between RMB1,000 and RMB10,000. However, as we have complied with the implementation policies issued by the relevant local government authorities, which have also been confirmed by local government authorities, the possibility of being sanctioned is remote. In addition, we have reserved adequate and sufficient capital for our future needs with respect to employee social benefits insurance. As a result, we do not believe our operations will be materially affected by our non-compliance with regard to maintaining employee social benefits insurance. Our PRC legal advisor, King & Wood, agrees with our understanding. As of the Latest Practicable Date, there were no outstanding fines or penalties payable to the relevant local government authorities regarding such non-compliance.

Temporary structures

We did not obtain the relevant planning permits, construction permits and building ownership certificates for the temporary structures erected on the two parcels of land for which we possess state-owned land use right certificates. As a result, we may be subject to penalties for such non-compliance. The majority of these temporary buildings were used for our operations related to the Guomu Nangou Mine. However, as we disposed of our interest in Guomu Nangou Mining Ltd. in November 2009, we no longer use or own any of those temporary structures related to the Guomu Nangou Mine. We believe the potential for being penalized for the temporary structures related to the Guomu Nangou Mine is low. Even if we were subject to penalties, the maximum fine for such non-compliance would be the investment cost of the temporary structures. Our PRC legal advisor, King & Wood, is of the same opinion. Prior to disposing of our interest in Guomu Nangou Mining Ltd., we invested RMB900,000 in the temporary structures for the Guomu Nangou Mine and consider the cost of the remaining temporary structures we now use to be insignificant. As of the Latest Practicable Date, there were no outstanding fines or penalties payable to the relevant local government authorities with respect to the temporary structures.

We do not plan to apply for the relevant permits and certificates for these temporary structures because we intend to demolish these temporary structures once we receive the other necessary permits to construct permanent buildings. We do not intend to construct new temporary structures on our parcels of land in the future. Our Directors believe that our operations will not be adversely affected by our non-compliance regarding the temporary structures. In addition, we believe the maximum potential fine will have an insignificant impact on our operations.

As a result of these incidents of non-compliance regarding employee social benefits insurance and temporary structures, we have instituted internal control measures to prevent such instances of non-compliance in the future. See “– Compliance – Internal Controls.”

Internal Controls

Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with applicable PRC and Hong Kong laws and regulations, we have implemented internal procedures with a view to establish and maintain our internal control system, including monitoring of material mining, production and operational processes, the establishment of risk management policies and procedures and compliance with local laws and regulations in both domestic and international markets, if applicable. In particular, we have implemented the following internal control procedures to strengthen our corporate governance structure:

- *PRC legal advisor:* We have retained a PRC legal advisor, King & Wood, to provide advice to the Board and our designated compliance officer on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect our business operations in China.
- *Internal compliance guidelines:* We have implemented several new internal compliance guidelines, with the assistance of a third party professional advisor, to enhance our internal

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compliance system and monitor the application and maintenance of the requisite licenses, permits and approvals for our operations. We will continue to engage the third party professional advisor and work with our internal audit team to conduct regular review to ensure that all licenses and approvals are valid and that renewals of such licenses are made in a timely manner.

- *Compliance with Hong Kong securities laws and regulations:* We will appoint Guotai Junan Capital Limited as our compliance advisor with effect from the date of Listing to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong.

During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures.

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

Environmental Protection

Our operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The PRC Government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on our financial condition and results of operations. See “Risk Factors — Risks Relating to Our Industry — Changes to the PRC regulatory regime for the mining industry may have an adverse impact on our results of operations.” in this Prospectus.

Under relevant PRC laws, where the volume of contaminants discharged by an enterprise exceeds discharge limits or the control index for the gross volume of discharge set forth in relevant laws and regulations, or the enterprise does not satisfy other requirements related to environmental protection provided in relevant laws and regulations, the enterprise may be ordered to improve its environmental protection systems within a prescribed time limit (限期治理). During the prescribed time limit, the responsible environmental protection authority could issue to the enterprise a temporary pollution discharge permit, which would be valid for up to one year, rather than a formal pollution discharge permit, which would be valid for up to three years.

The pollution discharge permit issued to us is a temporary pollution discharge permit, which will expire on 15 July 2011. We are in the process of applying for the formal pollution discharge permit from the relevant local environmental authority, which we expect will be obtained before the expiry of our temporary pollution discharge permit. Our PRC legal counsel, King & Wood, advised that after we have completed the required application procedures for the formal pollution discharge permit, there is no foreseeable legal impediment for us in obtaining the permit from the relevant environmental authority.

Pursuant to the relevant environmental laws and regulations, an enterprise may be subject to the payment of an over-standard pollution disposal fee, or a fine or a maximum penalty of being required to suspend its production if the responsible environmental protection authority determines that the enterprise has not satisfied obligations to improve its environmental protection systems or it determines that the volume of contaminants discharged by the enterprise exceeds the volume of discharge specified in the temporary pollution discharge permit. We received confirmation from the Administration of Environmental Protection of Xingtai City (“邢台市環境保護局”) on 18 May 2011 that we have, in the past, operated in strict compliance with the relevant environmental laws and regulations and pollution discharge control standards with respect to the Yanjiazhuang Mine. As we expect that we will obtain the formal pollution discharge permit before the expiration of our temporary pollution discharge permit, and there is no foreseeable impediment for us in obtaining the formal pollution discharge permit, we consider

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the risk of being sanctioned in accordance with the relevant environmental laws and regulations to be remote. See “Regulation – PRC Laws Relating to Environmental Production”.

Our operations generate, among other things, wastewater, waste rock, dust and noise pollution. Our mining and processing activities may also result in land disturbance and land contamination caused by surface stripping waste rock and tailings. As of the Latest Practicable Date, we were not subject to any environmental claims, lawsuits, penalties or administrative sanctions. We believe that we have complied with all relevant PRC laws and regulations regarding environmental protection during the Track Record Period. Our Directors have confirmed that we, during the period from the issuance date of the confirmation letter to the Latest Practicable Date, have dealt with environment protection related matters pursuant to the same requirements and standards that we followed before we obtained the confirmation letter. Our PRC legal advisor, King & Wood, has confirmed that there has been no material change to the relevant laws and regulations pertaining to environment protection since the issuance date of the confirmation letter.

We are committed to following environmentally responsible practices and have adopted measures to minimize the impact and risk of our operations on the environment. For example, we have installed water recycling systems at our tailings facility and the water we recycle accounts for up to 80% of the total water used during our production process. We also use water trucks and wet drilling procedures to reduce the amount of dust generated by our mining and drilling activities. During the Track Record Period, we incurred nominal environmental protection costs as we had not yet commenced commercial production.

We also incorporate internationally-accepted management practices on environmental and social issues into our business operations. According to the Independent Technical Report, we develop and operate our facilities, and conduct our operations, materially in accordance with international standards including applicable environmental and social standards set forth by the World Bank Group.

Our expenditures with regard to environmental protection, health and safety matters amounted to approximately RMB5.1 million for the year ended 31 December 2010, and approximately RMB3 million in 2011.

Land Rehabilitation

We are required by the relevant PRC laws and regulations to rehabilitate and restore mining sites to their prior condition after completion of our mining operations. Land rehabilitation typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, the restoration of land features in mined areas and dumping sites, and contouring, covering and revegetation of waste rock piles and other disturbed areas. In accordance with the relevant PRC laws and regulations, we have developed a rehabilitation and re-planting program for the mined and disturbed areas of the Yanjiazhuang Mine, pursuant to which we will rehabilitate our tailings storage facilities and waste rock dumps upon mine closure and plant fruit orchards to provide an economic resource for the post-mine community. Such program is in line with PRC legislative requirements and incorporates recognized international industry practices. Upon the commencement of commercial production at the Yanjiazhuang Mine in January 2011, we plan to set aside provisions for land rehabilitation costs in the amount of RMB1/tonne of iron ore processed. Based on the forecasted 2011 production volume as set forth in the Independent Technical Report, the total forecast land rehabilitation provision to be made in 2011 is RMB0.79 million.

OCCUPATIONAL HEALTH AND SAFETY

With respect to matters relating to occupational health and safety, we are subject to, among other PRC laws and regulations, the PRC Production Safety Law (《中華人民共和國安全生產法》), the PRC Labor Law, the PRC Labor Contract Law and the PRC Law on the Prevention and Treatment of Occupational Diseases (《職業病防治法》).

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Under the PRC Production Safety Law, we are required to maintain safe working conditions as provided in the PRC Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. We are also required to provide production safety training to our employees. The design, manufacture, installation, use, inspection and maintenance of our equipment are required to conform with the applicable national or industrial standards.


Under the PRC Labor Law and the PRC Labor Contract Law, we are required to establish a system for labor safety and sanitation, to abide by applicable rules and standards and to provide training to our employees on relevant rules and standards. We are also required to provide our employees with a work environment that complies with labor safety and sanitation standards set forth in relevant regulations and to provide regular health examinations for our employees engaged in hazardous activities.

Pursuant to the PRC Law on the Prevention and Treatment of Occupational Disease (《職業病防治法》), we are required to (i) establish and perfect the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases engendered therefrom, (ii) purchase social insurance for industrial injury, (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the laborers for personal use against occupational diseases, (iv) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labor contract with employees.

We have developed and implemented a system to monitor and record employee occupation health and safety statistics.

As of the Latest Practicable Date, no material accidents involving any personal injury or property damage had been reported to our management during the Track Record Period and we have not been subject to any claims arising from any material accidents involving personal injury or property damage during the Track Record Period that have had a material adverse effect on our business, financial condition or results of operation. We believe that we have complied with all relevant PRC laws and regulations regarding occupational health and safety during the Track Record Period. Based on a confirmation letter issued in May 2011 by the Lincheng County Bureau of Health (“臨城縣衛生局”) our PRC legal advisor, King & Wood, is of the opinion that we have complied with the relevant laws and regulations pertaining to occupational health and safety. Our Directors have confirmed that we, during the period from the issuance date of the confirmation letter to the Latest Practicable Date, have dealt with occupational health and safety related matters pursuant to the same requirements and standards that we followed before we obtained the confirmation letter. Our PRC legal advisor, King & Wood, has confirmed that there has been no material change to the relevant laws and regulations pertaining to occupational health and safety since the issuance date of the confirmation letter.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we have applied for registration of the trademark “ 新礦資源” with the Trade Marks Registry of the Intellectual Property Department in Hong Kong. See “Statutory and General Information — B. Further Information About the Business — 2. Intellectual Property Rights — (a) Trade Marks” in Appendix VIII to this Prospectus. We also possess unregistered trade secrets, technologies, know-how, processes and other intellectual property rights.

As of the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of intellectual property rights, nor are we aware of any such claims either pending or threatened.

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PROPERTIES

Land

As of the Latest Practicable Date, we occupied two parcels of land in Hebei Province, China, with a total site area of approximately 92,700 m². We signed the state-owned land use rights grant contracts for these two parcels of land in February 2010. Pursuant to these contracts, we agreed to pay a total land premium amount of RMB8.9 million by August 2010 in installments, with the first payment due in April 2010. Upon receiving a letter issued by the Land Resource Bureau of Lincheng County dated 19 April 2010, we paid a first installment in the net amount of RMB1.3 million, which was paid in full on 19 April 2010. Pursuant to a further letter issued to us by the Land Resource Bureau of Lincheng County dated 14 December 2010, we were instructed to pay an amount of RMB2.88 million in final settlement of the land premium, such amount being agreed by the Land Resource Bureau of Lincheng County as the full amount required. We made this payment in the amount of RMB2.88 million in full on 16 December 2010. As such, all the land premium has been duly settled in accordance with decisions and instructions of the Land Resource Bureau of Lincheng County, which is the government authority responsible for management and supervision of land related issues in Lincheng County. Our PRC legal advisor, King & Wood, has confirmed that we have proper legal title to these two parcels of land.

We have obtained the state-owned land use rights certificates for the land parcels on which our mining pits and our No. 1 Processing Facility and our No. 2 Processing Facility are located in the Yanjiazhuang Mine. Other than the parcels of land listed in the table below, we do not hold long-term state-owned land use rights to other land parcels covered by our mining right for the Yanjiazhuang Mine. We identify sites for setting up our mining pits and production facilities when mapping out our mining plan. Obtaining the required land use rights as we map out each of our mining sites and production facilities instead of obtaining the land use rights for the entire mine area at one time can enhance cost efficiency, allow greater flexibility for our operations and reduce our overhead capital expenditures.

The table below summarizes the use, date of issue, location, type of land use rights, size area and expiration date of the parcels of land for which the Group occupies as of the Latest Practicable Date:

Registered Owner	Use	Date of Issue	Location	Type of Land Use Rights	Current Primary Use	Area (m ²)	Expiration Date
Xingye Mining	Industrial	25 September 2009	Shilou Village West, Haozhuang Town, Lincheng County	Granted	Mining pit at the Yanjiazhuang Mine	6,301	25 September 2049
Xingye Mining	Industrial	25 September 2009	Shiwopu Village Southwest, Haozhuang Town, Lincheng County	Granted	No. 1 Processing Facility and No. 2 Processing Facility and site for constructing No. 3 Processing Facility	86,399	25 September 2049

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Facilities

We have erected various facilities, including temporary structures, on our two parcels of land. The majority of the temporary structures were used for our operations related to the Guomu Nangou Mine. We did not obtain the relevant planning permits, construction permits and building ownership certificates for these temporary structures, and, as a result, may be subject to penalties for such non-compliance. However, as we disposed of our interest in the Guomu Nangou Mining Ltd. in November 2009, we no longer use or own any of those temporary structures related to the Guomu Nangou Mine. Our Directors believe that our operations will not be adversely affected by our non-compliance regarding the temporary structures. For additional information regarding the temporary structures, see “ – Compliance – Incidents of Non-Compliance – Temporary structures.”

Details of the property valuation together with the summary of valuation and valuation certificates from our property valuer are set out in Appendix IV to this Prospectus.

EMPLOYEES

As of 31 May 2011, we had 635 employees. The following table sets forth the number of employees by position:

	<u>Number of employees</u>	<u>% of total</u>
Production		
Iron ore mining ⁽¹⁾	142	22
Iron ore processing ⁽²⁾	201	32
Ancillary mining activities ⁽³⁾	163	26
Management, finance and administrative ⁽⁴⁾	72	11
Others ⁽⁵⁾	57	9
Total	635	100

(1) Excludes independent third-party contractors who perform mining and hauling work.

(2) Includes employees at the No. 1 Processing Facility, No. 2 Processing Facility and the two dry magnetic cobbing systems.

(3) Includes engineers, electricians and personnel in the quality control and equipment repair departments.

(4) Includes managers for processing, mining, supply and safety, as well as personnel within the accounting and booking departments.

(5) Includes transportation team personnel, weigh house personnel and cook staff.

The salaries of our employees largely depend on their performance and length of service with us. Employees receive social welfare benefits and other benefits. Except for the above annual contributions, we are not responsible for other employee benefits.

During the Track Record Period, we have not experienced any labor disputes with our employees. For additional information about certain of our employees, see “Directors, Senior Management and Employees” in this Prospectus.

INSURANCE

We are in compliance with applicable PRC laws and regulations with respect to required insurance for our employees. We also maintain the required PRC employee social benefits insurance in accordance with various implementation policies issued by local government authorities, which may be less stringent than the requirements under PRC labor laws and regulations. As a result, we may be subject to a fine of up to RMB10,000. However, based on the advice of our PRC legal advisor, King & Wood, we believe the possibility of being sanctioned is remote because the local government authorities have confirmed our compliance with the implementation policies issued by them. We intend to register for social benefits insurance for all employees in accordance with PRC labor laws and regulations in the future. Moreover,

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as we have reserved adequate and sufficient capital for the future costs of social benefits insurance for all employees, we believe the non-compliance will not adversely affect our business operations. See also “— Compliance — Incidents of Non-Compliance — Employee social benefits insurance.” In addition to insurance for our employees, we obtained property insurance for our hauling vehicles for losses due to fire, earthquakes, floods and a wide range of other disasters. During the Track Record Period, we did not make any claims under our insurance policies that had a material adverse effect on our business, financial condition or results of operations.

We maintain property and liability insurance with respect to our properties, equipment and inventories. We also take out insurance for the construction and erection works. We do not have business interruption insurance for our first year of commercial production and we plan to arrange this type of insurance in subsequent years.

Since the open-pit mining method has a lower level of technical and safety risk than underground mining, we face comparatively lower levels of operational risk. During the Track Record Period, we did not experience any business interruptions or losses or damages to our facilities that had a material adverse effect on our business, financial condition or results of operations. In addition, the majority of our temporary structures, ancillary structures and production facilities are of low commercial value. During the Track Record Period, we did not experience any losses or damages to our temporary structures, ancillary structures and production facilities as a result of any material accidents. After taking into account the costs of insurance and the risks involved, we believe that our current insurance coverage is generally sufficient to protect our interests.

Save as disclosed, in the section headed “Risk Factors — Risks Relating to Our Business — We may not be adequately insured against losses and liabilities arising from our operations.” in this Prospectus, we consider the insurance coverage on our assets to be adequate as of the Latest Practicable Date. We will continue to review and assess our risks and make necessary adjustments to our insurance practice to meet our needs and comply with industry practices in China.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any material legal or administrative proceedings. In addition, our Directors are not aware of any claims or proceedings in relation to exploration rights contemplated by government authorities or third parties which would materially and adversely affect our business.