OVERVIEW

We are the largest independent privately-owned iron ore concentrates producer in Northeastern China based on our production volume of 1,315.0 Kt in 2010, according to Hatch. Our primary business operations include iron ore mining and the production and sale of iron ore concentrates. We sell our iron ore concentrates primarily to iron and steel companies in Liaoning Province, China. Several large regional iron and steel companies are located within ten to 75 km of our mines and are our major customers. With our sizeable reserves, low cost production profile, strategic location and production expansion plan, we believe we are well-positioned to capture the robust growth potential of the iron ore market in China, in particular in Liaoning Province, and to capitalize on the PRC government's policy of encouraging consolidation in the iron ore mining industry.

We produce iron ore concentrates from iron ore mined from our four mines located in Fushun and Benxi, Liaoning Province. Our mining rights for these mines cover an area of approximately 3.75 sq.km. in total. In addition, we obtained preliminary approval from the Liaoning Department of Land and Resources to expand the mining rights area of our Maogong Mine by an additional 1.71 sq.km. on December 13, 2010. According to the Independent Technical Report, the total probable iron ore reserves in our four mines were approximately 139,771.3 Kt as of June 30, 2011. We currently own and operate five iron ore processing plants, which are located in close proximity to our mines. We engage Benxi Iron Processing, a company controlled by the Controlling Shareholders which processes iron ore exclusively for us, to process the iron ore produced at our Mengjia Mine.

The following table summarizes certain information about our mines:

	Aoniu Mine	Maogong Mine[(1)]	Luobokan Mine	Mengjia Mine
Background data:				
Mining rights area (sq.km.)	1.89	0.66[(2)]	0.94	0.25
Current mining permit expiration date (month/year)	11/2015	11/2013	10/2011[(3)]	02/2015
Assessed annual production capacity (Kt)	1,200.0	350.0[(2)]	1,000.0	800.0
Designed annual production capacity (Kt)	1,200.0	350.0	5,000.0	800.0
Reserve data (as of June 30, 2011):				
Probable reserves (Kt)	10,085.8	12,725.3	107,187.2	9,773.0
Average iron grade (TFe) (%)	25.4	30.1[(4)]	26.4/19.5[(5)]	20.9
Mine life[(6)]	5.4	13.2	21.4	7.4

	Aoniu Mine	Maogong Mine[1]	Luobokan Mine	Mengjia Mine
Production data:				
Current mining method	Open-pit	Open-pit	Open-pit	Open-pit
Ore production volume (Kt)				
2008	1,512.5	745.7	85.8	1,246.8
2009	1,584.0	878.9	123.4	1,527.2
2010	1,856.7	963.4	352.7	1,321.3
Six months ended June 30, 2011	1,059.3	366.4	57.1	619.8
Average stripping ratio from 2008 to 2010	1.96	1.06	0.67	2.18
Average recovery rate from 2008 to 2010	95%	95%	95%	95%

Notes:

(1) Our Maogong Mine was formed through the combination of our former Maogong Mine and former Jingjia Mine in August 2010.

(2) On December 13, 2010, we received preliminary approval from the Liaoning Department of Land and Resources to expand the mining rights area of our Maogong Mine from 0.66 sq.km. to 2.37 sq.km. and the assessed annual production capacity from 350.0 Kt to 800.0 Kt. We have applied for a new mining rights permit for our Maogong Mine covering the expanded mining right area and expect to obtain such mining permit by the end of October 2011.

(3) We are in the process of renewing the mining permit for the Luobokan Mine and expect to obtain the renewed mining permit in October 2011.

(4) Representing the weighted average iron grade of the former Maogang Mine and Jingjia Mine.

(5) Consisting of probable reserves of 36,359.9 Kt with an average grade of 26.4% and probable reserves of 70,827.3 Kt with an average grade of 19.5%.

(6) For a given mine, calculated by dividing the probable reserves as of June 30, 2011 by the annual production volume of the mine in 2010, except for Luobokan Mine, the mine life of which is calculated by dividing its probable reserves as of June 30, 2011 by its designed annual production capacity of 5,000.0 Kt.

Our reserves generally have simple geological conditions and characteristics favorable to low-cost mining and processing, according to the Independent Technical Report. The ore in our mines generally has low levels of impurities, such as sulphur, phosphorus, silicon and titanium, the presence of which is generally undesirable for steel production. As a result, we are able to produce high quality iron ore concentrates through simple, low-cost magnetic processing methods. In 2010, our ore processing plants and Benxi Iron Processing produced iron ore concentrates with average grades between 65.1% and 66.7%. Our average cash operating costs to produce one ton of iron ore concentrates was RMB244 in 2010, ranking us among the most efficient iron ore concentrate producers in China in terms of cash operating costs, as the average cash operating cost for iron ore concentrates in China was approximately RMB500 per ton in 2009, according to Hatch. Moreover, due to the low levels of sulphur, phosphorus, silicon and titanium content, our iron ore concentrates generally command higher prices over iron ore concentrates with higher levels of such elements.

We derived 99.9%, 98.1%, 97.2%, 97.6% and 99.0% of our revenue from sales of iron ore concentrates in 2008, 2009, 2010 and the six months ended June 30, 2010 and 2011, respectively. We also generated revenue from sales of auxiliary materials. The following table sets forth our sales volumes for, average selling prices of and revenue derived from sales of iron ore concentrates for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
Sales volume (Kt)	1,026.2	1,528.7[2]	1,398.5[2]	756.6[2]	680.1
Average selling price[1] (RMB/ton)	917	544	902	831	1,096
Revenue from sales of iron ore concentrates (RMB'000)	941,165	831,855	1,261,711	628,588	745,095

(1) Excluding VAT at a rate of 17%.

(2) Including sales volume of iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group.

During the Track Record Period, we carried out our sales and distribution pursuant to a series of arrangements among us and certain other companies controlled by our Controlling Shareholders that are not in our Group. In 2008, we sold most of the iron ore concentrates we produced to Fushun Hanking and Fushun Metallurgy, both of which are controlled by our Controlling Shareholders but are not in our Group. They served as the principal centralized sales channels for iron ore concentrates for the Controlling Shareholders' iron ore business in China in 2008 and resold our iron ore concentrates to their customers. In 2009 and 2010, to streamline our operations and prepare for the Listing, we and the Controlling Shareholders took steps to separate our business from the operations of those other companies controlled by them. First, Aoniu Mining, one of our subsidiaries, replaced Fushun Hanking as one of the principal centralized sales channels for the Controlling Shareholders' iron ore business in 2009. Beginning in May 2010, we ceased selling iron ore concentrates to Fushun Metallurgy and switched to selling all of our iron ore concentrates directly to our customers. In September 2010, we completed the last step of severing our sales arrangements with companies controlled by our Controlling Shareholders that are not in our Group by ceasing to purchase and resell iron ore concentrates produced by them.

The following table sets forth information regarding sales volume of iron ore concentrates for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
			(Kt)		
Sales volume of our own iron ore concentrates	1,026.2	1,197.6	1,267.4	646.7	680.1
Sales volume of iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group	—	331.1	131.1	109.9	—
Total sales volume	1,026.2	1,528.7	1,398.5	756.6	680.1

Our average selling price of iron ore concentrates and results of operations fluctuated significantly during the Track Record Period primarily due to changes in global and PRC economic conditions. Our average selling price of iron ore concentrates decreased by 40.7% from RMB917 per ton in 2008 to RMB544 per ton in 2009 due to the collapse of the global commodity market caused by the global economic downturn that began in late 2008, and increased by 65.8% to RMB902 per ton in 2010, primarily due to the recovery of the PRC economy. Our revenue decreased by 10.0% from RMB941.8 million in 2008 to RMB847.8 million in 2009, and increased by 53.0% to RMB1,297.5 million in 2010. Our profit and total comprehensive income decreased by 63.7% from RMB423.9 million in 2008 to RMB153.7 million in 2009, and increased by 222.9% to RMB496.3 million in 2010. Our average selling price of iron ore concentrates increased by 31.9% from RMB831 per ton in the six months ended June 30, 2010 to RMB1,096 per ton in the six months ended June 30, 2011. Our revenue increased by 16.8% from RMB644.3 million for the six months ended June 30, 2010 to RMB752.6 million for the six months ended June 30, 2011; however, our profit and total comprehensive income decreased by 36.3% from RMB219.2 million to RMB139.6 million over the same period, primarily due to a substantial increase in our finance costs, consisting of finance costs of RMB194.2 million arising from the Facility Loan under the Facility Agreement. We borrowed the Facility Loan primarily to finance the Reorganization in January 2011; the Facility Loan will be repaid following the Global Offering and accordingly we will not incur finance costs related to the Facility Loan in future period.

Liaoning is the second largest iron ore product consuming province in China. Liaoning's iron ore product consumption was approximately 88 Mt in 2010, accounting for approximately 9.3% of China's total iron ore product consumption that year, according to the NBSC. In 2010, China's iron ore product production was approximately 326 Mt, according to UNCTAD, and Liaoning's iron ore product production was approximately 54.7 Mt, according to Hatch, or 16.8% of China's total iron ore product production. Despite being the key iron ore product producing province in China, the local iron ore product output in Liaoning is still unable to satisfy the local demand. Iron ore products are imported from elsewhere to meet the supply shortfall. We produced 1,315.0 Kt of iron ore concentrates in 2010, or 2.4% of Liaoning's iron ore product production, according to Hatch.

We intend to expand our production capacity to capture the robust growth potential of the PRC iron ore market, in particular in Liaoning. We also plan to carry out underground mining at our Mengjia Mine and Luobokan Mine and are currently constructing shafts and tunnels and conducting other preparatory work at these two mines. The following table sets forth our iron ore production volume in 2010 and expected iron ore production capacity from 2011 to 2015 based on our production expansion plan and as set out in the Independent Technical Report:

		Production Volume	Expected Production Capacity				
Mine	Mining method	2010	2011	2012	2013	2014	2015
				(Kt)			
Aoniu Mine	Open-Pit	1,856.7	2,200	2,600	2,900	3,000	3,000
Maogong Mine	Open-Pit	963.4	1,300	1,500	2,000	2,000	2,000
Luobokan Mine	Open-Pit	352.7	300	2,000	3,000	2,600	1,000
	Underground	—	—	—	—	1,400	4,000
Mengjia Mine	Open-Pit	1,321.3	800	—	—	—	—
	Underground	—	500	1,200	1,350	1,400	1,400
Total		4,494.1	5,100	7,300	9,250	10,400	11,400

To keep pace with the expected increase in our iron ore production volume, we are currently upgrading one of our processing plants adjacent to our Aoniu Mine and constructing a new processing plant for our Luobokan Mine. We expect to complete the upgrading project by August 2012 and the construction project in three phases by the end of 2014. Moreover, we intend to construct a new processing plant at our Maogong Mine with an annual iron ore processing capacity of 2,000.0 Kt and currently plan to finish constructing the plant by August 2012. For additional information regarding our expansion plan, see "— Our Production Operations and Facilities — Production expansion plans" and "Risk Factors — Our business expansion plan may not achieve the intended economic benefits" in this prospectus.

OUR COMPETITIVE STRENGTHS

Largest independent privately owned producer of iron ore concentrates in Northeastern China

We are the largest independent privately-owned producer of iron ore concentrates in Northeastern China based on our production volume in 2010, according to Hatch. We produced 1,045.9 Kt, 1,182.3 Kt, 1,315.0 Kt and 626.2 Kt of iron ore concentrates in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. Our large-scale production and operations have enabled us to realize significant economies of scale in production efficiency, procurement, sales and marketing. We believe that our economies of scale enable us to optimize our operating efficiency and accordingly, our profitability, and thus position us to be a strong competitor in our markets. For example, we believe our procurement of materials in large quantities enables us to obtain favorable pricing from suppliers, which helps us reduce our operating costs. We believe that customers prefer to purchase iron ore concentrates from large companies like us because they believe that doing so will ensure a high quality and a stable supply of iron ore concentrates and reduce their logistical and administrative expenses. For example, Fushun New Steel, our largest customer in 2009 and 2010, encouraged us to increase our iron ore concentrate sales volume to them by agreeing to pay incrementally increased selling prices if our sales volume to it exceeds certain amounts in a year.

The PRC government has promulgated a number of policies and regulations to encourage the integration and reform of the domestic iron ore industry. These policies and regulations are being implemented to resolve certain problems that have arisen in connection with small-scale mining and production operations, such as low resource utilization and the lack of adequate environmental protection and safety measures. In addition, in view of our position as the leading iron ore mining company in Fushun which has conducted business in compliance with material laws and regulations and have closely aligned our business operations with the long-term economic development plans of the region, the local government has expressed support for our future acquisition of additional iron ore resources in the region. We believe that we are well-positioned to take advantage of these government policies and that we may be able to expand our reserves and production through the consolidation of local iron ore assets at low costs.

High quality iron ore concentrate products and favorable geological conditions of our reserves

We produce high quality iron ore concentrates at relatively low costs. The iron ore concentrates produced from our iron ore in 2010 had average grades between 65.1% and 66.7% with low sulphur, phosphorus, silicon and titanium content, which generally command higher prices over iron ore concentrates with higher levels of such elements. In 2010, our average cash operating costs to produce one ton of iron ore concentrates was RMB244, which, compared to the industry average in 2009 of RMB500 per ton, made us one of the most efficient iron ore concentrate producers in China in terms of cash operating costs, according to Hatch.

Our high production efficiency and low production costs are primarily attributable to the geological characteristics of our iron ore. Our reserves are primarily located in areas with geological conditions favorable to low-cost mining. A substantial portion of our reserves are located at relatively shallow depths, which in turn reduces mining costs. The geological conditions of our mines are generally simple, with few major faults or folds. In addition, there are clear boundaries between most of the orebodies and the wall rocks in our mines. Moreover, the hanging wall and footwall rocks of the orebodies in our mines are primarily hard rocks and stable. These conditions allow us to increase the maximum angles of and reduce the cost of installing support structures in our underground mines while still maintaining production safety, thereby reducing our stripping ratios and the associated costs. The iron ore in our reserves has commercially attractive characteristics, such as low sulphur, phosphorus, silicon and titanium content, which allows us to use low-cost and environmentally-friendly magnetic separation methods to process raw iron ore to produce iron ore concentrates.

Well-positioned to capture the growth opportunities with strategic location of our mines and processing plants in Liaoning Province

China's economic growth and urbanization in recent years have created substantial demand for iron ore products in the PRC. Among all provinces in the PRC, Liaoning, our primary market, ranked second in terms of iron ore consumption in 2010, according to Hatch. Despite being one of the key iron ore producing provinces in China, the local iron ore output in Liaoning is still unable to satisfy the local demand. Accordingly, iron ore is imported to meet the supply shortfall. Due to their weight and bulk, iron ore products can be difficult to transport in a cost-efficient manner. Accordingly, the location of our mines and processing plants in Liaoning significantly enhances the competitiveness of our iron ore concentrates compared to producers located outside Liaoning. For example, we sold most of our iron ore concentrates to local customers within a 75 km radius of our processing plants during the Track Record Period. We believe that the relatively low logistics costs and stable demand from local steelmakers provide a solid foundation for our long-term growth and profitability.

Our location in the iron-rich region of Liaoning provides us with access to the iron ore resources of the surrounding region. According to Hatch, Liaoning ranks first among all provinces in the PRC as measured by its iron ore reserves, which were estimated to be approximately 7,020 Mt in 2009, representing approximately one third of the total iron ore reserves in the PRC. In particular, our four operating mines are situated in Anshan-Benxi iron ore belt, which contains approximately 12.5 billion tons of iron ore resources and accounts for 20% of the total iron ore resources in China. In addition to our mines and processing plants, there are other iron ore mines and processing plants in Fushun, Liaoning, which may provide us with opportunities to consolidate the market through acquisition. Moreover, as one of the major industrial provinces in China, Liaoning has a highly developed

infrastructure system that includes established road and rail networks, power grids and other public facilities, which we believe may reduce the time and costs we would need to incur in order to integrate future acquisitions with our existing operations.

Our management has extensive industry and management experience with an international vision.

Our senior management comprises a group of highly experienced professionals in the iron ore mining and processing field with an average industry experience exceeding 15 years, including experience with international mining companies. Our chief executive officer and president, Mr. Pan, earned a PhD degree in Mineral Economics from the University of Arizona in the United States and has over 20 years of experience in mineral exploration, mining and mineral property evaluation including 15 years with foreign and multinational mining companies. Our chief operating officer and vice president, Mr. Lu, earned a master's degree in Mining Engineering and has over 20 years' experience in mining, mineral processing and safety management. Our executive director, Mr. Huang, who is in charge of our largest mine, Aoniu Mine, has over 25 years' experience in iron ore processing. We have filled mid-level management positions and other key functions in our Company with specialists to support our senior management. We require these employees to have appropriate education, training and/or work experience in their respective fields. We believe that our management team possesses in-depth knowledge critical to our Company's success in the iron ore industry and is capable of identifying and seizing market opportunities, formulating sound business strategies, assessing and managing risks, implementing management and production schemes, and increasing our overall profit to maximize our shareholder value. For a more detailed description of the senior members of our management team, please see "Directors, Senior Management and Employees".

OUR BUSINESS STRATEGIES

Increase our iron ore reserves

As part of our plans for organic growth, we plan to explore deeper into our mines and the adjacent areas to increase our iron ore resources. According to the Independent Technical Report, there are abundant inferred resources in our mining areas. As we mine deeper underground, our mines may yield greater quantities of iron ore than we currently estimate. Although mining costs generally increase as we mine deeper underground, we believe that we will be able to maintain our competitiveness as a low-cost operator in the future by exploiting economies of scale in our operation. We expect to continue to improve our efficiency by adopting advanced technologies and equipment to further reduce our operating costs while simultaneously increasing our production capacity. There is also great potential to discover more iron resources outside our mining areas, according to the Independent Technical Report. For example, approximately 2 Mt of ore resource just outside the mining area of our Mengjia Mine has been estimated by the relevant Chinese geological brigade. We also plan to further expand our operations by extending the boundaries of our current mining rights to adjacent areas to obtain additional resources and reserves. On December 13, 2010, we received preliminary approval from the Liaoning Department of Land and Resources to expand the mining rights area of our Maogong Mine from 0.66 sq.km. to 2.37 sq.km. to take advantage of neighboring iron ore resources. On May 10, 2011, the local Fushun County government approved our application to reserve an area of 81.77 sq.km. for Aoniu Mine and an area of 35.36 sq.km. for Maogong Mine as potential prospecting mineralization areas. We believe that these areas may contain significant iron ore resources based on airborne survey anomaly results. Pursuant to the approval, the local Fushun County government granted us priority to

apply for mining rights with respect to these areas. We must still fulfill all the requirements under applicable laws and regulations before we can be granted the mining rights if we apply for such mining rights in the future.

In addition, we are actively seeking opportunities to acquire additional iron ore reserves. Our primary criteria for selecting target mines are as follows:

- the resources, reserves and mining operations of the target mines;
- the grade, mining costs and sustainability of the target resources and reserves;
- exploration potential;
- the financial costs and benefits of the acquisition;
- valid land use rights and property ownership and no material legal risks; and
- the contributions of the acquisition towards the overall sustainability of our business.

The iron ore reserves in Liaoning present great opportunities for our expansion and sustainable growth. In the near term, we plan to increase our iron ore reserves through the acquisition of mines in other areas of Liaoning, such as Anshan, Benxi and Liaoyang. We believe that by expanding our reserves we will benefit from current PRC government policies encouraging the consolidation of mines in Liaoning. In addition, we plan to increase our iron ore reserves through the acquisition of mines in other provinces in China. In the long term, we plan to further increase our iron ore reserves through the acquisition of mines and resources in other regions outside of China, such as Australia, which accounted for 13.3% of the world total iron ore reserves in 2010, according to USGS, and has a developed economy, stable political system and advanced transport and communications networks. We intend to engage third party mining consultants and other experts to assist us in evaluating potential targets and completing any acquisitions.

Increase our mining and processing capacities and ramp up our iron ore concentrate production

We intend to expand our production capacity by (i) expanding our existing production facilities; (ii) constructing new production facilities; (iii) expanding our mining activity underground; and (iv) acquiring new mines and related production facilities. For example, we plan to gradually ramp up our iron ore production capacity. To match the expected increase in our iron ore production, we are currently upgrading our Aoniu Processing Plant I, and we expect to complete the upgrading project by August 2012. In addition, we are currently constructing a new processing plant for the Luobokan Mine and are planning to construct a new processing plant for our Maogong Mine.

Further enhance operational efficiency and reduce operating costs

We view efficiency and cost control as critical elements for maximizing our profitability and maintaining our long-term competitiveness. In order to further improve operational efficiency and reduce costs, we intend to:

- Provide regular training to our employees to improve productivity;
- Improve our mining and processing efficiency through innovations;

- Reuse waste rocks to increase the dry magnetic separation yield rate;
- Reduce the consumption of raw materials and energy through innovations;
- Recycle waste rocks and tailings to produce construction materials and backfill mined areas to reduce the impact of our mining activities on the environment;
- Improve our internal controls; and
- Improve our business planning and budgeting.

For example, our latest innovation is a new iron ore concentrates production process developed by our engineers, which uses high-pressure grinding rolls to crush iron ore to increase production efficiency. We are currently in the process of upgrading our Aoniu Processing Plant I to implement this new production process and add additional processing capacity. We currently expect to complete the upgrades by August 2012, by which time the iron ore processing capacity of the plant is expected to increase to 2,000.0 Kt per year.

PRODUCTS

We produce iron ore concentrates from iron ore mined from our four mines located in Fushun and Benxi, Liaoning Province. Our iron ore concentrates have a number of commercially attractive characteristics, including high iron content and low levels of impurities, such as sulphur, phosphorus, silicon and titanium. The average grade of our iron ore concentrates produced in 2010 ranged between 65.1% and 66.7%. The ore in our mines is magnetite ore with low levels of impurities. Our iron ore concentrates possess these commercially attractive characteristics and hence generally command higher prices than iron ore concentrates with higher levels of impurities. In addition to our own iron ore concentrates, we historically also purchased iron ore concentrates from companies controlled by our Controlling Shareholders that are not in our Group and then resold them to our customers but have ceased this practice since September 2010. See "— Sales and Distribution".

The following table sets forth information regarding our production and sales volume of iron ore concentrates for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
	(Kt)			
Production volume	1,045.9	1,182.3	1,315.0[1]	626.2
Total sales volume	1,026.2	1,528.7[2]	1,398.5[2]	680.1
Sales volume of our own iron ore concentrates	1,026.2	1,197.6	1,267.4	680.1
Sales volume of iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group	—	331.1	131.1	—

(1) Includes iron ore concentrates that Benxi Iron Processing produced for us, a contractor we have engaged to process iron ore exclusively for us. See "— Third Party Contractor".

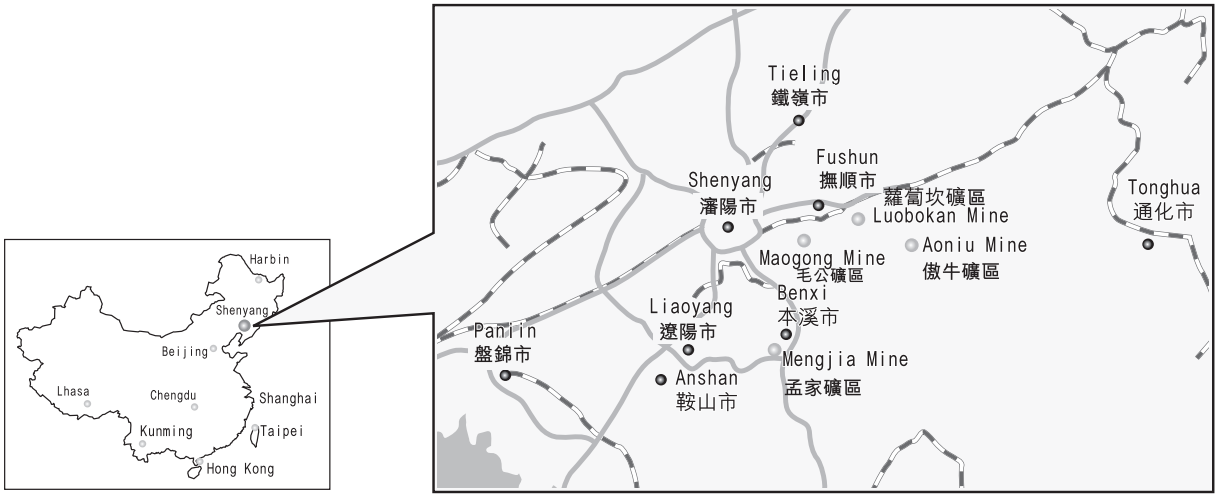
(2) Includes sales volume of iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group.

MINERAL RESOURCES AND MINING RIGHTS

Overview

We currently own and operate four iron ore mines, Aoniu Mine, Luobokan Mine, Maogong Mine and Mengjia Mine, each with iron ore processing facilities in their vicinities. Our Mengjia Mine is located in Benxi, Liaoning and our other three mines are all located in Fushun, Liaoning. Both Fushun and Benxi are within 100 km of, and connected by major highways to, Shenyang, the capital of Liaoning province. As of June 30, 2011, the total probable reserves in our mines were 139,771.3 Kt, including probable reserves of 68,944.0 Kt with an average grade of 26.2% and probable reserves of 70,827.3 Kt with an average grade of 19.5%.

The map below shows the approximate geographical locations of our mines:



All of our four mines are currently open-pit mines. As part of our production expansion plan, we intend to carry out underground mining at our Mengjia Mine and Luobokan Mine and are currently constructing shafts and tunnels and conducting other preparatory work at these two mines. We currently anticipate commencing underground mining at our Mengjia Mine by the end of 2011 and at our Luobokan Mine by the end of 2014. Our reserves generally have geological conditions and characteristics favorable to low-cost mining and production. A substantial portion of our reserves are located at relatively shallow depths which generally reduces mining costs. As we transition from open-pit mining to underground mining at our Mengjia Mine and Luobokan Mine, we expect our cash operating costs at these mines to increase. However, we believe that we will be able to maintain our competitiveness as a low-cost operator in the future by exploiting economies of scale in our operation. As we commence underground mining, we expect to continue to improve our efficiency by adopting advanced technologies and equipment to further reduce our operating costs while simultaneously increasing our production capacity. For further details regarding our cash operating costs between 2011

and 2015, please see Table 10–5 of the Independent Technical Report in Appendix V to this prospectus. The geotechnical conditions of our mines are generally simple, with few major faults or folds. In addition, there are clear boundaries between most of the orebodies and the wall rocks in our mines. Moreover, the hanging wall and footwall rocks of the orebodies in our mines are primarily hard rocks and stable. These conditions allow us to increase the maximum angles of open-pit slopes and reduce the cost of installing support structures in our underground mines while still maintaining production safety, thereby reducing our stripping ratios and the associated costs. In addition, the ore at our mines has low levels of impurities, such as sulphur, phosphorus, silicon and titanium. As a result, we use relatively simple magnetic separation methods to process raw ore in the production of iron ore concentrates, which are low-cost and environmentally friendly as they do not require any chemical reagents. For technical details of the geology of our mines and the grades of our reserves, see "Appendix V — Independent Technical Report".

Our mineral reserves

The following table summarizes certain information about our mines:

	Aoniu Mine	Maogong Mine[(1)]	Luobokan Mine	Mengjia Mine
Background data:				
Mining rights area (sq.km.)	1.89	0.66[(2)]	0.94	0.25
Current mining permit expiration date (month/year)	11/2015	11/2013	10/2011[(3)]	02/2015
Assessed annual production capacity (Kt)	1,200.0	350.0[(2)]	1,000.0	800.0
Designed annual production capacity (Kt)	1,200.0	350.0	5,000.0	800.0
Reserve data:				
Probable reserves (Kt as of June 30, 2011)	10,085.8	12,725.3	107,187.2	9,773.0
Average iron grade (TFe) (%)	25.4	30.1[(4)]	26.4/19.5[(5)]	20.9
Production data:				
Current mining method	Open-pit	Open-pit	Open-pit	Open-pit
Ore production volume (Kt)				
2008	1,512.5	745.7	85.8	1,246.8
2009	1,584.0	878.9	123.4	1,527.2
2010	1,856.7	963.4	352.7	1,321.3
Six months ended June 30, 2011	1,059.3	366.4	57.1	619.8

Notes:

(1) Our Maogong Mine was formed through the combination of our former Maogong Mine and former Jingjia Mine in August 2010.

(2) On December 13, 2010, we received preliminary approval from the Liaoning Department of Land and Resources to expand the mining rights area of our Maogong Mine from 0.66 sq.km. to 2.37 sq.km. and the assessed annual production capacity from 350.0 Kt to 800.0 Kt. We have applied for a new mining rights permit for our Maogong Mine covering the expanded mining right area and expect to obtain such mining permit by the end of October 2011.

(3) We are in the process of renewing the mining permit for the Luobokan Mine and expect to obtain the renewed mining permit in October 2011.

(4) Representing the weighted average iron grade of the former Maogang Mine and Jingjia Mine.

(5) Consisting of probable reserves of 36,359.9 Kt with an average grade of 26.4% and probable reserves of 70,827.3 Kt with an average grade of 19.5%.

We have carried out upgrades at our mines to increase our production efficiency. As a result, the actual production capacities of our mines have increased significantly and exceeded the assessed production capacities set forth in the respective mining permits. During the Track Record Period, the production volumes of our Aoniu Mine, Maogong Mine and Mengjia Mine exceeded such assessed production capacities. We believe that our over-production at these mines has no adverse effect on our mining operations as we have installed safety facilities and taken safety measures in accordance with the relevant laws and regulations at these mines. We have not been penalized for over-production during the Track Record Period. In addition, we have obtained written confirmations from the relevant government authorities that we would not be penalized for our over-production during the Track Record Period or future over-production prior to our obtaining new mining permits with increased assessed production capacities. We intend to apply for increased assessed annual production capacities when we renew our mining rights permits. We acquired the Luobokan Mine from its previous owners during the Track Record Period. The previous owners did not fully develop the mine and we have suspended production at the Luobokan Mine since March 2011 primarily to further develop the mine and prepare for underground mining. Due to these reasons, the production volume of the Luobokan Mine during the Track Record Period was significantly lower than its assessed and designed production capacities. We expect to resume production in October 2011 and to increase its annual iron ore production capacity to 3,000 Kt in the third quarter of 2012, and eventually to 5,000 Kt by the end of 2014.

Aoniu Mine

Our Aoniu Mine is located in Hou'an Town, Fushun. We operate the mine through our subsidiary, Aoniu Mining. Hanking Group first acquired the Aoniu Mine from the local government of Hou'an Town for approximately RMB20.3 million in 1998. The purchase price was determined through arms-length negotiations between the parties. The Aoniu Mine's annual production capacity was approximately 120.0 Kt of iron ore at the time. After a series of transactions, Aoniu Mining became the owner of the Aoniu Mine. In October 2010, we acquired the entire equity interest in Aoniu Mining from Ms. Yang and Hanking Group, its then shareholders, for RMB550 million in total. The purchase price was determined based on the appraised value of Aoniu Mining given by GZAA Inc. (北京中天衡平國際資產評估有限公司), a third party qualified valuer under PRC law. The area covered by the mining rights for our Aoniu Mine is 1.89 sq.km. As of June 30, 2011, the total probable reserves of our Aoniu Mine were 10,085.8 Kt with an average iron grade of 25.4%. The estimated mine life of our Aoniu Mine was approximately 5.4 years as of June 30, 2011 based on its 2010 annual production of 1,856.7 Kt and probable reserves of 10,085.8 Kt as of June 30, 2011. Access to our Aoniu Mine is provided by paved roads and nearby highways. Power to the mine is provided by the local grid. On May 10, 2011,the local Fushun County government approved our application to reserve an area of 81.77 sq.km. for Aoniu Mine as a potential prospecting mineralization area. We believe that the area may contain significant iron ore resources based on airborne survey anomaly results. Pursuant to the approval, the local Fushun County

government granted us priority to apply for mining rights with respect to this area. We must still fulfill all the requirements under applicable laws and regulations before we can be granted the mining rights if we apply for such mining rights in the future.

Maogong Mine

Our Maogong Mine is located in Shiwen Town, Fushun. We operate the mine through our subsidiary, Maogong Mining. It originally was operated as two separate mines, the former Jingjia Mine and Maogong Mine, which were adjacent to each other. We consolidated these two mines in August 2010 to improve operating efficiency. Hanking Group first acquired the former Maogong Mine from the village committee of Maogong Village, Shiwen Town for RMB3.5 million in 1997. The purchase price was determined through arms-length negotiations between the parties. The former Maogong Mine's annual production capacity was approximately 55.0 Kt of iron ore at the time. Hanking Group first acquired the former Jingjia Mine from the village committee of Jingjia Village, Shiwen Town in 2000. In 1994, Fushun Hanking Trading Group, a predecessor company of Hanking Group, entered into an agreement with the village committee of Jingjia Village to set up an iron ore processing plant. Pursuant to the agreement, Fushun Hanking Trading Group invested RMB4 million to set up a processing plant in Jingjia Village and rented land for the processing plant from the village committee of Jingjia Village for RMB0.15 million per year. In 2000, Hanking Group and the village committee of Jingjia Village entered into a supplemental agreement, pursuant to which the village committee of Jingjia Village transferred the former Jingjia Mine to Hanking Group in consideration of Hanking Group's investment in and operation of the processing plant. The former Jingjia Mine's annual production capacity was approximately 50.0 Kt of iron ore at the time. After a series of transactions, Maogong Mining became the owner of both the former Maogong Mine and the former Jingjia Mine. We acquired the entire equity interest in Maogong Mining from Hanking Group for RMB30 million in August 2010. The purchase price was based on the appraised value of Maogong Mining given by GZAA Inc. (北京中天衡平國際資產評估有限公司), a third party qualified valuer under PRC law. The mining rights for our Maogong Mine cover an area of 0.66 sq.km. As of June 30, 2011, the total probable reserves of our Maogong Mine were 12,725.3 Kt with an average iron grade of 30.1%. The estimated mine life of our Maogong Mine was approximately 13.2 years as of June 30, 2011 based on its 2010 annual production of 963.4 Kt and current probable reserves of 12,725.3 Kt. Access to our Maogong Mine is provided by paved roads and nearby highways as well as by railway. Power to the mine is provided by the local grid.

On December 13, 2010, we obtained preliminary approval from the Liaoning Department of Land and Resources to expand our mining rights area from 0.66 sq.km. to 2.37 sq.km. which will enable us to conduct further exploration activities, which will in turn increase the potential of resource upgrade at our Maogong Mine. Pursuant to the relevant PRC regulations, we are required to submit, among other things, feasibility and environmental impact reports and mining plans to the relevant PRC authorities for approval before applying for a new mining permit covering this additional area. In addition, we must pay additional consideration for the mining rights to the additional reserves, which is to be determined in accordance with the relevant PRC regulations. The current rates of mining right fees are between RMB4 and RMB6 per ton of reserves. We have submitted to the relevant PRC authorities the required reports and plans. We have applied for such mining permit and expect to obtain such mining permit by the end of October 2011. On May 10, 2011, the local Fushun County government approved our application to reserve an area of 35.36 sq.km. for Maogong Mine as a potential prospecting mineralization area. We believe that the area may contain significant iron ore resources based on airborne survey anomaly results. Pursuant to the approval, the local Fushun County government granted

us priority to apply for mining rights with respect to this area. We must still fulfill all the requirements under applicable laws and regulations before we can be granted the mining rights if we apply for such mining rights in the future.

Luobokan Mine

Our Luobokan Mine is located in Dongzhou District, Fushun. We operate the mine through our subsidiary, Xingzhou Mining. We acquired a 70% equity interest in Xingzhou Mining from one of its shareholders, an Independent Third Party, for RMB180 million in July 2008. Xingzhou Mining only engaged in limited operations at the time. We acquired the remaining 30% equity interest held by the two minority shareholders, both Independent Third Parties, for RMB60 million in total in June 2010. The purchase prices were determined through arms-length negotiations between the parties. To ramp up our iron ore processing capacity at the Luobokan Mine, we purchased an adjacent mine, the Nianpan Mine, together with its iron ore processing facilities and the land use rights for the underlying land for RMB31 million from an Independent Third Party in January 2010. The purchase price was determined through arms-length negotiations between the parties. The Nianpan Mine had only limited iron ore reserves and we purchased it primarily to acquire its iron ore processing facilities. The mining rights for our Luobokan Mine cover an area of 0.94 sq.km. As of June 30, 2011, the total probable reserves of our Luobokan Mine were 107,187.2 Kt, including probable reserves of 36,359.9 Kt with an average grade of 26.4% and probable reserves of 70,827.3 Kt with an average grade of 19.5%. We intend to begin transitioning from open-pit mining to underground mining at our Luobokan Mine by the end of 2014. To further develop the mine and prepare for underground mining, we have suspended production at the mine since March 2011. We expect to resume production in October 2011. The estimated mine life of our Luobokan Mine is approximately 21.4 years based on its designed annual production capacity of 5,000.0 Kt and current probable reserves of 107,187.2 Kt. Access to our Luobokan Mine is provided by paved roads and nearby highways as well as by railway. Power to the mine is provided by the local grid. We are currently constructing a new processing plant with a designed annual iron ore processing capacity of 5,000.0 Kt for our Luobokan Mine. We expect this new processing plant to become fully operational by the end of 2014. See "— Our Production Operations and Facilities — Production expansion plans".

Mengjia Mine

Our Mengjia Mine is located in Pingshan District, Benxi. We operate the mine through our subsidiary, Benxi Mining. Fushun Hanking first acquired the Mengjia Mine for RMB35 million from the Bureau of Land and Resources of Benxi City through public auction in 2003. The Mengjia Mine's annual production capacity was approximately 300.0 Kt of iron ore at the time. After a series of transactions, Benxi Mining became the owner of the Mengjia Mine. We acquired 90% of the equity interest in Benxi Mining from Hanking Development for RMB64.8 million and the remaining 10% from Ms. Yang for RMB7.2 million in August 2010. The purchase prices were based on the appraised value of Benxi Mining given by GZAA Inc. (北京中天衡平國際資產評估有限公司), a third party qualified valuer under PRC law. The mining rights of our Mengjia Mine cover an area of 0.25 sq.km. As of June 30, 2011, the total probable reserves of our Mengjia Mine were 9,773.0 Kt with an average iron grade of 20.9%. The estimated mine life of our Mengjia Mine was about 7.4 years as of June 30, 2011 based on its 2010 annual production of 1,321.3 Kt and current probable reserves of 9,773.0 Kt. Access to our Mengjia Mine is provided by a nearby highway as well as by railway. Power to the mine is provided by the local grid. We intend to begin transitioning from open-pit mining to underground mining at our Mengjia Mine by the end of 2011. See "— Our Production Operations and Facilities — Production expansion plans".

Mining rights and production safety permits

Among other things, iron ore mining enterprises in China must obtain a mining permit and a production safety permit for each mine to conduct iron ore mining activities. When a mine includes any tailing pond, a separate production safety permit must also be obtained for the tailing pond. The production safety permit can only be obtained after the mining permit is granted. Registered holders of mining permits are required to pay mining right fees, mining right utilization fees and relevant taxes to the government. In addition, mining permits are subject to verification by the relevant authorities on an annual basis. The registered holders need to submit production reports and annual financial reports in this verification process. In 2008, 2009, 2010 and the six months ended June 30, 2011, the mining right fees paid by us amounted to RMB279.5 million, RMB1.8 million, RMB36.6 million and RMB1.5 million, respectively; the mining right utilization fees paid by us amounted to RMB3.1 million, RMB3.0 million, RMB3.7 million and RMB2.9 million, respectively; and the relevant taxes paid by us amounted to RMB25.9 million, RMB30.0 million, RMB32.0 million and RMB18.0 million, respectively.

Under PRC law, if residual reserves remain after a mining permit expires, the mining permit holder may apply for renewal for an additional term. If any of our mines have residual reserves upon expiration of our mining permits and we believe it to be commercially viable in nature, it is our current intention to submit a renewal application. Our PRC legal adviser, Jingtian & Gongcheng, has advised us that if the current relevant PRC laws and regulations, as well as the current mining industry policy remain unchanged at the time of our extension application and we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws, rules and regulations and other requests of the competent authorities at that time, there would be no material legal impediments in renewing our mining permits for our operational mines when they expire. For further discussion of the risks regarding any failure to renew our mining permits, please see "Risk Factors — 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".

The following table summarizes information about our mining permits and production safety permits:

Mine	Registered owner of mining permit	Date of mining permit	Mining permit term	Expiration date of production safety permit for mining	Expiration date of production safety permit for tailing facilities
Aoniu Mine	Aoniu Mining	November 2010	5 years	December 2011	December 2011
Maogong Mine[(1)]	Maogong Mining	July 2010	3 years and 4 months	April 2012	December 2011
				December 2011	December 2011
Luobokan Mine	Xingzhou Mining	October 2009	2 years[(2)]	December 2011	December 2011
Mengjia Mine	Benxi Mining	May 2010	4 years and 9 months	December 2011	N/A[(3)]

Notes:

(1) Our Maogong Mine was formed through the combination of our former Maogong Mine and former Jingjia Mine in August 2010. The mining right permit for the former Jingjia Mine expired in August 2010. We obtained preliminary approval from the local government to expand the mining right area of the Maogong Mine from 0.66 sq.km. to 2.37 sq.km, including the mining right area of the former Jingjia Mine, and its assessed annual production capacity from 350.0 Kt to 800.0 Kt in December 2010. We have applied for a new mining rights permit for our Maogong Mine covering the expanded mining right area and expect to obtain such mining permit by the end of October 2011.

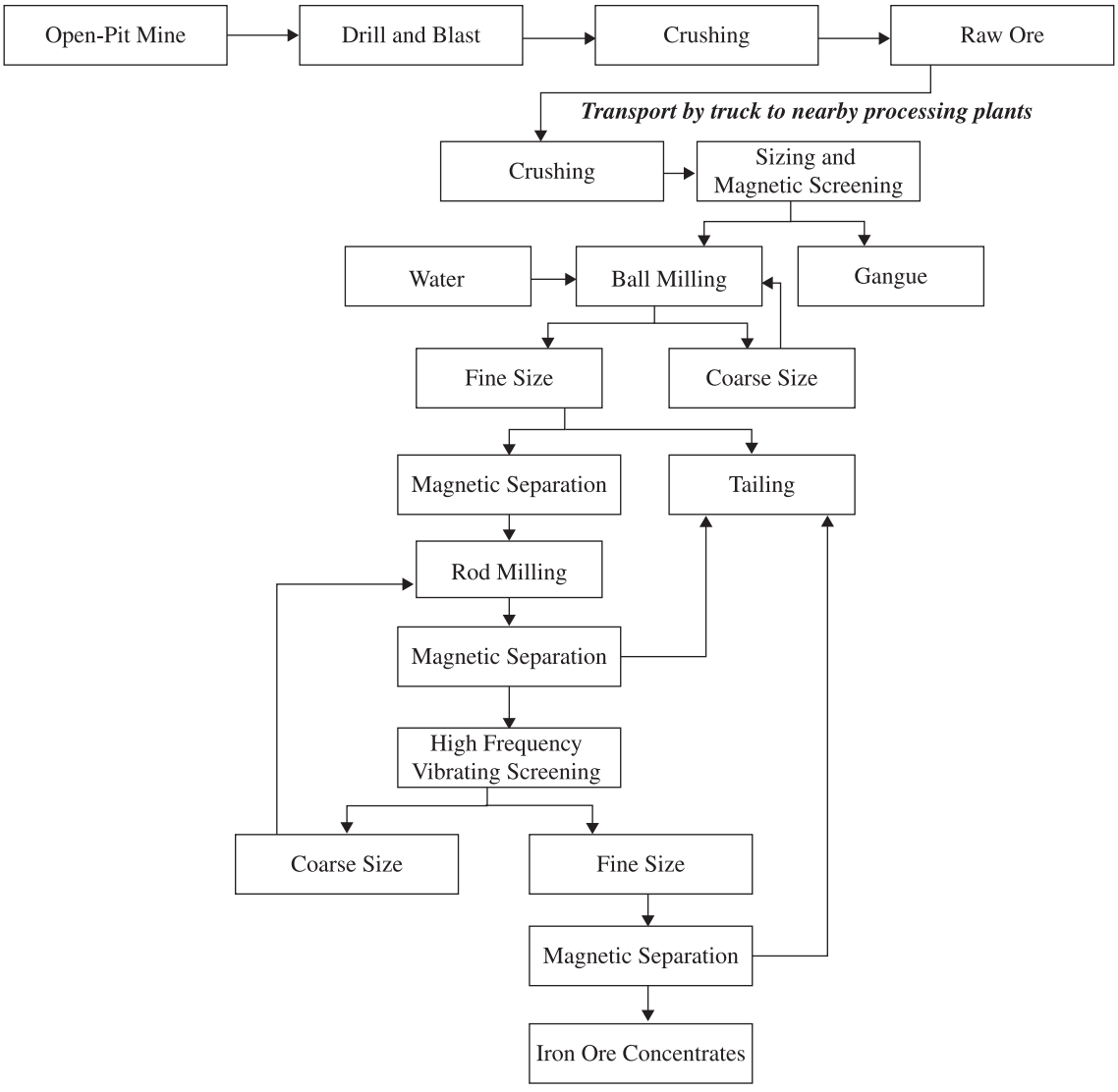
(2) We are currently in the process of renewing our mining permit for the Luobokan Mine.

(3) Tailings at the Benxi Processing Plant are stored using the dry storage technique instead of in a tailings pond. We sold the Benxi Processing Plant to Benxi Iron Processing in September 2010 and have since outsourced iron ore processing to it.

OUR PRODUCTION OPERATIONS AND FACILITIES

Overview

Our manufacturing process involves mining and processing. The following chart summarizes and illustrates the standard workflow for iron ore mining and iron ore concentrate production at our mines and processing facilities.



Mining

All four of our mines have historically been operated as open-pit mines. Open-pit mining is undertaken using conventional truck and shovel mining techniques. Waste rocks on the surface are first removed, and then the ore underneath is extracted by drilling, blasting and excavation. The extracted ore is separated from waste and the sorted ore is transported by truck to our processing plants. The equipment we use includes down-hole drill rigs, screw air compressors, hydraulic excavators and dump trucks.

As part of our production expansion plan, we are preparing for underground mining at our Mengjia Mine and Luobokan Mine and expect to commence underground mining at these mines by the end of 2011 and the end of 2014, respectively. In underground mining, the first step is to develop the mine by digging shafts into the ground to access the ore. This is done by drilling and blasting to break down the earth, which is then hauled out of the tunnel. During the digging of the shafts, mining infrastructure is also installed, such as electricity, lifts and shoring to support the walls of the mine to prevent collapse. Once the mine is developed, active mining can begin, with ore being extracted through drilling, blasting and excavation. After the ore is extracted, it is processed in the same manner as ore that has been extracted through an open-pit mine. The estimated capital expenditures for constructing underground mines at our Mengjia Mine and Luobokan Mine are approximately RMB120 million and RMB793 million, respectively.

Processing

We use low-cost magnetic separation methods to process raw ore in the production of iron ore concentrates. Our methods are environmentally friendly because they do not require any chemical additives and result in only limited quantities of waste water, which is recycled and reused. Ore is first crushed and screened to remove gangue. The processed ore then undergoes wet ball-milling, rod-milling and magnetic separate processes to separate iron ore concentrates, with tailings disposed in tailings reservoirs. To maximize the separation of iron ore concentrates and enhance their iron content, the iron ore concentrates undergo the magnetic separation process several times.

Processing facilities

We own and operate five processing plants, all located in close proximity to our mines. The following table sets forth certain information about our processing plants for the periods indicated.

	Index	Unit	2008	2009	2010	Six months ended June 30, 2011
Aoniu Processing Plant I	Feed Ore Grade	%	28.7	25.8	24.7	24.2
	Ore Processed	Kt	733.1	881.2	995.4	523.6
	Concentrates	Kt	289.1	298.2	318.7	163.6
	Concentrate Grade	%	66.9	66.7	66.7	66.8
	Recovery Rate	%	92.0	87.4	86.6	86.1
Aoniu Processing Plant II	Feed Ore Grade	%	27.4	25.8	24.8	24.1
	Ore Processed	Kt	793.9	930.1	1,002.9	523.3
	Concentrates	Kt	289.7	314.1	323.7	163.4
	Concentrate Grade	%	66.4	66.6	66.5	66.3
	Recovery Rate	%	88.4	87.1	86.6	85.9

	Index	Unit	2008	2009	2010	Six months ended June 30, 2011
Maogong Processing Plant	Feed Ore Grade	%	27.7	31.0	27.6	23.3
	Ore Processed	Kt	241.4	310.0	378.0	230.4
	Concentrates	Kt	92.5	128.9	148.6	73.8
	Concentrate Grade	%	66.2	66.2	66.1	66.0
	Recovery Rate	%	91.7	88.9	94.0	90.8
Jingjia Processing Plant	Feed Ore Grade	%	22.9	24.4	25.4	22.3
	Ore Processed	Kt	449.1	497.0	547.6	331.2
	Concentrates	Kt	137.4	157.1	189.1	98.1
	Concentrate Grade	%	66.7	66.5	66.3	66.1
	Recovery Rate	%	89.3	86.0	90.2	87.8
Xingzhou Processing Plant	Feed Ore Grade	%	19.2	18.7	17.5	18.2
	Ore Processed	Kt	68.7	99.2	338.8	40.5
	Concentrates	Kt	17.2	20.7	78.1	10.0
	Concentrate Grade	%	65.3	65.3	65.1	64.7
	Recovery Rate	%	85.2	73.1	86.0	86.1
Benxi Processing Plant[(1)]	Feed Ore Grade	%	20.0	18.2	17.2	17.6
	Ore Processed	Kt	936.9	1,313.1	1,360.6	595.4
	Concentrates	Kt	220.1	263.8	256.8	117.4
	Concentrate Grade	%	65.1	65.1	65.3	65.3
	Recovery Rate	%	76.4	72.1	71.6	73.3

Note:

(1) We sold the Benxi Processing Plant to Benxi Iron Processing in September 2010 and have since engaged it to process ore mined at the Mengjia Mine.

We operated the Benxi Processing Plant near our Mengjia Mine during the Track Record Period until September 2010. We sold this plant to Benxi Iron Processing in September 2010 and have since engaged it to process ore mined at the Mengjia Mine at a rate of RMB45 per ton of ore processed. For more information regarding Benxi Iron Processing, see "Relationship with Controlling Shareholders — Excluded Businesses — Benxi Iron Processing".

We are currently carrying out technology upgrades and adding additional capacity at our Aoniu Processing Plant I and expect to complete the upgrades by August 2012. In addition, we are currently constructing a new processing plant for the Luobokan Mine and planning to construct a new processing plant for our Maogong Mine. See "— Production expansion plans".

Cash operating costs

The following table sets forth our estimated average cash operating costs per ton.

	Aoniu		Maogong				Xingzhou		Benxi	
Year	Mining	Processing Plant	Jingjia Mining	Jingjia Processing	Maogong Mining	Maogong Processing	Mining	Processing	Mining	Processing[1]
					(RMB/ton)					
2008	29.12	165.59	34.00	134.36	44.30	117.63	52.44	417.77	62.42	171.60
2009	39.06	137.41	27.28	142.56	30.42	127.07	57.01	281.75	46.29	164.80
2010	30.36	141.74	18.52	77.20	24.84	124.15	61.83	251.61	32.91	183.65
Six months ended June 30, 2011	32.23	151.28	—[2]	—[2]	21.54[2]	156.33[2]	69.87	301.87	33.96	205.81

Note:

(1) We operated the Benxi Processing Plant near our Mengjia Mine during the Track Record Period until September 2010. We sold this plant to Benxi Iron Processing in September 2010 and have since engaged it to process ore mined at the Mengjia Mine.

(2) From 2011, the costs for the former Maogong Mine and Jingjia Mine have been put together into one.

Our average cash operating costs to produce one ton of iron ore concentrates was RMB244 in 2010, ranking us among the most efficient iron ore concentrate producers in China in terms of cash operating costs, as the average cash operating cost for iron ore concentrates in China was approximately RMB500 per ton in 2009, according to Hatch. Our low average cash operating costs are primarily due to the simple geological conditions and characteristics of our reserves. A substantial portion of our reserves are located at relatively shallow depths, which in turn reduces mining costs. The geological conditions of our mines are generally simple, with few major faults or folds. In addition, there are clear boundaries between most of the orebodies and the wall rocks in our mines. Moreover, the hanging wall and footwall rocks of the orebodies in our mines are primarily hard rocks and stable. These conditions allow us to increase the maximum angles of and reduce the cost of installing support structures in our underground mines while still maintaining production safety, thereby reducing our stripping ratios and the associated costs. The ore in our mines generally has low levels of impurities, such as sulphur, phosphorus, silicon and titanium, the presence of which is generally undesirable for steel production. As a result, we are able to produce high quality iron ore concentrates through simple, low-cost magnetic processing methods.

Our estimated average cash operating costs fluctuated during the Track Record Period primarily due to fluctuations in the amounts of spare parts, diesel fuel and electricity used in our production due to fluctuations in the grade of the ore processed and fluctuations in the prices of spare parts and diesel fuel due to market fluctuations. In addition, changes in our staff headcount also contributed to the fluctuation in our cash operating costs.

Stripping ratio and mining recovery rate

The table below sets forth the average stripping ratios and the mining recovery rates at our four mines during the period from 2008 to 2010:

Item	Aoniu Mine	Maogong Mine	Luobokan Mine	Mengjia Mine
Stripping Ratio	1.96	1.06	0.67	2.18
Recovery Rate	95%	95%	95%	95%

Production expansion plans

To capitalize on the strong demand for iron ore products, we plan to expand our iron ore mining capacity and iron ore concentrates production capacity. We are implementing or plan to implement the following plans to increase our iron ore mining capacity.

- *Mengjia Mine.* We plan to begin transitioning from open-pit mining to underground mining in 2011. We plan to complete the construction of the main shaft and ancillary work and gradually increase our Mengjia Mine's annual production capacity to 1,400.0 Kt of iron ore in 2014. The total estimated capital expenditures for the development of the mine and the expansion of its production capacity are approximately RMB120 million. As of June 30, 2011, we had incurred approximately RMB33 million in costs for the expansion.

- *Luobokan Mine.* We are currently ramping up production at our Luobokan Mine and plan to increase its annual production capacity to 3,000.0 Kt of iron ore in the third quarter of 2012 and further to 5,000.0 Kt by the end of 2014. We are also preparing for underground mining at our Luobokan Mine and plan to begin transitioning from open pit to underground mining in 2014. The expected capital expenditures for the development of our Lubuokan Mine and the expansion of its production capacity are approximately RMB793 million. As of June 30, 2011, we had incurred approximately RMB7 million in costs for the expansion.

In addition, we plan to expand the production capacities of the Aoniu and Maogong Mine and expect the associated capital expenditures to be approximately RMB95 million in total. The following table sets forth our iron ore production volume in 2010 and expected iron ore production capacity from 2011 to 2015 based on our production expansion plan and as set out in the Independent Technical Report:

		Production Volume	Expected Production Capacity				
Mine	Mining method	2010	2011	2012	2013	2014	2015
				(Kt)			
Aoniu Mine	Open-Pit	1,856.7	2,200	2,600	2,900	3,000	3,000
Maogong Mine	Open-Pit	963.4	1,300	1,500	2,000	2,000	2,000
Luobokan Mine	Open-Pit	352.7	300	2,000	3,000	2,600	1,000
	Underground	—	—	—	—	1,400	4,000
Mengjia Mine	Open-Pit	1,321.3	800	—	—	—	—
	Underground	—	500	1,200	1,350	1,400	1,400
Total		4,494.1	5,100	7,300	9,250	10,400	11,400

For additional information about the production forecast for our mines, including the expected stripping ratios, ore dilution rates and recovery rates, please see Table 10-4 of the Independent Technical Report attached as Appendix — V to this prospectus.

We are implementing the following plans to increase our iron ore processing capacity to match the planned increase in our iron ore production capacity.

- *Aoniu Processing Plant I.* We are currently implementing technology upgrades at our Aoniu Processing Plant I and expect to complete the upgrades by August 2012, at which time, the annual iron ore processing capacity of the plant is expected to increase from the current capacity of 930.0 Kt to 2,000.0 Kt. The total estimated capital expenditure for the construction is approximately RMB75 million. As of June 30, 2011, we had incurred RMB33 million for the project.

- *New Xingzhou Processing Plant.* We began constructing a new processing plant for the Luobokan Mine in October 2010 with a designed annual iron ore processing capacity of 5,000.0 Kt. We expect to complete phase one of the plant in October 2011 with a planned annual iron ore processing capacity of 1,200.0 Kt. We expect this new processing plant to become fully operational by the end of 2014. The total estimated capital expenditure for the construction is approximately RMB502 million. As of June 30, 2011, we had incurred RMB30 million for the project.

Moreover, we are planning to construct a new processing plant at our Maogong Mine with an annual iron ore processing capacity of 2,000.0 Kt, and currently plan to finish constructing the plant by August 2012. We expect the total capital expenditure for the plant to be approximately RMB130 million.

We intend to finance these projects through a combination of funds generated by our operations, bank borrowings and the proceeds from the Global Offering. For additional information regarding our capital expenditures associated with our production expansion, please see Table 10-3 of the Independent Technical Report attached as Appendix — V to this prospectus.

UTILITIES

Our operations use electricity supplied by the local power grid. During the Track Record Period, we did not experience any power supply suspensions or shortages that resulted in a material interruption of our production operations. We use water sourced from nearby rivers at our processing plants. During the Track Record Period, we did not experience any water supply interruption or shortage that resulted in a material interruption of our operations. We also recycle and reuse water from our tailings ponds. Our electricity and water costs amounted to RMB39.3 million, RMB44.8 million, RMB46.6 million and RMB24.2 million for 2008, 2009, 2010 and the six months ended June 30, 2011, respectively.

PROCUREMENT AND MAJOR SUPPLIERS

Our major suppliers include suppliers of machinery and equipment, spare parts, diesel fuel, explosives and other production-related materials. In 2009 and 2010, our major suppliers also included three companies controlled by the Controlling Shareholders that are not in our Group, namely, Fushun Shangma, Fushun Majuncheng and Fushun Metallurgy, that supplied iron ore concentrates to us. In

2008, 2009, 2010 and the six months ended June 30, 2011, our five largest suppliers together accounted for approximately 71.4%, 91.9%, 74.6% and 44.5% of our total purchases, respectively, and our purchases from our single largest supplier accounted for approximately 26.5%, 39.8%, 26.5% and 18.2% of our total purchases for those periods, respectively.

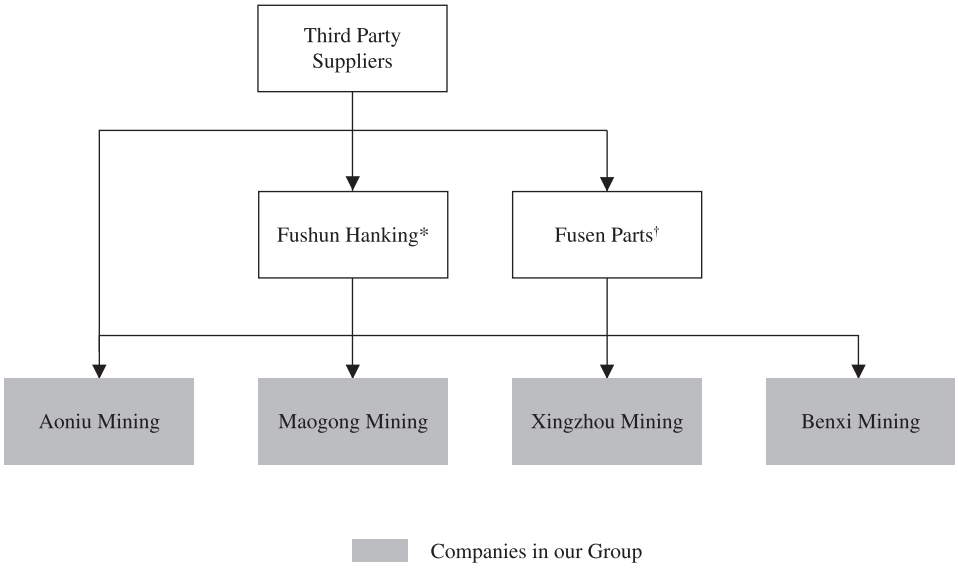
In each of 2009 and 2010, Fushun Shangma was our largest supplier. Our purchases from Fushun Shangma amounted to RMB119.6 million and RMB66.7 million in 2009 and 2010, respectively. Fushun Majuncheng was our fifth largest supplier and second largest supplier in 2009 and 2010, respectively. Our purchases from Fushun Majuncheng amounted to RMB25.7 million and RMB45.9 million in 2009 and 2010, respectively. In 2009, Fushun Metallurgy was our fourth largest supplier and our purchases from it amounted to RMB38.1 million. We purchased iron ore concentrates from these companies and resold the products to our customers as part of the Controlling Shareholders' overall arrangements for their iron ore business. For more information about our purchases of iron ore concentrates from these companies controlled by our Controlling Shareholders that are not in our Group, please see "— Sales and Distribution".

We purchase steel balls used in ballmills from Dawei Casting, a company controlled by Ms. Yang, one of our Controlling Shareholders. Dawei Casting was our largest supplier in 2008, and our total purchases from Dawei Casting amounted to RMB27.9 million that year. We will continue to purchase steel balls from Dawei Casting after the Listing. The purchase price will be determined based on prevailing market prices. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 2. Procurement of Steel Balls".

During part of the Track Record Period, we sourced diesel fuel through Fushun Hanking and certain auxiliary materials, such as spare parts and steel grinding balls used in our iron ore processing, through Fusen Parts. Fushun Hanking served as the centralized procurement channel for diesel fuel for our Controlling Shareholders' entire iron ore business, including our Group, in 2008. Our purchases from Fushun Hanking amounted to RMB10.8 million in 2008 and Fushun Hanking was our third largest supplier that year. As part of the efforts by us and the Controlling Shareholders to separate our business from the operations of those other companies controlled by them that are not in our Group in preparation for the Listing, Aoniu Mining took over the procurement function from Fushun Hanking beginning in 2009 and served as the centralized procurement channel for our Group and other companies controlled by our Controlling Shareholders that are not in our Group until July 2010. In July 2010, Aoniu Mining ceased acting as the centralized procurement channel for companies controlled by our Controlling Shareholders that are not in our Group after we determined to exclude these companies from our Group. For information regarding why these companies have been excluded from our Group, see "Relationship with Controlling Shareholders".

Fusen Parts was previously an independent third party trading company from which we procured auxiliary materials. To streamline our procurement and increase efficiency, Hanking Group acquired Fusen Parts in August 2008. Fusen Parts served as one of the primary procurement platforms of the Controlling Shareholders' entire iron ore business until June 2010 when we set up our own central procurement department. In 2008, 2009 and 2010, our purchases from Fusen Parts amounted to RMB22.4 million, RMB52.2 million and RMB28.5 million, respectively, and Fusen Parts was our second largest supplier in 2008 and 2009 and our fourth largest supplier in 2010.

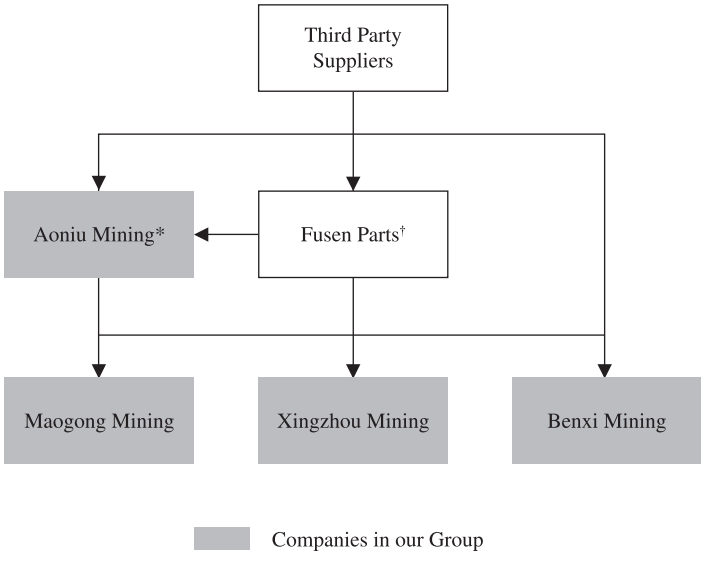
The following diagram illustrates the procurement arrangement effective in 2008 between us and Fushun Hanking and Fusen Parts:



* Acting as the centralized procurement channel for diesel fuel.

† Acting as the centralized procurement channel for auxiliary materials.

The following diagram illustrates the procurement arrangement effective from 2009 to June 2010 between us and companies controlled by our Controlling Shareholders that are not in our Group:



* Acting as the centralized procurement channel for diesel fuel.

† Acting as the centralized procurement channel for auxiliary materials.

In 2008, 2009, 2010 and the six months ended June 30, 2011, purchases from all the companies controlled by our Controlling Shareholders that are not in our Group, taken together, accounted for 47.3%, 78.9%, 57.5% and 3.4% of our total purchases, respectively.

We had 33, 22, 228 and 157 third party suppliers in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. The number of our third party suppliers increased significantly in 2010 primarily because we terminated our procurement arrangement with Fusen Parts in June 2010. Purchases from our ten largest suppliers constituted 87.0%, 97.3%, 80.8% and 58.7% of our total purchases, respectively, in 2008, 2009, 2010 and the six months ended June 30, 2011. Six, five, six and nine of our ten largest suppliers in those periods, respectively, were third party suppliers, and our purchases from these third party suppliers amounted to RMB28.0 million, RMB55.4 million, RMB58.9 million and RMB37.7, respectively, in the same periods.

The table below sets out the respective amounts and percentages (based on total purchases by our Company) of iron ore concentrates, diesel fuel, auxiliary materials, and steel balls procured from the suppliers (comprising companies controlled by the Controlling Shareholders and Independent Third Party suppliers) during the Track Record Period:

		Year ended December 31,						Six months ended June 30	
	Product purchased	2008		2009		2010		2011	
		Amount	%	Amount	%	Amount	%	Amount	%
		(RMB'000, except percentage data)							
Procurement from related parties[1]									
Fushun Shangma	iron ore concentrates	—	—	119,592	39.8	66,684	26.5	—	—
Fushun Majuncheng[2]	iron ore concentrates	—	—	25,675	8.5	45,935	18.3	—	—
Fushun Metallurgy	iron ore concentrates	—	—	38,107	12.7	—	—	—	—
Dawei Casting	steel balls and auxiliary materials	27,862	26.5	1,826	0.6	3,337	1.4	2,335	3.4
Fushun Hanking	auxiliary materials	10,765	10.2	107	—	—	—	—	—
Fusen Parts	parts	8,678[3]	8.2	52,154	17.3	28,523	11.3	—	—
Fushun D.R.I.	auxiliary materials	2,443	2.4	—	—	—	—	—	—
Fushun Hanking Shopping Mall Co. Ltd. (撫順罕王商場有限公司)	appliances for labour protection	—	—	—	—	70	—	—	—
Subtotal		49,748	47.3	237,461	78.9	144,549	57.5	2,335	3.4
Procurement from Independent Third Party supplier		55,374[3]	52.7	63,376	21.1	107,047	42.5	65,917	96.6
Total		105,122	100.0	300,837	100.0	251,596	100.0	68,252	100.0

[1] Our Company ceased procuring from Fushun Shangma and Fushun Majuncheng in September 2010, from Fushun Metallurgy in December 2009, from Fushun Hanking in December 2009, from Fusen Parts in June 2010, Fushun D.R.I. in December 2008, and Fushun Hanking Shopping Mall Co., Ltd. in December 2010. Our Company is expected to continue procurement from Dawei Casting after Listing. For details of the transaction between our Company and Dawei Casting, please refer to "Connected Transaction" in this prospectus.

[2] Hanking Development, the then sole shareholder of Fushun Majuncheng, transferred its 100% equity interest in Fushun Majuncheng to Fushun Deshan on November 4, 2010. Fushun Deshan is wholly-owned by Mr. He Baoxian (何寶賢), Mr. Yang's father-in-law. Fushun Majuncheng was disposed of because it does not fit into our Group's strategy of operating mid-sized high-quality mines with a view to increasing high quality iron ore reserves as well as realizing significant economies of scale. For more details about the disposal of Fushun Majuncheng, please refer to "History, Development and Reorganization" in this prospectus.

[3] Fusen Parts only became a company controlled by our Controlling Shareholder in August 2008 and it was an Independent Third Party before then. The amount of purchase from Fusen Parts was RMB13,726,000 from January to August 2008.

Except as disclosed above, none of our Directors, their respective associates or any Shareholders owning more than 5.0% of our issued Shares, to the knowledge of our Directors, had any interest in any of our five largest suppliers during the Track Record Period.

Based on the best knowledge of the Directors, three out of our five largest suppliers also supplied products to companies controlled by our Controlling Shareholders during 2010 ("**Common Suppliers**"). Details of the purchases from such Common Suppliers in 2010 are set out below:

Name of the Common Suppliers	Percentage of our purchases from Common Suppliers to our total purchases in 2010
Fusen Parts	11.3%
PetroChina Company Limited, Sales Branch of Fushun, Liaoning Province (中國石油天然氣股份有限公司遼寧撫順銷售分公司)	14.6%
Fushun County Industrial Explosive Engineering Service Co., Ltd (撫順縣民用爆破工程服務有限公司)	3.8%

Our Directors believe that our Company does not rely on any particular "common supplier" for our procurement and we are able to purchase from alternative suppliers with similar standards of quality in a timely manner if necessary.

THIRD-PARTY CONTRACTOR

We have engaged Benxi Iron Processing, a company controlled by our Controlling Shareholders that is not in our Group, to process ore produced at our Mengjia Mine since September 2010. We transferred our Benxi Processing Plant to Benxi Iron Processing in September 2010 as there were title defects concerning the land on which Benxi Processing Plant operated. Our Directors believe that it is in the best interests of the Group not to include the assets and land and/or property of Benxi Mining used for the purpose of its iron ore processing business. Pursuant to our agreement with Benxi Iron Processing, we pay them RMB45 per ton of iron ore they process for us. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 3. Benxi Iron Processing Service".

QUALITY CONTROL

We believe maintaining a high product quality is important to our success. As of June 30, 2011, we had a quality control department with a total staff of 35 persons, including two senior engineers and four additional engineers with multiple years of experience in the field. The quality control department is headed by our chief operating officer who is a member of our senior management team. Our quality control department performs on-site inspections of our mines and processing plants. We monitor our production processes closely by taking samples at different stages in the production process and examining them at our laboratories. During the Track Record Period, we did not receive any complaints regarding the quality of our products that had a material adverse effect on our business, financial condition or results of operations.

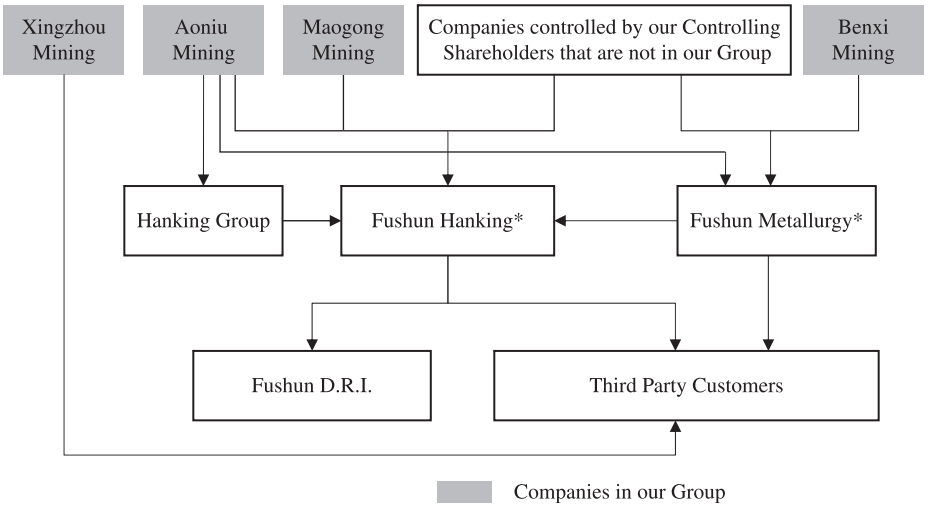
INVENTORY

As of December 31, 2008, 2009 and 2010 and June 30, 2011, we had inventories of RMB37.7 million, RMB51.5 million, RMB62.6 million and RMB37.6 million, respectively. Our inventory comprises primarily ore extracted from our mines, iron ore concentrates and spare parts. We believe we maintain strict control over our inventory. All of our iron ore concentrates are measured and inspected by our quality control department. We keep daily inventory records and carry out full annual and monthly inventory assessments.

SALES AND DISTRIBUTION

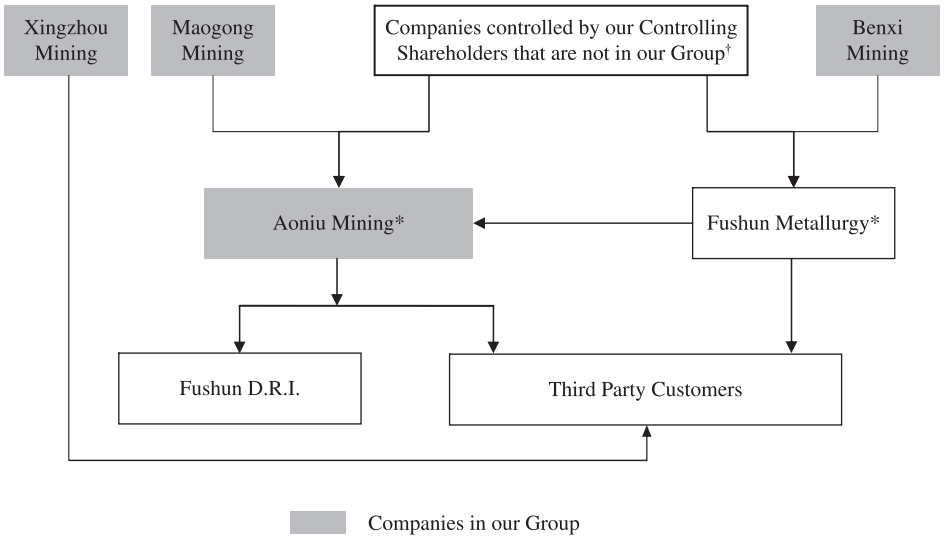
To optimize their various businesses and achieve their debt and equity financing plans, the Controlling Shareholders implemented a series of arrangements among us and certain other companies controlled by them in the past several years, including arrangements regarding sales and distribution. Prior to 2009, as a general practice, the iron ore concentrates produced from the companies controlled by the Controlling Shareholders in China, except Xingzhou Mining, were sold through Fushun Hanking and Fushun Metallurgy, two companies controlled by our Controlling Shareholders that are not in our Group. In 2008, pursuant to this arrangement, we sold the iron ore concentrates produced by Aoniu Mining and Maogong Mining to Fushun Hanking and Fushun Metallurgy, and the iron ore concentrates produced by Benxi Mining to Fushun Metallurgy. Fushun Hanking and Fushun Metallurgy then resold these iron ore concentrates to third party customers and Fushun D.R.I., a company controlled by the Controlling Shareholders. Fushun D.R.I. purchases iron ore concentrates as raw materials for its pig iron production. In addition, we also sold a portion of the iron ore concentrates produced by Aoniu Mining to Hanking Group, another company controlled by our Controlling Shareholders that is not in our Group, which in turn resold the iron ore concentrates to Fushun Hanking. We sold these iron ore concentrates to Hanking Group primarily to help Hanking Group cover its operating expenses, such as overhead expenses, by giving it a discount. We acquired a 70% equity interest in Xingzhou Mining in July 2008, and continued to directly sell its iron ore concentrates to its customers at the request of its minority shareholders until the end of August 2010 after we acquired the remaining 30% equity interest in it in June 2010.

The following diagram illustrates the sales arrangement effective in 2008 between us and companies controlled by our Controlling Shareholders that are not in our Group:



* *Acting as centralized sales channels*

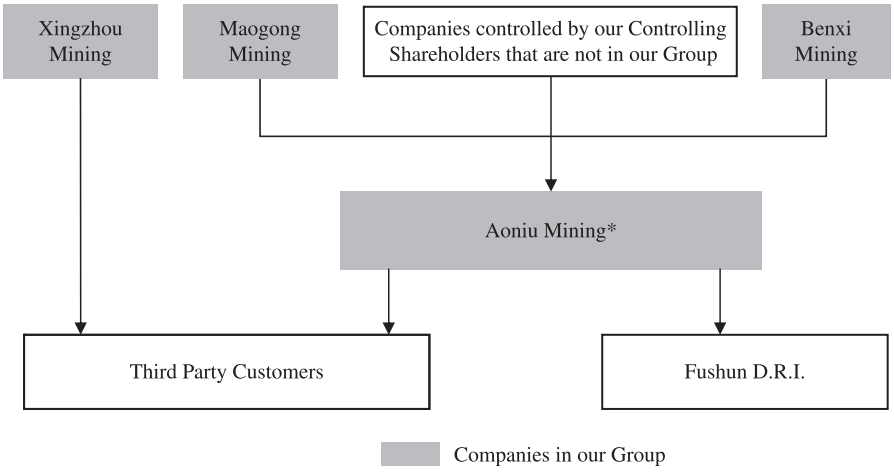
In 2009 and 2010, in preparation for the Listing, we and the Controlling Shareholders took a series of steps to discontinue our sales and distribution arrangements with those other companies controlled by them that are not in our Group. First, Aoniu Mining replaced Fushun Hanking as one of the principal centralized sales channels for iron ore concentrates in 2009 to simplify and streamline our operations, as Fushun Hanking was involved in the Controlling Shareholders' other businesses, such as the purchase and sales of machinery and electronic equipment, steel, pig iron and molten iron. We chose Aoniu Mining to replace Fushun Hanking because Aoniu Mining produced and sold the most iron ore concentrates among all of our subsidiaries. The following diagram illustrates the sales arrangement effective from January 2009 to May 2010 between us and companies controlled by our Controlling Shareholders that are not in our Group:



* *Acting as centralized sales channels*

† *The companies controlled by our Controlling Shareholders that are not in our Group did not sell any iron ore concentrates to Fushun Metallurgy in 2010.*

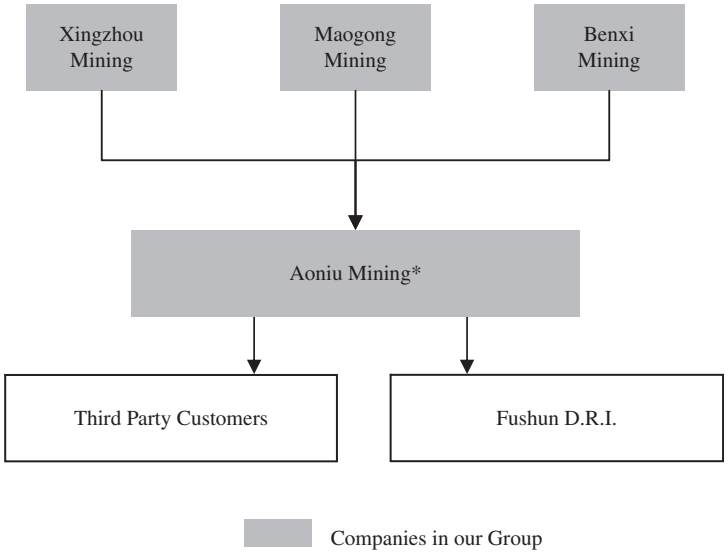
In May 2010, we took another step to further separate our business from the operations of those other companies controlled by our Controlling Shareholders that are not in our Group. We ceased selling iron ore concentrates to Fushun Metallurgy and switched to selling all of our iron ore concentrates produced by Benxi Mining directly to our customers through Aoniu Mining. The following diagram illustrates the sales arrangement effective from May 2010 to August 2010 between our Group and companies controlled by our Controlling Shareholders that are not in our Group:



* *Acting as the centralized sales channel*

In September 2010, we completed the last step of terminating our sales arrangements with companies controlled by our Controlling Shareholders that are not in our Group by ceasing to purchase and resell iron ore concentrates produced by them. We had originally intended to include these companies controlled by our Controlling Shareholders that are not in our Group, in particular, Fushun Shangma and Fushun Majuncheng, in our Group. However, for the reasons disclosed in "Relationship with Controlling Shareholders", these companies have been excluded from our Group. In addition, we switched from selling the iron ore concentrates produced by Xingzhou Mining directly to its customers to selling its iron ore concentrates through Aoniu Mining in September 2010 after we acquired the remaining 30% equity interest in it in June 2010. The following diagram illustrates the sales

arrangement from September 2010 onwards between our Group and companies controlled by our Controlling Shareholders that are not in our Group:



* *Acting as the centralized sales channel*

The table below sets out the respective volumes of iron ore concentrates our Group resold for companies controlled by the Controlling Shareholders that are not in our Group during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Sales volume resold for companies controlled by the Controlling Shareholders (Kt)	—	331.1	131.1	—
As a percentage of our total sales volume	—	21.7%	9.4%	—
Total sales volume of our Group (Kt)	1,026.2	1,528.7	1,398.5	680.1

Our sales of iron ore concentrates to Hanking Group, Fushun Hanking and Fushun Metallurgy in 2008 amounted to RMB931.9 million and our sales of iron ore concentrates to Fushun Metallurgy in 2009 and 2010 amounted to RMB139.8 million and RMB61.2 million, respectively, while our purchases of iron ore concentrates from companies controlled by the Controlling Shareholders that are not in our Group in 2009 and 2010 amounted to RMB183.4 million and RMB112.6 million, respectively.

Our sales of iron ore concentrates to Hanking Group, Fushun Hanking and Fushun Metallurgy did not involve physical delivery of the iron ore concentrates to them; instead, the iron ore concentrates were directly delivered from our processing facilities to Fushun Hanking's and Fushun Metallurgy's customers. Fushun Hanking and Fushun Metallurgy were responsible for the arrangement of delivery and the related costs. Our sales and distribution staff would confirm with Fushun Hanking's and Fushun

Metallurgy's customers their acceptance of the delivery of our products to them and the quantity and quality of the products delivered. We transferred the significant risks and rewards of ownership of the iron ore concentrates delivered to the customers once we and the customers confirmed the delivery. We would then recognize revenue for the iron ore concentrates delivered based on the selling prices agreed to between us and Fushun Hanking and/or Fushun Metallurgy and the quantity of our products delivered to the customers. Likewise, we were responsible for the arrangement of delivery of the iron ore concentrates produced by companies controlled by our Controlling Shareholders that are not in our Group and the related costs when Aoniu Mining acting as the sales channel for them.

With a view to allocating resources among the various companies controlled by them and achieving their other business objectives, the Controlling Shareholders implemented different pricing mechanisms for our sales of iron ore concentrates to Fushun Hanking, Fushun Metallurgy and Hanking Group and Aoniu Mining's purchases of iron ore concentrates from companies controlled by our Controlling Shareholders that are not in our Group. We sold our iron ore concentrates to Fushun Hanking, Fushun Metallurgy and Hanking Group at a discount to the reselling prices that they charged their customers primarily to cover their operating expenses, as both companies were trading companies and did not have other significant sources of income. The average discount rates were approximately 12%, 5% and 7% in 2008, 2009 and 2010 (through May 2010), respectively. In addition to price discounts, we granted flexible credit terms to Fushun Hanking, Fushun Metallurgy and Hanking Group. By contrast, the credit period that we granted to third party customers was generally seven days. Aoniu Mining did not receive discounts on its purchases of iron ore concentrates from companies controlled by our Controlling Shareholders that are not in our Group, namely, Fushun Shangma and Fushun Majuncheng; instead, the purchase prices paid by Aoniu Mining were based on market prices and Aoniu Mining generally resold such iron ore concentrates to our customers at approximately the same prices. Aoniu Mining did not receive any price discounts from these companies primarily because we initially intended to include them in our Group. However, for the reasons disclosed in "Relationship with Controlling Shareholders", these companies have been excluded from our Group. In addition, unlike with Fushun Hanking and Fushun Metallurgy, it was not necessary for Aoniu Mining to receive any discounts to cover its operating expenses as it generated significant income from the production and sale of iron ore concentrates.

We currently sell our products in the PRC domestic market. We primarily sell to local customers in Liaoning and to customers in Tianjin and Hebei. As of June 30, 2011, we had nine employees in our sales and marketing department responsible for processing customer orders, collecting marketing information and developing and maintaining customer relationships.

In some of our sales contracts with our customers, the sales volumes are stated in terms of "wet tons". As water is added in our iron ore processing process, our iron ore concentrates generally contain 8% to 10% of water as measured by weight. In addition, maintaining iron ore concentrates in a wet state helps improve their cohesiveness and minimizes loss during the handling and transportation of the products. We and our customers generally inspect the quality of our iron ore concentrates upon delivery, including their moisture content. We and our customers then determine the actual contract prices based on the weight of the iron ore concentrates after excluding the weight of the water so as not to artificially inflate the value of the products delivered.

Since 2009, we have sold a substantial portion of our iron ore concentrates through annual sales contracts. The annual sales contracts are legally binding and generally contain terms relating to annual sales volume, quality, pricing and payment. The selling price for each shipment of iron ore concentrates is generally determined by reference to prevailing market prices and subject to adjustment based on the quality of the iron ore concentrates. The higher the grade and the lower the silicon, sulphur and phosphorus content are, the higher the selling prices are. In 2010, we entered into two annual sales contracts with third party customers and the aggregate annual sales volume as set out in these contracts amounted to 780.0 Kt (wet tons). During the six months ended June 30, 2011, we entered into one annual sales contract with a third party customer, Fushun New Steel, and the annual sales volume for 2011 set out in this contract is 700.0 Kt (wet tons). Fushun New Steel was our largest customer in 2009 and 2010, contributing 17.7% and 42.2% of our revenue in those years, respectively. In addition, pursuant to this annual sales contract, Fushun New Steel has paid us an advance of RMB60 million. In exchange, we have agreed to give it a RMB5 discount for each ton of the 700.0 Kt of iron ore concentrates that we have committed to sell to them. For any additional amount of iron ore concentrates that we sell to Fushun New Steel beyond the committed 700.0 Kt, however, Fushun New Steel is not entitled to receive any discounts; instead, Fushun New Steel has agreed to pay us an additional RMB5 for each ton of such additional iron ore concentrates to encourage us to sell more iron ore concentrates to it. The annual sales contract further provides that if Fushun New Steel breaches the agreement by failing to purchase iron ore concentrates in accordance with the agreement, we are entitled to liquidated damages of RMB6 million. In August 2011, we entered into a long term cooperation agreement with Fushun New Steel. The agreement has a term of ten years from January 1, 2011 through January 1, 2021. Pursuant to this agreement, we agreed to sell 800.0 Kt (wet tons) of iron ore concentrates to Fushun New Steel per year after our annual production volume of iron ore concentrates reaches 1,600 Kt; in exchange, Fushun New Steel agreed to purchase any additional iron ore concentrates we produce as our production capacity expands. The agreement further provides that the parties should enter into separate sales agreements to set out detailed terms on product quality, sales volumes and prices. To the best of the Directors' knowledge, Fushun New Steel was a common customer of our Group and Fushun Shangma during the period from September 2010 to December 31, 2010 after we terminated the centralized sales arrangement with Fushun Shangma.

We generally grant to our third party customers credit terms of up to seven days. Customers are generally required to make full payment within the credit period. Historically, we did not have a credit period policy for our related party customers and our related party customers normally settled trade receivables with us within three months from 2008 to 2010. We granted to our related parties credit terms of up to ten days in the first quarter of 2011 and have changed our credit terms to our related party customers to seven days since April 2011.

We are generally responsible for the delivery of our products to our customers and for the related costs. We engage transport companies to deliver our products. We engaged two such transport companies during the Track Record Period. We generally recoup the transportation costs by adding the costs to our sales prices. These transport companies are generally responsible for losses of, or damages to, our products incurred during delivery pursuant to the relevant service agreements. One of the transport companies we use, Mingcheng Transportation, is owned by Mr. Yang Xinhuan, the nephew of Ms. Yang. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 5. Transportation Service".

CUSTOMERS

In 2008, we sold all of our iron ore concentrates except for those produced by Xingzhou Mining to Fushun Hanking and Fushun Metallurgy either directly or through Hanking Group. Fushun Hanking and Fushun Metallurgy in turn resold our iron ore concentrates. In 2009, we ceased selling our iron ore concentrates to Fushun Hanking and began selling our iron ore concentrates directly to our customers except for the iron ore concentrates produced by Benxi Mining, which were first sold to Fushun Metallurgy and then resold by Fushun Metallurgy. In May 2010, Benxi Mining ceased selling to Fushun Metallurgy and began selling our products through Aoniu Mining. We took over our customers from Fushun Hanking and Fushun Metallurgy after terminating our sales and distribution arrangements with Fushun Hanking and Fushun Metallurgy.

We sell our iron ore concentrates primarily to steelmakers and trading companies located in the areas surrounding our mines in Liaoning in order to take advantage of the associated lower transportation costs and the stable demand for our products. We also sell a portion of our iron ore concentrates to Fushun D.R.I., a company controlled by the Controlling Shareholders, and customers in Tianjin and Hebei.

Fushun D.R.I. is a connected person of our Company for the purposes of the Listing Rules as our Controlling Shareholders beneficially own a majority of its equity interest. Fushun D.R.I.'s principal business is pig iron production. As of June 30, 2011, Fushun D.R.I. had an annual production capacity of 350.0 Kt of pig iron. Fushun D.R.I. purchases iron ore concentrates primarily from suppliers in Liaoning. During 2009, 2010 and the six months ended June 30, 2011, purchases by Fushun D.R.I. from us amounted to RMB145.9 million, RMB308.4 million and RMB165.4 million, respectively, making Fushun D.R.I. our second largest customer in each of those years. Fushun D.R.I. did not directly purchase any iron ore concentrates from us in 2008 but purchased iron ore concentrates from Fushun Hanking, some of which were produced by us. Our Directors confirm that our sales to Fushun D.R.I. have been on substantially identical terms as our sales to our other customers.

We had six, 19, 11 and seven third party customers in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. We generated 99.9%, 94.9%, 96.3% and 99.9% of our revenue, respectively, from our ten largest customers in 2008, 2009, 2010 and the six months ended June 30, 2011. Six, eight, eight and seven of our ten largest customers in those periods, respectively, were third party customers, and our revenue attributable to these customers amounted to RMB9.3 million, RMB522.1 million, RMB883.5 million and RMB579.7 million, respectively, in the same periods. Two of our major third party customers in 2009, which contributed 11.7% and 4.9% of our total revenue that year, respectively, did not purchase any iron ore concentrates from us in 2010. The former ceased business operations in 2010, and the latter, which we have been unable to contact, did not make any purchases from us in 2010 or as of the Latest Practicable Date.

In 2008, 2009, 2010 and the six months ended June 30, 2011, sales to all the companies controlled by our Controlling Shareholders that are not in our Group, taken together, accounted for 98.9%, 35.2%, 30.1% and 22.9% of our total revenue, respectively.

The table below sets out the respective amounts and percentages of iron ore concentrates sold to related parties and Independent Third Party customers, respectively during the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2008		2009		2010		2011	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB'000, except percentage data)							
iron ore concentrates sold to related parties								
Fushun D.R.I.	—	—	142,903	17.2	305,291	24.2	165,435	22.2
Fushun Metallurgy	190,297	20.2	139,825	16.8	61,156	4.8	—	—
Fushun Hanking	589,249	62.6	—	—	—	—	—	—
Hanking Group	152,319	16.2	—	—	—	—	—	—
Subtotal	931,865	98.9	282,728	34.0	366,447	29.0	165,435	22.2
iron ore concentrates sold to Independent Third Party customers	9,300	1.1	549,127	66.0	895,264	71.0	579,660	77.8
Total	941,165	100.0	831,855	100.0	1,261,711	100.0	745,095	100.0

Except as disclosed above, none of our Directors, their respective associates or any Shareholders owning more than 5.0% of our issued Shares, to the knowledge of our Directors, had any interest in any of our five largest customers during the Track Record Period.

COMPETITION

A number of factors affect the markets in which we sell our iron ore concentrates. Iron ore concentrate prices in China depend primarily on the consumption patterns of the steel industry in China as well as the availability, location and cost of transportation and price of competing iron ore sources, including imported iron ore.

We face competition from local iron ore producers and from international iron ore producers in our primary markets, Liaoning, Tianjin and Hebei. However, we believe we have an advantage over our competitors mainly because of (i) the high grade and quality of our iron ore concentrates and (ii) our close proximity to our major customers and the associated low transportation costs.

RESEARCH AND DEVELOPMENT

Our research and development team consisted of 69 professionals as of June 30, 2011 responsible for the research and development of new technologies and new production know-how, including 21 engineers. Several of these engineers have over 20 years of experience in the iron ore industry or related fields. In the past, we have cooperated with domestic research organizations, such as Shandong Gold Group Yantai Design & Research Engineering Co., Ltd. (山東黃金集團煙臺設計研究工程有限公司) and Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院), to enhance our research and development capabilities. Our cooperation with these domestic institutions relates to the research and development of technologies and processes that are crucial to our mining and iron ore processing operations. For specific research and development projects, we typically enter into cooperation agreements that typically require us to pay a fixed amount of fees to the domestic institutions, and, in exchange grant us the rights to use the proprietary technology or patent resulting

from such research and development projects while the institutions retain or jointly hold with us the ownership of the technology or patents. We intend to continue to cooperate with such institutions on a project-by-project basis as and when suitable opportunities arise.

The ore from our mines is processed through a series of processes, including crushing, screening and milling. We intend to improve these processes through our own research and development efforts and cooperation with suitable parties. We have implemented a number of technologies at our processing plants to increase our production capacity and efficiency.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we held 11 registered trademarks. Details of our trademarks and other intellectual property rights are set out in "Appendix VII — Statutory and General Information — Further Information about the Company — Intellectual Property Rights".

We have not been involved in any claims with respect to the infringement of intellectual property rights belonging to third parties and, to the knowledge of our Directors, there are no such claims pending or threatened.

REGULATORY COMPLIANCE

Our PRC legal adviser, Jingtian & Gongcheng, is of the view that, except as disclosed in "— Properties" and "Risk Factors — 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", we have been in compliance with applicable laws and regulations in all material respects. Furthermore, Jingtian & Gongcheng is of the opinion that, except as otherwise disclosed in this prospectus, we have obtained all necessary licenses, approvals and permits that are material for our business operations in the PRC.

In order to maintain our on-going compliance with the relevant regulatory requirements in the jurisdictions relevant to our business, we have, as at the date of this prospectus, adopted the following measures:

- establishment of a committee comprised of senior management members to oversee safety and environment related matters within our Group and our compliance with applicable laws and regulations; and

- appointment of external legal counsel in the PRC to advise us on compliance with applicable laws and regulations.

In addition, we intend to engage independent experts to assist us in complying with applicable laws and regulations where necessary or advisable.

INSURANCE

We maintain insurance including pension insurance, medical insurance, labor injury insurance and unemployment insurance, in accordance with applicable PRC laws and regulations.

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. We do not maintain any fire, earthquake, liability or other property insurance with respect to our properties, equipment or inventories, with the exception of insurance coverage for our vehicles. We also do not maintain any business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities other than third-party liability insurance for our vehicles.

Subject to the relevant disclosure in "Risk Factors — Risks Relating to Our Business — Our insurance coverage may be insufficient to cover our business risks", our Directors consider the insurance coverage on our assets to be adequate. 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 the PRC.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to PRC safety laws and regulations, which set out the legal standards for health and safety measures with which our operations must comply. We regard occupational health and safety as one of our prime responsibilities and have implemented a number of measures to ensure compliance with the stringent regulatory requirements. We have dedicated personnel and facilities to deal with these matters. As of June 30, 2011, we had 43 full-time employees responsible for monitoring and ensuring occupational health and safety.

We actively implement and enforce safety measures, best practice guidelines and reporting systems to prevent and reduce various dangers and risks. We provide occupational training to our new employees and special safety technical training to our technical staff. All employees must participate in a three-level safety education program with monthly, seasonal, semi-annual and annual review of safety responsibilities for each workshop, which are conducted by the safety monitoring division. New employees must take part in either half-day, full-day or two-day safety training and checking depending on their experience level and work field.

In addition, we also arrange health check-ups for our employees and provide social insurance to all of our employees as required under the applicable laws and regulations. As of the Latest Practicable Date, we have adequate insurance coverage for our employees in accordance with the PRC laws and regulations.

In order to ensure employee safety and to avoid accidents, each of our mines and processing plants maintains its own safety reporting system. We conduct internal inspections on safety compliance of each of our production sites on a monthly basis. There were four serious injuries during the Track Record Period, which involved broken fingers due to workers' operation of machinery contrary to instructions. Our Directors confirm that we have not been subject to any claims arising from any accidents involving personal injury or property damage during the Track Record Period that have a material adverse effect on our business, financial condition or results of operation.

The Independent Technical Consultant has recommended that we improve certain conditions in our mining operations. The Independent Technical Consultant made its recommendations based on its observations of these conditions as opposed to any mandatory requirements under PRC Law. With respect to our Aoniu Mine, the Independent Technical Consultant recommended that we (i) conduct an

overall hydro-geological study on the mining area and deposit in order to understand the hydraulic connection between rivers and mine water and forecast water in-rush and (ii) improve open-pit water interception and drainage equipment and facilities to ensure production safety. Necessary hydro-geological studies of the mining area had already been carried out during the exploration of the mining area as required under PRC law. We plan to continue to closely monitor the hydro-geological conditions of the mining area and to conduct additional hydro-geological studies if the hydro-geological conditions change significantly during our continued mining operations. We intend to install additional water interception and drainage equipment and facilities during rainy seasons to ensure production safety.

The Guchengzi River flows through the mining area of our Maogong Mine and a portion of the orebodies are below the riverbed. The Independent Technical Consultant recommended that we relocate the river channel to the south as soon as possible and maintain enough protective pillars at the mine to ensure production safety. Our plan to relocate the river channel approximately 200 meters to the south has been approved by the local government. We are currently applying for land use right certificates for the land to which the river channel is to be relocated and expect to obtain such land use right certificates by the end of 2011. We plan to commence the relocation after we obtain the land use right certificates. We intend to maintain enough protective pillars at the mine to ensure production safety before the river channel is relocated.

The Independent Technical Consultant recommended that we engage a qualified geological exploration team or research institution to conduct research on the mechanical properties of the ore and rock, collect geotechnical information, and obtain quantitative indexes of rock and ore properties at our Luobokan Mine, in order to optimize angles of open pit slopes, improve ground control and open-pit slope stability, and achieve optimal development layouts, mining methods and mining technical parameters. In addition, the Independent Technical Consultant recommended that we carry out hydro-geological exploration. The necessary hydro-geological studies of the Luobokan Mine had already been carried out during the exploration of the mining area as required under PRC law. We plan to continue to closely monitor the hydro-geological conditions of the mining area and to conduct additional hydro-geological studies if the hydro-geological conditions change significantly during our ongoing mining operations. In addition, we plan to design and build water barriers as necessary during our continued mining operations.

ENVIRONMENTAL PROTECTION

We are subject to various PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities. These laws and regulations cover a broad range of environmental matters, such as mining control, land reclamation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. Our costs for compliance with applicable environmental rules and regulations for 2008, 2009 and 2010 were RMB1.3 million, RMB1.6 million and RMB3.0 million, respectively. These costs are mainly comprised of expenditures and charges associated with the following environmental matters: (i) water resources treatment, (ii) sewage treatment, (iii) greening of urban spaces/industrial environments, (iv) environmental assessment and protection, (v) vegetation restoration, (vi) soil and water conservation and (vii) water conversation project preparation. We expect that our costs for compliance with applicable environmental rules and regulations in 2011 will be approximately RMB8.6 million.

We have not been subject to any penalties for breach of environmental laws or regulations. We have not been presented with any specific demands or requirements by our customers in complying with relevant environmental protection rules in the areas in which they operate. However, the PRC government is moving toward more rigorous enforcement of environmental laws and regulations and the adoption of more stringent environmental standards, which could have a material adverse effect on our financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business — Our business operations may be affected by current or future safety and environmental regulations".

Our operations have the following effects on the environment: (1) our mining operations may cause soil erosion and deforestation and (2) our processing plants may generate waste water, solid waste and cause noise pollution. In order to minimize our effect on the environment and manage the potential risks relating to environmental protection matters, we have in place an internal handbook on environmental safety management. It sets forth our environmental protection controls and measures. In particular, the handbook explains the methods of handling different types of pollutants and the standards we should achieve in ash emissions and noise control. As of June 30, 2011, we had 17 employees who conduct regular inspections on our mines and processing plants.

In addition, we have adopted a number of environmentally responsible practices in our operations to minimize the damage caused by our operations to the environment and manage the potential risks relating to environmental protection matters. We plant trees to compensate for the deforestation caused by our mining operations and near the mining areas after the completion of our mining operations. We recycle and reuse waste water at our processing plants and tailings ponds. We also recycle gangue and sell it as paving materials and construction material. We monitor our noise level by adopting various noise control method such as the use of silencers. We also have internal rules on the management of our tailing storage facilities. We will continue to explore other means to further improve resource optimization and efficiency.

Prior to the launching of new production or expansion activities, we engage qualified experts to conduct environmental input assessment. The environmental impact of our new production, expansion or other projects is assessed with a view to minimizing the negative impact on the environment. The experts that have conducted the environmental impact assessment for our projects include Fushun Academy of Environmental Sciences (撫順市環境科學研究院) and Benxi Academy of Environmental Sciences (本溪市環境科學研究所). We also submit any such assessment reports to the relevant local environmental protection bureau for its approval pursuant to relevant PRC laws and regulations. We have been in compliance with the requirements and recommendations set forth in the approved assessment reports. The relevant local environmental protection bureau also conducts regular inspection of our production sites.

We are required by the PRC laws to reclaim and restore mining sites to their prior condition after completion of mining operations. Reclamation activity typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, restoration of land features in mined-out areas, dumping sites and other mining areas and contouring, covering and revegetation of waste rock piles and other disturbed areas. We confirm that the operations of all of our mines are in compliance with environmental and reclamation requirements.

PROPERTIES

As of June 30, 2011, we operated our business by using the following land and buildings, all of which are located in Liaoning Province, the PRC.

Land

Land with land use right certificates

We held land use right certificates regarding nine parcels of land with a total site area of approximately 775,349.7 sq.m. We had obtained these land use right certificates by way of assignment. We mainly use the land for our mines, processing plants, tailings ponds and offices.

Land with temporary land use rights

As is common industry practice, we do not carry out mining operations over the entire area covered by a mining permit, but rather design our long-term mining plans to include multiple mining operations on smaller parcels of land within the larger area. Certain of these smaller parcels of land are designated collectively-owned land. Pursuant to Article 57 of the Land Administration Law, we may use collectively-owned land on a short-term basis of not more than two years if we (i) have been granted temporary land use rights by the competent government authority and (ii) have entered into land use agreements with the relevant rural collective economic entity or village committee.

We had temporary land use rights regarding one parcel of land with a total site area of approximately 29,772.0 sq.m. This land is used by Xingzhou Mining for mining activities, the temporary land use right of which will expire on November 16, 2012.

In addition, we had temporary land use rights with regard to three parcels of land with a total site area of 81,823.8 sq.m. used by Benxi Mining for mining activities. These temporary land use rights expired on April 9, 2011. According to a confirmation letter issued by Benxi City Bureau of Land and Resources on August 10, 2011, the local government has temporarily ceased granting temporary land use rights for land used for mining activities pending the promulgation of new regulations regarding land used for mining activities by the PRC government and we may continue to occupy and use the relevant land and shall apply for temporary land use rights after the promulgation of such new regulation. Our PRC legal adviser, Jingtian & Gongcheng, has advised us that (i) Benxi City Bureau of Land and Resources is a competent authority for issuing the above confirmation and (ii) we will not face any disciplinary action by the relevant authorities for our use of such parcels of land before the issuance of the relevant land use right certificates.

Land without land use right certificates

As of June 30, 2011, we held eight parcels of land with a total site area of approximately 33,513.8 sq.m. without land use right certificates. We are in the process of applying for land use right certificates regarding these eight parcels of land the details of which are as follows:

Maogong Mining

Maogong Mining held four parcels of land with a total site area of approximately 231,483.3 sq.m., which were used for mining and processing plants for which it had not obtained land use rights certificates. Among these, one parcel with a site area of approximately 33,544.0 sq.m. was owned by Hanking Group, which held and had agreed to transfer the land use rights to us. According to a confirmation letter issued by Fushun County Bureau of Land and Resources on August 10, 2011, (i) it had issued preliminary review opinions regarding two parcels of land with a total site area of approximately 182,673.3 sq.m. on January 17, 2011, according to which there should be no legal obstacles for us to obtain the land use right to such land after the relevant land assignment fees and taxes were fully paid, (ii) there should be no legal obstacles for us to obtain the land use right to a parcel of land with a site area of approximately 15,266.0 sq.m., after the relevant land assignment fees and taxes have been fully paid and (iii) we should not face any disciplinary action by the relevant authorities for our use of such parcels of land before the issuance of the relevant land use right certificates. We are currently in the process of applying for land use rights certificates for these three parcels of land. We expect the relevant expenses (including compensation to the owners of the land use rights relating to the relevant land and other fees) and land assignment fees and taxes to be approximately RMB56.8 million in total based on the applicable rates. We have paid compensation to the owners of the land use rights relating to the relevant land of approximately RMB14.9 million as of the Latest Practicable Date. Pursuant to PRC law, if the relevant government authority approves our application for the land use rights certificates, we will be required to enter into a land grant contract with such government authority and pay the land assignment fees and taxes to obtain the land use rights certificates.

Our PRC legal adviser, Jingtian & Gongcheng, is of the view that (i) Fushun County Bureau of Land and Resources is a competent authority for issuing the above confirmation, (ii) there will be no legal obstacles for us to obtain the land use rights to these three parcels of land after the relevant land assignment fees and taxes have been fully paid and (iii) we will not face any disciplinary action by the relevant authorities for our use of such parcels of land before the issuance of the relevant land use right certificates.

Xingzhou Mining

Xingzhou Mining held three parcels of land with a total site area of approximately 158,667.5 sq.m., which was used for mining, processing plants and tailings ponds and for which it had not obtained a land use rights certificate. According to a confirmation letter issued by Fushun City Bureau of Land and Resources on August 10, 2011, (i) there should be no legal obstacles for us to obtain the land use rights to such parcels of land after the relevant land assignment fees and taxes have been fully paid and (ii) we should not face disciplinary action by the relevant authorities for our use of such parcels of land before the issuance of the relevant land use right certificates. We are currently in the process of applying for land use rights certificates for these three parcels of land. We expect the relevant expenses (including compensation to the owners of the land use rights

relating to the relevant land and other fees) and land assignment fees and taxes to be approximately RMB73.5 million in total based on the applicable rates. We have paid compensation to the owners of the land use rights relating to the relevant land of approximately RMB9.5 million as of the Latest Practicable Date. Pursuant to PRC law, if the relevant government authority approves our application for the land use rights certificates, we will be required to enter into a land grant contract with such government authority and pay the land assignment fees and taxes to obtain the land use rights certificates.

Our PRC legal adviser, Jingtian & Gongcheng, is of the view that (i) Fushun City Bureau of Land and Resources is a competent authority for issuing the above confirmation, (ii) there will be no legal obstacles for us to obtain the land use right to such parcels of land after the relevant land assignment fees and taxes have been fully paid and (iii) we will not face disciplinary action by the relevant authorities for our use of such parcels of land before the issuance of the relevant land use right certificates.

Aoniu Mining

Aoniu Mining occupied one parcel of land owned by Hanking Group, with a total site area of approximately 3,363.0 sq.m., which was used for offices and for which it is in the process of applying for the transfer of the relevant land use right certificate from Hanking Group.

Our PRC legal adviser, Jingtian & Gongcheng, is of the view that, upon obtaining the land use right certificate, Aoning Mining will (i) legally own the land use right of such parcel of land and (ii) have the rights to occupy, use, lease, transfer, mortgage or dispose such parcel of land by other legal means, pursuant to applicable PRC laws and regulations.

Buildings

Leased Building

As of June 30, 2011, we leased four offices with an aggregate floor area of approximately 3,890.64 sq.m.

Buildings with building ownership certificates

As of June 30, 2011, we held building ownership certificates for 48 buildings with an aggregate floor area of approximately 11,325.1 sq.m.

Buildings without building ownership certificates

As of June 30, 2011, certain of our subsidiaries, namely Aoniu Mining, Maogong Mining and Xingzhou Mining, occupied 76 buildings with an aggregate floor area of approximately 25,881.4 sq.m., for which they had not obtained the building ownership certificates. Such buildings were used for industrial purpose. As regard such buildings:

- 65 buildings with an aggregate floor area of approximately 18,825.3 sq.m. was occupied by Maogong Mining ("**Maogong Buildings**");

- four buildings with an aggregate floor area of approximately 2,306.4 sq.m. were occupied by Aoniu Mining ("**Aoniu Buildings**");

- one building with an aggregate floor area of approximately 2,295.7 sq.m., which was owned by Hanking Group and would be transferred to Aoniu Mining in due course, was occupied by Aoniu Mining ("**Hanking Building**") and

- six buildings with an aggregate floor area of approximately 2,454.0 sq.m. was occupied by Xingzhou Mining ("**Xingzhou Buildings**").

On August 10, 2011, Fushun County Commission of Urban-rural Development issued relevant confirmation letters, confirming that (i) there should be no legal obstacles for Aoniu Mining and Maogong Mining to obtain the ownership certificates to Maogong Buildings, Hanking Building and Aoniu Buildings after they obtained the relevant land use right certificates, as well as the relevant planning permit and the construction permit, (ii) they were entitled to use such building and would not be penalized for the construction and use of the building and (iii) the buildings would not be demolished.

On August 10, 2011, Dongzhou District Administration of Urban-rural Development issued a confirmation letter, confirming that (i) there should be no legal obstacles for Xingzhou Mining to obtain the ownership certificate to Xingzhou Buildings after Xingzhou Mining obtained the relevant land use right certificate, as well as the relevant planning permit and the construction permit, (ii) Xingzhou Mining was entitled to use such building and would not be penalized for the construction and use of the building and (iii) the buildings would not be demolished.

Our PRC legal adviser, Jingtian & Gongcheng, is of the view that (i) there will no legal obstacles for us to obtain the ownership certificates to such buildings after we obtained the relevant land use right certificate, as well as the relevant planning permit and the construction permit, (ii) we are entitled to use such buildings and would not be penalized for the construction and use of the building and (iii) the buildings will not be demolished.

The land without land use right certificates and buildings without building ownership certificates, collectively, are material to our business. As (i) we do not believe there will be any legal obstacles to us obtaining the land use right certificates and building ownership certificates and (ii) we have obtained confirmations from competent authorities that we will not be penalized for occupying, constructing and/or using the relevant land and buildings and that we may continue to occupy and use the relevant land and buildings, we do not expect the lack of the relevant land use right certificates and building ownership certificates to materially adversely affect our business or trading position.

PROPERTY VALUATION

Savills Valuation and Professional Services Limited, an independent property valuation firm, has valued our property interests as of June 30, 2011. The text of Savills Valuation and Professional Services Limited's letter, the summary of valuation and the valuation certificates are set forth in "Appendix IV — Property Valuation Report".

LITIGATION

From time to time, we are involved in legal proceedings in the ordinary course of our business. During the Track Record Period, we were involved in a number of legal proceedings in the ordinary course of our business, including the following:

- A lawsuit brought by an employee against us concerning employment disputes. The employee alleged that he was laid off without proper cause and sought to be reinstated. The employee eventually voluntarily withdrew the lawsuit;

- A lawsuit brought by us to collect an overdue debt of RMB3 million. We settled with the defendant who promised to repay us;

- A lawsuit brought by us concerning a contractual dispute with respect to the transportation of our iron ore. We entered into an agreement with the defendant in 2000 for the defendant to transport iron ore for us. We requested that trial court declare that the defendant breached the agreement by using a vehicle that was prohibited to be used for iron ore transportation under PRC law. The trial court decided in part in our favor and in part in favor of the defendant. The defendant appealed and the appellate court remanded the case back to the trial court for retrial. We eventually withdrew the case;

- A lawsuit brought by us over infringements of our land use rights. We sued the defendant for selling a plot of land to a third party in violation of our land use rights to the plot of land and the trial court decided that we had valid land use rights to the land in question. The defendant appealed the trial court's decision but subsequently withdrew its appeal; and

- A lawsuit brought by us over infringements of our mining rights. We sued the defendant for selling an orebody to a third party in violation of our mining rights to the orebody in question. The trial court decided in our favor, declaring the sale of the orebody in question invalid and that we had valid mining rights in relation to the orebody in question.

We do not believe that any of these proceedings, individually or taken as a whole, would have a material adverse effect on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not involved in any legal or arbitration proceedings that we believe would have a material adverse effect on our business, financial condition or results of operations.