中国多金属矿业
CHINA POLYMETALLIC MINING

China Polymetallic Mining Limited
中國多金屬礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2133

2011 Annual Report

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Corporate Profile

China Polymetallic Mining Limited (Stock Code: 2133) was incorporated in the Cayman Islands under the Companies Law on 30 November 2009 and was listed on the main board of the Hong Kong Stock Exchange on 14 December 2011.

Our Company is the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves according to the Hatch Report. As at the Listing Date, our Company was the first non-ferrous pure mining company listed on the Hong Kong Stock Exchange.

Corporate Information

Directors

Executive Directors

Mr. Ran Xiaochuan *(Chairman)*
Mr. Zhu Xiaolin *(Chief Executive Officer)*
Mr. Huang Wei *(Head of Geology and Exploration)*
Mr. Wang Fahai *(Head of Mining)*
Mr. Wu Wei *(Co-head of Ore Processing and Head of Safety)*
Mr. Zhao Shaohua *(Co-head of Ore Processing)*

Non-executive Director

Mr. Shi Xiangdong *(Advisor)*

Independent non-executive Directors

Mr. Keith Wayne Abell
Mr. Christopher Michael Casey
Mr. Richard Wingate Edward Charlton
Mr. William Beckwith Hayden
Mr. Maarten Albert Kelder
Mr. Miu Edward Kwok Chi

Audit Committee

Mr. Christopher Michael Casey *(Chairman)*
Mr. Keith Wayne Abell
Mr. Miu Edward Kwok Chi
Mr. Shi Xiangdong

Nomination and Remuneration Committee*

Mr. Maarten Albert Kelder *(Chairman)*
Mr. Ran Xiaochuan
Mr. Zhu Xiaolin
Mr. Keith Wayne Abell
Mr. Richard Wingate Edward Charlton
Mr. William Beckwith Hayden

Strategy Committee

Mr. Richard Wingate Edward Charlton *(Chairman)*
Mr. Ran Xiaochuan
Mr. Zhu Xiaolin
Mr. Huang Wei
Mr. Shi Xiangdong
Mr. William Beckwith Hayden
Mr. Miu Edward Kwok Chi

Company Secretary

Ms. Ho Siu Pik *(FCIS, FCS(PE))*

Authorized Representatives

Ms. Ho Siu Pik
Mr. Zhu Xiaolin

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office

22nd Floor, South Building
145 Tiantai Road
Hi-tech District
Chengdu, Sichuan Province
PRC

* The nomination committee and remuneration committee have been consolidated into one single committee on 20 March 2012.

Corporate Information

Principal Place of Business in Hong Kong

Unit 4712, 47/F
The Center
99 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar

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

Compliance Advisor

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

Legal Advisers as to Hong Kong Law

O'Melveny & Myers
31st Floor, AIA Central
1 Connaught Road, Central
Hong Kong

Investor Relations Consultant

Porda Havas International Finance Communications Group
Units 2009–2018, 20/F, Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

Principal Bankers

Agricultural Bank of China, Yingjiang County Branch
No. 105 Yongsheng Road
Ping Yuan Town, Yingjiang County
Dehong Zhou
Yunnan, PRC

The Bank of China, Dehong Zhou Branch
No. 16 Menghuan Road
Mangshi Town, Luxi City
Dehong Zhou
Yunnan, PRC

Agricultural Bank of China, Dehong Wei Min Branch
No. 39 Mu Nao Zong Ge Road
Luxi City
Yunnan, PRC

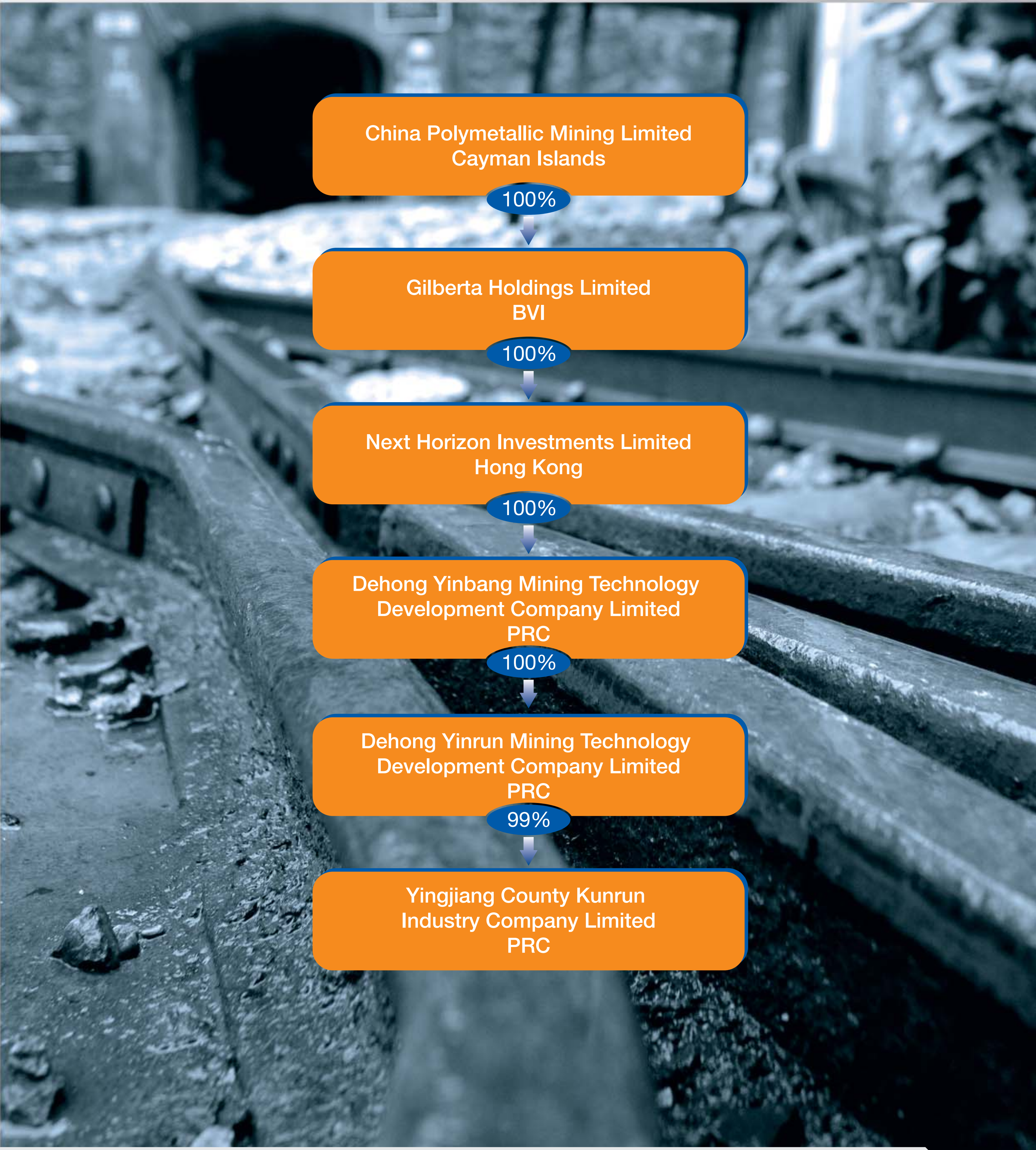
Stock Code

2133

Website Address

www.chinapolymetallic.com

Corporate Structure



Financial Highlights

Summary of Financial Information

The Group's summary of published results, assets, liabilities and non-controlling interests for the period from 23 April 2009 (date of the business combination of our Group under common control) to 31 December 2009 and the years ended 31 December 2010 and 2011 prepared in accordance with the notes below is set forth as follows:

Results

	Year ended 31 December		Period from 23 April 2009 to 31 December
	2011	2010	2009
	RMB'000	RMB'000	RMB'000
Revenue	**70,180**	—	—
Cost of sales	**(16,214)**	—	—
Gross profit	**53,966**	—	—
Other income and gains	**2,760**	5,576	—
Selling and distribution costs	**(7)**	—	—
Administrative expenses	**(54,457)**	(11,987)	(1,939)
Recognition of equity-settled share-based payment	**(233,000)**	—	—
Other operating expenses	**(2,855)**	(235)	—
Financing costs	**(382)**	—	—
Loss before tax	**(233,975)**	(6,646)	(1,939)
Income tax credit/(expense)	**(10,272)**	1,586	435
Loss for the year/period and total comprehensive loss for the year/period	**(244,247)**	(5,060)	(1,504)
Attributable to:			
Owners of the Company	**(244,268)**	(4,840)	(1,178)
Non-controlling interests	**21**	(220)	(326)
	(244,247)	(5,060)	(1,504)
Loss per share (RMB) — Basic and diluted	**0.21**	N/A	N/A

Assets, liabilities and non-controlling interests

	31 December		
	2011	2010	2009
	RMB'000	RMB'000	RMB'000
Non-current assets	**662,890**	128,723	7,815
Current assets	**937,979**	75,252	25,550
Current liabilities	**127,706**	206,279	30,969
Non-current liabilities	**132,178**	351	—
Total equity/(deficit)	**1,340,985**	(2,655)	2,396
Non-controlling interests	**1,330**	7,469	260
Equity/(deficit) attributable to owners of the Company	**1,339,655**	(10,124)	2,136

Financial information for the period from 23 April 2009 to 31 December 2009 and the year ended 31 December 2010 has been duly prepared, as if the corporate structure upon the listing of shares on the Hong Kong Stock Exchange has subsisted in such respective period and year.

Statement of Chairman

"Create Values for Our Shareholders, Our Employees and Our Communities"

Chairman
Ran Xiaochuan

Dear Shareholders,

On behalf of the Board of China Polymetallic Mining Limited, I am pleased to present our first annual report for the year ended 31 December 2011. I would like to express our profound gratitude to the shareholders of the Company. Under the leadership of the Board and with diligent work by our management team, the Company has executed our strategies and made great stride towards achieving our long-term goals.

Review for the Year

2011 was a year in which our Company achieved significant milestones in our development. It was also a year when the pace of the global economic recovery was seriously challenged. Despite an extremely adverse market environment, the Company was officially listed on the Hong Kong Stock Exchange on 14 December 2011. On the Listing Date, we were the only listed lead-zinc pure mining company in Hong Kong. Through the IPO, the Company raised net proceeds of HK$992.9 million, laying a solid foundation for our entry into the international capital markets and for further business expansion.

2011 saw major challenges for companies in our industry. The non-ferrous metal market and the lead-zinc metal sector also experienced a high level of volatility. However, the industry has largely recovered as global demand has stabilised. Demand for lead and zinc metals remain fundamentally favorable. As the largest lead-zinc pure mining company in Yunnan Province, China Polymetallic Mining Limited continues to benefit from our low-cost operating structure. Since commencing commercial production in October 2011, we have achieved operating results that are well above our set targets. For the year ended 31 December 2011, the Group mined 69.9 kt of raw ore, from which we produced 5.80 kt of lead-silver concentrates and 5.66 kt of zinc-silver concentrates. We achieved sales revenue of RMB70.2 million and gross profit of RMB54.0 million with a gross profit margin of 76.9%.

Looking Forward

While uncertainties still persist for the global economy and China's sustained growth, we believe we are well positioned to benefit from continued demand for non-ferrous metals generated from China's development. The Group will focus on the development of our different projects so that our multiple assets will contribute to the Company's bottom line. We will deliver profit growth by controlling operating costs and achieving economies of scale. We will continue to uphold the highest standard in mine safety and environmental protection in our operation. As our growth strategy, the Company is committed to prudent acquisitions of high quality assets to deliver long-term value to our shareholders. With the IPO proceeds, we are in an excellent financial position to expand our asset portfolio.

Acknowledgement

I would like to express my deep appreciation to our staff for their dedication and hard work that contributed to the Group's success in 2011. I would like to again extend my sincere thanks to each of our shareholders and partners for their continuous support and trust. With our concerted effort together, we will strive to create value for our shareholders, our employees, and the communities in which we operate.

By order of the Board
China Polymetallic Mining Limited
Ran Xiaochuan
Chairman

Hong Kong, 20 March 2012

Management Discussion and Analysis

We are the largest lead and zinc pure mining company in Yunnan Province in terms of resources with abundant and high-grade silver reserves, according to the Hatch Report. Our Company was the first non-ferrous pure mining company listed on the main board of the Hong Kong Stock Exchange on the Listing Date. As a pure mining company, we only conduct upstream operations in exploration, mining and initial processing of mineral resources with no downstream operations in smelting and refining. Accordingly, our Group is engaged in the raw ore mining and ore processing of lead-zinc-silver ore as well as the sales of lead-silver concentrates and zinc-silver concentrates to the downstream polymetallic traders and smelters.

Our Group currently owns and operates the Shizishan Mine, a large-scale and high-grade lead-zinc-silver polymetallic mine in Yunnan Province. In addition, the Group holds the exploration right to the Dazhupeng Mine, another lead-zinc-silver polymetallic mine in Yunnan Province. Meanwhile, we have entered into an exclusive, long-term and low-cost agreement with the Lushan Mine, a tungsten-tin polymetallic mine in Yunnan Province, for the supply of polymetallic tungsten-tin raw ore. To tap into the rich non-ferrous metal resources in Yunnan Province, we have entered into an acquisition agreement with the Liziping Mine, and have been granted an option to acquire the Dakuangshan Mine, both of which are the lead-zinc-silver mines in Yunnan Province.

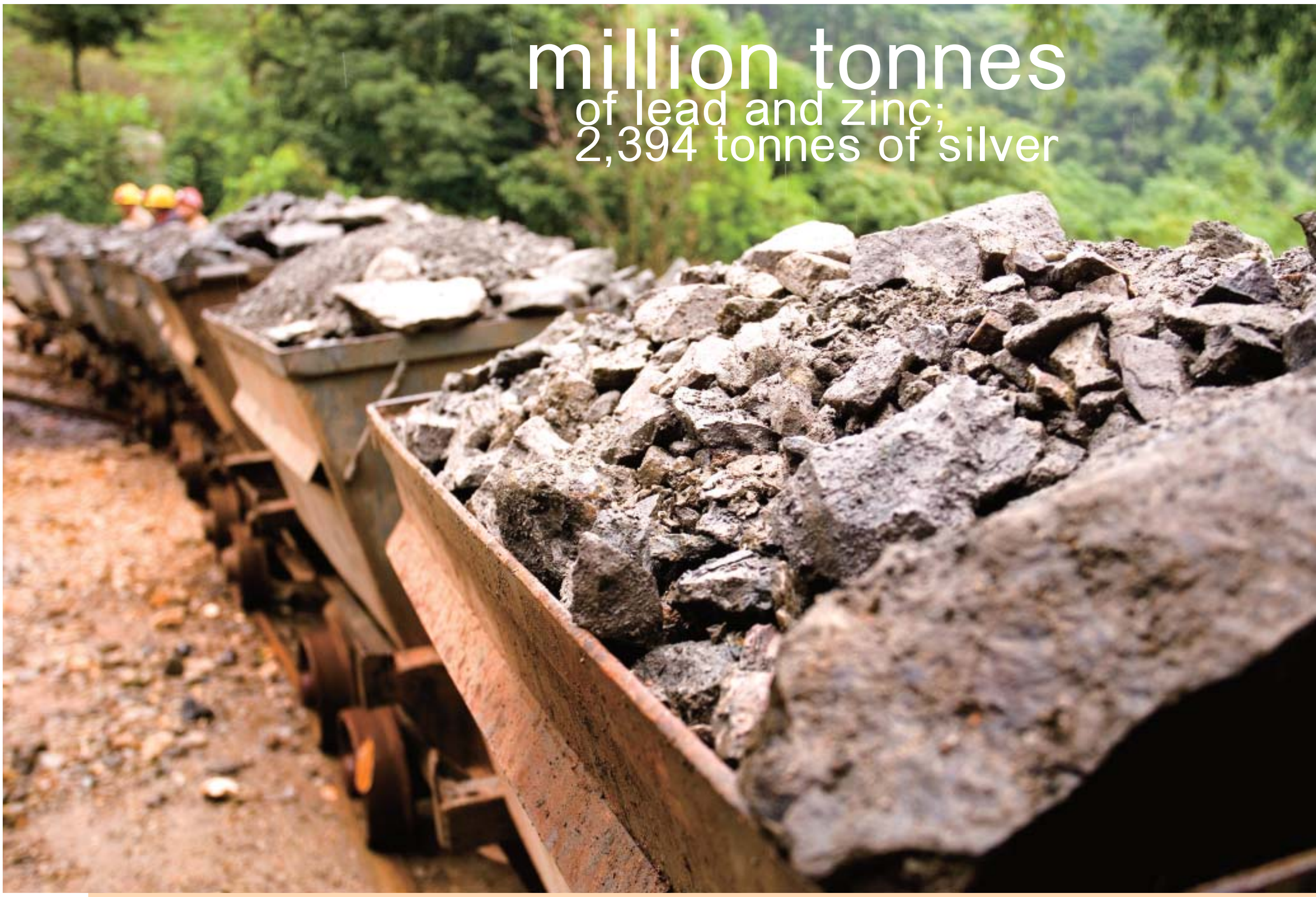
Market Review

In 2011, China's economic development has generally maintained a good momentum with the continuing growth in GDP. In the non-ferrous metal industry, China is still a net importer of lead concentrates and zinc concentrates to meet the increasing domestic demand. At the same time, the "Twelfth Five-Year Plan" has clearly pointed out that there is a necessity to continue the optimization of the structure and increase the added value in the non-ferrous metal industry with more focusing on the development of the processing industry. Thus, the Chinese non-ferrous metal industry is operating in a beginning environment during the gradual implementation of the "Twelfth Five-Year Plan". Yunnan, as a major lead and zinc concentrate producing province and a leader in non-ferrous metal industry in China, has put great efforts into developing this industry and extending its industrial chain with a growing smelting capacity in concentrates.

In the first half of last year, the price of the nonferrous metals was maintained at a high level and fell in the second half because of the uncertain economies in the Eurozone and China's policy on inflation control. As 2011 came to a close, the price gradually stabilised, and even witnessed an increase in the beginning of the year 2012. In the long run, provided that the domestic economy and the non-ferrous metal industry continue to grow. We believe that our low-cost structure will allow us to benefit from any upward movement in the metal price.

JORC Mineral Resources
Approximate

1.44



As at 31 December 2011, the Shizishan Mine had an aggregate of 9,299,870 tonnes of JORC measured, indicated and inferred resources and 7,978,870 tonnes of JORC reserves, containing 742,846 tonnes of lead metal, 474,994 tonnes of zine metal and 1,994 tonnes of silver metal in JORC reserves.

Operating Mine — Shizishan Mine

Mineral resources and reserves of the Shizishan Mine

The Shizishan Mine is a large-scale, high-grade lead-zinc-silver underground polymetallic mine in Yingjiang County of Yunnan Province, and is in a period of significant production growth. Based on the resources and reserves under JORC for the Shizishan Mine as at 25 October 2011 disclosed in to the Prospectus, our Group estimated resources and reserves as at 31 December 2011 as follows:

The Shizishan Mine — JORC Mineral Resources as at 31 December 2011
Mineral Resource at 0.5% Pb Cut Off

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Measured	2,385,870	10.9	6.6	271	260,746	157,694	694
Indicated	6,398,000	9.0	5.9	250	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247	39,600	24,500	100
Total	9,299,870	9.4	6.0	256	875,546	560,694	2,394

The Shizishan Mine — JORC Ore Reserve Estimate as at 31 December 2011

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	2,265,870	10.0	6.1	251	228,346	138,094	594
Probable	5,713,000	9.0	5.9	250	514,500	336,900	1,400
Total	7,978,870	9.3	6.0	250	742,846	474,994	1,994

Note: Figures reported are rounded which may result in small tabulation errors.

Operation results of the Shizishan Mine

The following table summarised the mining and processing results for the year ended 31 December 2011 of the Shizishan Mine, currently operated by the Group:

	Items	Unit	2011 Aug and Sept	2011 Oct	2011 Nov	2011 Dec	2011 4th Quarter	2011
ROM ore	Mined	kt	15.0	9.8	19.9	25.2	54.9	69.9
	Processed	kt	12.8	9.8	20.9	24.7	55.4	68.3
Feed grade	Lead	%	3.2	3.6	6.2	7.2	6.2	5.6
	Zinc	%	4.3	4.2	4.8	5.3	4.9	4.8
	Silver	g/t	41	44	85	162	112	98
Recovery	Lead	%	74.0	76.2	82.3	86.8	84.0	82.9
	Zinc	%	84.0	84.1	86.3	86.3	86.0	85.6
	Silver in lead concentrate	%	68.6	72.4	76.7	79.4	78.1	77.4
	Silver in zinc concentrate	%	6.2	5.9	7.4	6.9	6.9	6.9
Concentrate Grade	Lead	%	57	55	54	55	55	55
	Zinc	%	45	46	51	52	51	50
	Silver in lead concentrate	g/t	660	632	691	1,132	921	896
	Silver in zinc concentrate	g/t	32	34	76	126	93	82
Concentrate Tonnes	Lead-silver concentrate	kt	0.54	0.49	1.96	2.80	5.26	5.80
	Zinc-silver concentrate	kt	1.02	0.75	1.71	2.18	4.64	5.66
Metal contained in Concentrate	Lead	t	307	270	1,063	1,550	2,883	3,190
	Zinc	t	463	348	870	1,139	2,357	2,819
	Silver in lead concentrate	kt	357	311	1,356	3,173	4,840	5,197
	Silver in zinc concentrate	kt	32	25	130	274	430	463

Our Group commenced trial production in the Shizishan Mine at the end of July 2011, and started commercial production in October 2011. For the year ended 31 December 2011, total sales volumes of lead-silver concentrates and zinc-silver concentrates were 5.80 kt and 5.62 kt respectively, of which 0.54 kt lead-silver concentrates and 1.02 kt zinc-silver concentrates were produced during the trial production period in August and September 2011, and 5.26 kt lead-silver concentrates and 4.60 kt zinc-silver concentrates were produced since commercial production started in October 2011. The monthly average selling price of the lead-sliver concentrates from August to December 2011 was RMB12,693.3, RMB10,404.9, RMB6,944.7, RMB7,664.8 and RMB9,947.0 per tonne, respectively. The monthly average selling price of the zinc-sliver concentrates from August to December 2011 was RMB4,073.4, RMB3,889.3, RMB3,694.7, RMB3,922.3 and RMB4,136.2 per tonne, respectively. The average selling price of the lead-sliver concentrates and zinc-sliver concentrates during the period from 1 August to 31 December 2011 was RMB9,673.9 per tonne and RMB4,089.2 per tonne, respectively.

The mining and processing capacity of the Shizishan Mine

We started trial production at the Shizishan Mine at the end of July 2011 and commenced commercial production in October 2011. The Shizishan Mine has increased its mining capacity from 205.0 tpd in August 2011 to 840.0 tpd in December 2011, resulting a total raw ore production of 69.9 kt in 2011, 46% more than the 2011 raw ore production estimation disclosed in the Prospectus. This highlights our Company's execution capabilities in the implementation of our plans and we believe that our Group will be able to attain a mining capacity of 1,000.0 tpd in May 2012 and achieve the full planned mining capacity of 2,000.0 tpd in November 2012. Meanwhile, we have completed the construction of a lead-zinc processing facility at the Shizishan Mine and attained a full planned processing capacity of 2,000.0 tpd since the end of July 2011.

As a result of the mining capacity growth, efficient production and effective cost control implemented by the management in the year of 2011, we have achieved low production cost as compared to the estimated total cash cost and total production cost disclosed in the Prospectus.

The details of comparison of production cost are set in the following table:

	2011 Realised RMB	2011 Estimated* RMB	Favorable variance RMB
Total cash cost per tonne of ore processed	410	629	(219)
Total production cost per tonne of ore processed	508	739	(231)
Total cash cost per tonne of concentrate	2,442	3,100	(658)
Total production cost per tonne of concentrate	3,025	3,642	(617)

* The estimated total cash cost and total production cost were disclosed in the Prospectus.

Our Group is committed to continuously reducing costs and enhancing cost efficiency and increasing the economy of scale in production. In 2012, we intend to improve cost efficiencies through achieving full production capacity.

Capital expenditure of the Shizishan Mine

In relation to the ramp-up plan for the Shizishan Mine, the construction of the mining infrastructure will be fully completed at the end of year 2012. The table below summarised the actual and planned capital expenditure for the periods indicated:

Actual and forecasted capital expenditure for the Shizishan Mine (RMB million):

	23 April 2009 to 31 December 2009	2010	2011	2012	Total
Mining	6.0	34.7	64.7	124.1	229.5
Mining Infrastructure	0.3	0.3	30.1	124.1	154.8
Mining Right and Exploration	5.7	34.4	34.6	—	74.7
Processing	1.3	48.7	92.2	4.4	146.6
Processing Factory and Equipment	0.3	40.0	77.5	0.4	118.2
Tailing Storage Facilities	1.0	8.7	14.7	4.0	28.4
Land Use Right	—	7.2	10.1	0.8	18.1
Buildings	—	—	12.3	0.1	12.4
Total	**7.3**	**90.6**	**179.3**	**129.4**	**406.6**

Other Mineral Resources

Dazhupeng Mine

The Dazhupeng Mine is located in Yingjiang County of Yunnan Province and is approximately 20 km away from the Shizishan Mine. Our Group has obtained an exploration permit for the Dazhupeng Mine which is valid for three years from April 2011 to April 2014 and covers an area of 15.19 sq. km. We have completed the preliminary exploration work, and currently plan to commence the exploration drilling activities at the Dazhupeng Mine in the fourth quarter of 2012 after completion of field reconnaissance and exploration design, and expect it to be completed in the second quarter of 2013. The estimated exploration expenditure is RMB26.9 million.

Lushan Mine

The Lushan Mine is a tungsten-tin polymetallic mine. Xiangcaopo Mining, an independent third party, obtained a three-year exploration permit on 1 January 2010 to conduct exploration activities at the Lushan Mine. The Lushan Mine is located in Yingjiang County of Yunnan Province and is only approximately 30 km away from the Shizishan Mine. The exploration area designated in the exploration permit of the Lushan Mine covers an aggregate area of approximately 81.55 sq. km.

In order to secure stable and long-term supply of polymetallic raw ore, our Group entered into an exclusive ore supply agreement with Xiangcaopo Mining and its owner, Mr. Li Jincheng on 31 December 2010, pursuant to which, Xiangcaopo Mining agreed to provide us all the polymetallic tungsten-tin raw ore produced from the Lushan Mine on an exclusive basis with an annual amount of no less than 120 kt, 240 kt, and 330 kt, respectively, in 2012, 2013 and 2014, based on its currently estimated level of ore output. Unless an early termination is requested by our Group, such exclusive ore supply agreement will be terminated at the later of (a) the fifteenth year of its effective date or (b) the expiration of the Lushan Mine's exploration permit and mining permit (subject to renewal upon expiration).

Due to the large area of the Lushan Mine, we will undertake our exploration activities in three stages. The first stage of exploration work currently being undertaken is scheduled to be completed in the second quarter of 2012. The mine will start to supply raw ore to our Group in the third quarter of 2012. As at 31 December 2011, a total of 37 drill holes of approximately 8,035.5 m of drilling and 19 adits and 2 exploratory tunnels of approximately 1,874.3 in total m along the veins have been completed.

Pursuant to the exclusive ore supply agreement, we made a prepayment of RMB18 million in December 2010 to Xiangcaopo Mining for the purchase of the raw ore and agreed to pay any remaining purchase price within 10 days upon receipt of the raw ore. We agreed to provide up to a total amount of RMB80.0 million interest-free loans to Mr. Li Jincheng, of which RMB73.4 million has been draw down by Mr. Li Jincheng as at 31 December 2011. According to arrangement between Mr. Li Jincheng and us, both parties intend to offset the interest-free loans against future payables in relation to purchase of tungsten and tin ores mineral from the Lushan Mine. Accordingly, the interest-free loans made to Mr. Li Jincheng were reclassified as prepayment in respect of purchase of inventories. The details are set out in note 20 to the consolidated financial statements in this report.

In connection with the exclusive supply agreement, Mr. Li Jincheng pledged 100% of his equity interests in Xiangcaopo Mining to us in May 2011. Mr. Li Jincheng also entered into a guarantee agreement with us on 7 July 2011, whereby he agrees to guarantee Xiangcaopo Mining's performance of its duties under the exclusive ore supply agreement, including Xiangcaopo Mining's refund of any prepayment amount advanced by us if Xiangcaopo Mining defaults in its raw ore supply to us.

In the meantime, to absorb the supply of the raw ore from the Lushan Mine, our Group has planned to build an additional gravity-selection processing line at the Shizishan Mine to process the raw ore supplied by the Lushan Mine. As at 6 September 2011, we obtained the approval from Yingjiang County Industry and Business Bureau (盈江縣工業和商務局) for the commencement of the construction of the gravity-selection processing line with processing capacity of 1,000 tpd. Such gravity-selection processing line is expected to commence operations in the third quarter of 2012, and the total estimated capital expenditure will be RMB41.0 million. As at 31 December 2011, the ground construction has been commenced and a total RMB0.6 million capital expenditure has been incurred.

Agreements and Option Agreement in respect of the Acquisition of Mineral Assets

Liziping Mine

We entered into a share transfer agreement on 9 June 2011 (as amended) with Mr. Song Denghong (an independent third party), the owner of the Liziping Company which owns the exploration permit to the Liziping Mine, pursuant to which, we conditionally agreed to purchase 90% equity interests in the Liziping Mine from Mr. Song Denghong. The Liziping Mine, a lead-zinc-silver polymetallic mine, is located approximately 700 km away from the Shizishan Mine in Yunnan Province. Its exploration permit covers an area of 18.29 sq. km and is valid from 29 December 2010 to 29 December 2012.

The consideration payable for the 90% equity interests of the Liziping Company will be determined based on the estimated amount of lead and zinc resources of the Liziping Mine, and will in any event be no less than RMB216 million and no more than RMB756 million. Such price range was determined after taking into consideration both parties' estimation of the Liziping Mine's potential resources and a unit price range of RMB400 to RMB560 per ton of lead and zinc metal. At the same time, if (i) the lead and zinc resources of the Liziping Mine are less than 300 kt (in terms of metal contained) according to the final reviewed exploration report or (ii) we are not satisfied with the results of our legal and financial due diligence on the Liziping Company and/or the Liziping Mine, we have the right to unilaterally terminate the share purchase agreement and Mr. Song Denghong shall refund all the deposit and payments made and all the exploration expenses incurred by us.

In order to secure the performance of the share transfer agreement, Mr. Song Denghong pledged his entire interest in the Liziping Company to us. We paid RMB120.0 million as at 31 December 2011 primarily in connection with the deposit of partial purchase price to acquire the Liziping Company. The remainder of the total consideration will be paid within five business days upon both parties' determination of the total consideration amount based on the final reviewed exploration report.

The Liziping Company engaged the Regional Geological Survey Team, Sichuan Bureau of Geological Exploration and Exploration of Mineral Resources (四川省地質礦產勘查開發局川西北地質隊), an independent third party exploration entity, to conduct exploration activities at the Liziping Mine in July 2011. Upon the completion of the exploration activities at the Liziping Mine, if the lead and zinc resources are no less than 300kt (in terms of metal contained) as per the final reviewed exploration report prepared for the purpose of the acquisition and other conditions set forth in the share transfer agreement are satisfied, we will complete the acquisition and apply to the PRC governmental authorities for the relevant mining permit for the Liziping Mine. Such acquisition is currently expected to be completed in the second quarter of 2012. As at 31 December 2011, a total of 17 drill holes of approximately 9,218.3 m of drilling have been completed and RMB10.7 million capital expenditure have been incurred. The remaining exploration activities are currently expected to be completed in the third quarter of 2012. If we were to complete the acquisition of the Liziping Mine, we would plan to commence the construction of the Liziping Mine and its related processing facility in the second quarter of 2013 and begin its trial production in the fourth quarter of 2013.

Menghu Mine

On 2 March 2012, the Group entered into a share transfer agreement with Mr. Xi Wanli, (an independent third party), the owner of the Menghu Company, whereby we have conditionally agreed to acquire 90% equity interest in the Menghu Company for a total consideration of RMB85.5 million. To guarantee the due and punctual performance of the share transfer agreement, Mr. Xi Wanli pledged his entire equity interest in the Menghu Company to us.

Menghu Mine conducts upstream operations in the exploration and mining of primarily high-grade oxidized lead ore. Based on our preliminary due diligence results before signing the agreement, we estimated the total resources within the mining permit to be no less than 135,000 tonnes of lead and the lead grade to be no less than 30%. Apart from oxidized lead ore within the mining permit, we also strongly believe that the Menghu Mine has potential of oxidized ore resources outside of the mining permit and unexplored sulphurized lead ore resources at the lower of the mine.

Three mining tunnels have been constructed at the Menghu Mine, one of which is operational with a current capacity of approximately 30 tonnes per day. We intend to invest approximately RMB15.0 million to attain a targeted mining capacity of approximately 200 tonnes per day.

The acquisition shall be completed upon all conditions in share transfer agreement are satisfied, and please refer to the Company's announcement dated 5 March 2012 and 6 March 2012 for further details.

Dakuangshan Mine

We entered into an option agreement (as amended) on 21 May 2011 with Mr. Xi Wanli (an independent third party and the same shareholder of the Menghu Mine), a shareholder of the Dakuangshan Company which owns the mining right to the Dakuangshan Mine. Such option agreement allows us to purchase 90% equity interests in the Dakuangshan Company from Mr. Xi Wanli at our sole discretion, within a period of 18 months starting from May 2011. This option agreement provides us with an important opportunity to quickly expand our polymetallic resources in the future.

The Dakuangshan Mine is located approximately 100 km away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. Such mining permit is currently in the process of being renewed. The Dakuangshan Company has been conducting small-scale mining operation since 2001 when it obtained the initial mining permit for the Dakuangshan Mine for an initial term of four years, and has a current mining capacity of approximately 500 tpd and processing capacity of approximately 100 tpd. It later successfully renewed the mining permit in 2007 for a term of four years.

Mr. Xi Wanli pledged 50% of his equity interests in the Dakuangshan Company that owns the Dakuangshan Mine to us on 29 July 2011 to secure the performance of the option agreement. We did not pay any consideration for the option. We made a fully refundable good-faith deposit of RMB40.0 million to the Dakuangshan Company as at 31 December 2011. Pursuant to the option agreement, if the option is not exercised, such good-faith deposit shall be refunded to us in full.

As part of our due diligence for the purpose of determining whether we will exercise our option to acquire the Dakuangshan Mine under the option agreement, we commenced exploration activities at the Dakuangshan Mine in September 2011, and as at 31 December 2011 we have drilled holes to approximately 2,672.77 m of drilling have been completed and RMB25.4 million capital expenditure have been incurred. The exploration activities are expected to be completed in the first quarter of 2012. If we are satisfied with the amount of resources in the Dakuangshan Mine and the other conditions set forth in the option agreement are met, we may elect at our discretion to exercise the option to acquire the Dakuangshan Mine. If we were to exercise the option and complete the acquisition of the Dakuangshan Mine, we would plan to expand the processing capacity to 500 tpd by the fourth quarter of 2012.

Financial Review

Revenue

For the year ended 31 December 2011, the revenue was approximately RMB70.2 million, arising from the sales of lead-silver concentrates and zinc-silver concentrates produced during the commercial production. The Group commenced selling concentrates produced from commercial production in November 2011 and the sales volume of lead-silver concentrates and zinc-silver concentrates from then to the year end of 2011 were 5,256.9 t and 4,595.4 t, respectively, and the turnover were RMB51.2 million and RMB19.0 million, respectively, representing the average selling price of RMB9,739.1 per tonne for lead-silver concentrates and RMB4,130.8 per tonne for zinc-silver concentrates.

Cost of sales

For the year ended 31 December 2011, the cost of sales was approximately RMB16.2 million, mainly comprising mining subcontracting fees, ancillary material costs, utilities, depreciation and amortization, resource taxes and mining resource usage fees. In 2011, cost of sales accounted for 23.1% of revenue.

Gross profit and gross profit margin

According to the above, the gross profit for the year ended 31 December 2011 was RMB54.0 million and the gross profit margin was 76.9%, among which, the gross profit and gross profit margin for lead-silver concentrates and zinc-silver concentrates were RMB42.8 million and 83.6% and RMB11.2 million and 58.7%, respectively. The high gross profit margin of lead-silver concentrates is mainly attributable to the silver contained in the concentrates.

Other income and gains

For the year ended 31 December 2011, the other income and gains were RMB2.8 million, compared to approximately RMB5.6 million for the year ended 31 December 2010, representing a decrease in other income and gains by approximately RMB2.8 million or approximately 50%. This was primarily due to a decrease in foreign exchange gains of RMB5.2 million, which was partially offset by government grants of RMB2.0 million granted by the Department of Finance of Yunnan (雲南省財政廳).

Administrative expenses

For the year ended 31 December 2011, the administrative expenses was approximately RMB54.5 million, primarily comprising managerial staff costs, professional consulting fees, expensed listing fees, depreciation, office administrative fees and other expenses, compared to approximately RMB12.0 million for the year ended 31 December 2010, representing an increase in administrative expenses by approximately RMB42.5 million or approximately 354.2%. This was primarily due to (i) an increase in expensed listing fees in relation to the Listing of RMB27.0 million, from RMB1.7 million in 2010 to RMB28.7 million in 2011; (ii) an increase in staff costs of RMB3.4 million as a result of the increase in average number of administrative staff as the Group ramped up operations; and (iii) an increase in miscellaneous expenses of RMB10.2 million, such as travelling expenses, office charges and depreciation, etc.

Recognition of equity-settled share-based payment

The Group recognised an equity-settled share-based payment of RMB233.0 million for the year ended 31 December 2011, relating to a one-time equity-settled share-based payments relating to the issuance of 6,399 ordinary shares (the "Awarded Shares") as at 27 June 2011 to Grow Brilliant Limited, which is wholly owned and controlled by Mr. Zhu Xiaolin, the executive director and Chief Executive Officer of the Company, due to his tremendous contribution to the Group. The details of it are set out in note 28(a) to the consolidated financial statements in this annual report.

Other operating expenses

For the year ended 31 December 2011, the other operating expenses was approximately RMB2.9 million, compared to approximately RMB0.2 million for the year ended 31 December 2010, representing an increase in other operating expenses by approximately RMB2.7 million. This was primarily due to (i) foreign exchange losses of RMB1.2 million arising from the listing proceeds received in December 2011 denominated in HK$ and US$ as a result of the appreciation of RMB against HK$ and RMB against US$; (ii) a donation of RMB0.6 million to the victims of the earthquake in March 2011 in Yingjiang County, and (iii) a payment to government of RMB0.6 million in connection with occupying and using a parcel of land at the Shizishan Mine before obtaining the related land use right certificate in September 2011.

Financing cost

For the year ended 31 December 2011, the financing cost was approximately RMB0.4 million (2010: Nil), representing the incremental interest expenses on the unwinding of discount for the provision for rehabilitation.

Income tax credit/(expense)

For the year ended 31 December 2011, the income tax expenses was approximately RMB10.3 million, compared to the income tax credit of approximately RMB1.6 million for the year ended 31 December 2010, representing an increase in income tax expenses by approximately RMB11.9 million. This was primarily due to taxable profit generated by our PRC subsidiaries since the commencement of the commercial production in October 2011.

Total comprehensive loss for the year

According to the above, the total comprehensive loss for the year increased by RMB239.1 million from approximately RMB5.1 million for the year ended 31 December 2010 to approximately RMB244.2 million for the year ended 31 December 2011 after charging the expensed Listing fee of RMB28.7 million and the expense of the recognition of equity-settled share-based payment of RMB233.0 million.

Total comprehensive loss attributable to owners of the Company

The total comprehensive loss attributable to the owners of the Company increased by RMB239.5 million from approximately RMB4.8 million for the year ended 31 December 2010 to approximately RMB244.3 million for the year ended 31 December 2011.

Final dividend

The Board did not recommend any distribution of final dividend for the year ended 31 December 2011. The distributable profit generated by our PRC subsidiaries will be used to operate and expand the Group's business, primarily through production ramp-up and selective acquisitions.

Liquidity and capital resources

The following sets forth the information in relation to our Group's consolidated statement cash flows for the years ended 31 December 2010 and 2011:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Net cash flow used in operating activities	**(84,155)**	(62,482)
Net cash flow used in investing activities	**(359,988)**	(106,399)
Net cash flow from financing activities	**1,300,503**	163,986
Net increase/(decrease) in cash and cash equivalents	**856,360**	(4,895)

Net cash flow used in operating activities

The net cash flow used in operating activities increased by 34.7% from approximately RMB62.5 million for the year ended 31 December 2010 to approximately RMB84.2 million for the year ended 31 December 2011, primarily attributable to (i) loss before tax of RMB234.0 million, (ii) an increase in prepayment, deposits and other receivables of RMB81.1 million mainly in connection with interest-free loans of RMB39.8 million to Mr.

Li Jincheng, for use in the exploration activities at the Lushan Mine and a refundable good-faith deposit made by the Group in relation to the Dakuangshan Mine acquisition of RMB40.0 million; and (iii) an increase in trade receivables and inventories totaling RMB24.3 million. Cash used in operating activities was primarily offset by recognition of equity-settled share-based expenses of RMB233.0 million in connection with the Awarded Shares to the Group's chief executive officer and increase in trade payables and other payables totaling RMB13.9 million and certain non-cash expenses such as unrealised foreign exchange loss of RMB1.2 million and depreciation of RMB5.9 million.

Net cash flow used in investing activities

The net cash flow used in investing activities grew 238.3% from approximately RMB106.4 million for the year ended 31 December 2010 to approximately RMB360.0 million for the year ended 31 December 2011, primarily attributable to (i) increase in purchase of property, plant, and equipment of RMB93.4 million in connection with the construction of mining and lead-zinc-silver processing facilities at the Shizishan Mine, (ii) payment in advance of RMB130.7 million for the purchase of the exploration right to the Liziping Mine through the proposed the Liziping Company acquisition, (iii) RMB1.1 million incurred in applying for the exploration permit of the Dazhupeng Mine, (iv) payment in advance of RMB25.4 million in respect of the exploration costs for the Dakuangshan Mine and (v) purchase of the land use permit to a parcel of land used for the construction of the Group's mining, processing, tailing storage and related facility at the Shizishan Mine of RMB2.9 million.

Net cash flow from financing activities

The net cash flow from financing activities grew from approximately RMB164.0 million for the year ended 31 December 2010 to approximately RMB1,300.5 million for the year ended 31 December 2011, primarily attributable to (i) increase in an amount due to Silver Lion of RMB167.8 million; (ii) RMB130.0 million in the form of bank borrowings from the Agricultural Bank of China; and (iii) the net proceeds from the initial public offering in the main board of Hong Kong Stock Exchange of RMB839.7 million.

Inventories

The inventories increased from approximately RMB0.7 million as at 31 December 2010 to approximately RMB4.7 million as at 31 December 2011, primarily due to the commencement of commercial production at the Shizishan Mine in October 2011.

Trade receivables

As at 31 December 2011, the balance of trade receivables was RMB20.3 million (2010: Nil), primarily due to the Group's generated revenue upon commercial production in October 2011 while the Group was in its development stage in 2010.

Trade and other payables

As at 31 December 2011, the balance of trade payables was RMB4.5 million (2010: Nil), primarily due to the purchase of production materials since the commencement of commercial production at the Shizishan Mine in October 2011.

The Group's other payables increased from approximately RMB17.1 million as at 31 December 2010 to approximately RMB101.6 million as at 31 December 2011, primarily due to (i) the increase in payable related to property, plant, and equipment of RMB77.2 million in connection with the construction of mining site and processing facilities at the Shizishan Mine, and (ii) the increase in professional fees in respect of the Group's Listing.

Analysis of net current assets/(liabilities) position

The net current liabilities were RMB131.0 million as at 31 December 2010 and turned to net assets of RMB810.3 million as at 31 December 2011, primarily attributable to (i) capitalization of shareholder's loan due to Silver Lion; (ii) revenue was generated from Group's operations since commercial production started in October 2011; and (iii) net proceeds of RMB839.7 million from the IPO.

Borrowings

As at 31 December 2011, the Group's borrowings were RMB130.0 million, representing a secured interest-bearing long-term bank loan from the Agricultural Bank of China. The long-term bank loan included RMB10.0 million repayable within the next twelve months. The mining right of the Shizishan Mine was mortgaged by the Group to secure such loans with an annual interest rate of 7.83%.

As at 31 December 2010, we did not have any borrowings.

Contingent liabilities

As at 31 December 2011, we did not have any material contingent liabilities or guarantees.

Pledge of assets

As at 31 December 2011, other than the mortgage as regard to the mining right of the Shizishan Mine, we did not have any pledge or charge on assets.

Foreign currency risk

Our Group's businesses are located in PRC and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except the net proceeds from listing and certain amount payable to professionals which are denominated in HK$ and US$.

As Renminbi is not freely convertible, we are subject to the risk of possible actions taken by the PRC government. Such actions may have material adverse effect to our net assets, gains and any dividends declared (if such dividends shall be converted or translated to foreign currency). We did not carry out any activities to hedge the foreign currency risk.

Interest rate risk

Our revenue and operating cash flow shall not be affected significantly by the interest rate in the market. Other than cash and cash equivalents, we do not have any material interest-bearing assets or any interest-bearing liabilities. We have not used any interest rate swaps to hedge its exposure to interest rate risk.

Contractual obligations

As at 31 December 2011, our contractual obligations amounted to approximately RMB457.5 million, and increased by RMB405.2 million as compared to approximately RMB52.3 million as at 31 December 2010, primarily due to the construction of mining and lead-zinc-silver processing facilities at the Shizishan Mine.

Capital expenditure

The particulars of our capital expenditure for the year ended 31 December 2011 are set forth as follows:

	For the years ended 31 December	
	2011	2010
	RMB'000	RMB'000
Property, plant and equipment	**156,136**	62,729
Intangible assets	**193,784**	36,467
Prepaid Land lease payment	**10,068**	7,203
Total	**359,988**	106,399

For the year ended 31 December 2011, our total capital expenditure was RMB360.0 million, representing an increase of RMB253.6 million or 238.3% as compared to the total capital expenditure for the year ended 31 December 2010, among which, (i) the capital expenditure for property, plant and equipment grew by RMB93.4 million, primarily due to the further construction of mining sites and lead-zinc-silver processing facilities at the Shizishan Mine; (ii) the capital expenditure of intangible assets grew by RMB157.3 million, primarily due to (a) payment in advance of RMB130.7 million for the purchase of the exploration right to the Liziping Mine through the proposed Liziping Company acquisition; and (b) payment in advance of RMB25.4 million in respect of the exploration costs for the Dakuangshan Mine and (c) RMB1.1 million incurred in applying for the exploration permit of the Dazhupeng Mine; and (iii) the capital expenditure of prepaid Land lease payment grew by RMB2.9 million, in relation to a parcel of land used for the construction of the Group's mining, processing, tailing storage and related facility at the Shizishan Mine.

Financial instruments

For the years ended 31 December 2010 and 2011, we did not have any outstanding hedge contract or financial derivative instrument.

Gearing ratio

As at 31 December 2011, our cash and cash equivalents exceeded the interest-bearing bank loans. As such, we were at a net cash position and had no gearing ratio as at 31 December 2011.

Significant investments and acquisitions

For the years ended 31 December 2010 and 2011, we did not have any material investment or acquisition or disposal of subsidiaries.

Use of net proceeds from the IPO

The shares of our Company were listed on the main board of the Hong Kong Stock Exchange on 14 December 2011 with net proceeds from the IPO of approximately HK$992.9 million (RMB809.1 million) after deducting underwriting commissions and all related expenses.

	Net proceeds from the IPO	
Use of proceeds	**Available to utilise RMB million**	Utilised (up to 31 December 2011) RMB million
Financing activities relating to mine acquisitions	**485.4**	20.0
Financing ramp-up of the mining capacity and expansion of tailing storage facility of the Shizishan Mine	**145.6**	—
Financing activities relating to the Dazhupeng Mine and the Lushan Mine	**178.1**	—
Total	**809.1**	20.0

Employee and remuneration policy

As at 31 December 2011, the Group had a total of 253 full time employees (31 December 2010: 48 employees), including 30 management and administrative staff, 159 production staff and 64 operation supporting staff. For the year ended 31 December 2011, the staff cost (including directors' remuneration in the form of salaries and other benefits) was approximately RMB245.0 million (2010: RMB6.5 million). Details are set out in note 7 to the consolidated financial statements in this annual report.

Based on individual performance, a competitive remuneration package is offered to retain employees including salaries, medical insurance, discretionary bonuses, other benefits as well as state-managed retirement benefit schemes for employees in the PRC. The Group has also adopted a share option scheme for its independent non-executive directors. For details, please refer to the Report of Directors.

Occupational Health and Safety

Our Group is committed to operating in a responsible manner to ensure the health and safety of our employees, contractors and the communities in which we operate. We are also committed to meeting applicable legal requirements and where possible seek to implement leading international industry standards in our operations. We have established a dedicated production safety department that is responsible for the occupational health and safety of our mines and operations.

We have adopted a comprehensive set of internal occupational health and safety policies for the Shizishan Mine. The production safety department at the Shizishan Mine conducts staff training, reviews internal safety procedures, carries out regular on-site safety inspections and continuously monitors the implementation of safety policies. We have adopted an internal handbook containing guidelines with respect to occupational safety, safety production measures, procedures for handling dangerous and hazardous materials and emergency plans.

We conduct occupational safety training for our new hires as well as existing staff. All of our equipment operators and safety management staff must hold requisite licenses. We also require that our contractors to possess requisite production safety licenses and relevant qualifications for the work they contract from us and to undertake appropriate safety measures.

No accidents involving any personal injury or property damage were reported to our management and we were not subject to any claims arising from any material accidents involving personal injury or property damage during the year ended 31 December 2011 and as at the date of this report that had a material adverse effect on our business, financial condition or results of operation. We complied with all relevant PRC laws and regulations regarding occupational health and safety in all material respects during the year ended 31 December 2011 and as at the date of this report.

Environmental Protection and Land Rehabilitation

Environmental Protection

Our operations are subject to various PRC laws and regulations with respect to environmental protection and rehabilitation. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, noise control, discharge of wastewater and pollutants as well as waste disposal. We are committed to following environmentally responsible practices and have adopted measures to minimize the impact and risk of our operations on the environment.

The major environmental issues in the non-ferrous metal mining industry are management of wastewater, tailings, dust and noise. To address these environmental issues, we are implementing, or plan to implement, various measures, including, but not limited to, the following:

Recycling and Reuse of Water:
The Shizishan Mine is being developed as a zero discharge operation for mining process and most waste water from the processing and tailings storage facility are to be recycled. Under our water reuse and recycling system, top-up water is drawn from bores and any water pumped out from the mine is recycled and reused for processing and dust suppression in the mine. Water quality is monitored regularly to ensure the pH level and other measures are acceptable. This system not only saves water and protects the environment but also lowers our production costs.

Waste Rock and Tailings:
Waste rock from underground development is and will continue to be used for stope backfills and construction purposes, in particular for the construction of the tailing dam. All tailings produced from processing is stored in the tailing dam or the waste rocks storage area. At the Shizishan Mine, pressure filtration and dry heaping of tailings are employed whereby the tailings are pressed and filtered into dry tailings and the water is recycled and reused. This technology reduces the size of the tailings and reduces the demand for fresh water. The tailing dam at the Shizishan Mine is a class-3 dam and is designed to accommodate the mine's requirements during its lifetime and seismic and flooding risks.

Dust Mitigation:
The ore processing facility at the Shizishan Mine is designed to be environmentally friendly. Dust collectors and exhaust fans fitted with filters have been, or will be, installed at the processing facility, and water is regularly sprayed to reduce dust. Personal protection equipment, such as face masks, that provide additional personal protection from dust is provided, and their use is strongly encouraged.

Noise:

We have adopted various measures to reduce noise generated from the mining and processing processes. For example, we purchased less noisy mining and processing equipment, have built sound-proof operation units to protect the operators from noises, and require workers to wear ear muffs and other noise insulators.

We believe that we were in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects and not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the year ended 31 December 2011 and as at the date of this report.

Land Rehabilitation

We are required by the relevant PRC laws and regulations to rehabilitate and restore mining sites to their prior condition after completing our mining operations. Land rehabilitation typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, the restoration of land features in mined areas and dumping sites, and contouring, covering and revegetation of waste rock piles and other disturbed areas. In accordance with the relevant PRC laws and regulations, we have developed a rehabilitation and re-planting program for the mined and disturbed areas of the Shizishan Mine, pursuant to which we will rehabilitate our tailings storage facility and waste rock storage area upon mine closure and plant vegetation to stabilize the ground and to prevent erosion. Such program is in compliance with PRC legislative requirements and incorporates recognized international industry practices. As at 31 December 2011, we have accrued RMB12.2 million for the rehabilitation of Shizishan Mine, and the details of it are set out in the note 26 to the consolidated financial statements of this annual report.

Strategies

We are committed to becoming a leading non-ferrous pure mining company in the PRC, and plan to achieve such objective by implementing the following strategies:

Ramp-up our mining and processing capacity

In respect of mining capacity, the Shizishan Mine's mining capacity reached approximately 840.0 tpd as at 31 December 2011. With the expansion of mining facilities and the completion of the construction of the mine sites, our mining capacity will be enhanced significantly, and is expected to reach 1,000.0 tpd in May 2012 and 2,000.0 tpd in November 2012. In respect of the processing capacity, our large-scale ore processing facilities have been completed and have attained the scheduled processing capacity of 2,000.0 tpd since the end of July 2011.

We have also planned to construct a new gravity-selection processing line at the Shizishan Mine to process tungsten and tin raw ore from the Lushan Mine. Such gravity-selection processing line will be constructed in two phases, and the construction work of the first phase has been undertaken and such processing line is expected to reach a daily capacity of 500.0 tpd upon operation in the third quarter of 2012, while the construction work for the second phase of processing capacity of 500.0 tpd is expected to be completed in the second quarter of 2013.

Meanwhile, upon the completion of the exploration activities in the Dazhupeng Mine in the second quarter of 2013 and based on the exploration results of the reserves, we will commence the construction of the mining and relevant processing facilities in the Dazhupeng Mine, which is planned to be completed in the third quarter of 2014. We believe, our enhanced mining and processing capacity will put our Group in a favorable position to take advantage of market opportunities triggered by future growth in the demand.

Expand our resources and reserves through selective acquisition

To complement our existing resources, we actively seek and will continue to explore suitable acquisition opportunities. Our strategic location in Yunnan Province presents significant opportunities for our expansion and long-term sustainable growth through the consolidation of mineral resources in the province. As mentioned, we entered into two share transfer agreements and an option agreement that may enable us to acquire three additional mine assets in Yunnan Province. In addition, the government in Yunnan Province encourages the undertaking of exploration activities and the integration of non-ferrous metal mines by large-scale mining companies. Meanwhile, we will continue to identify and evaluate the acquisition opportunities available in other regions in the PRC.

We have a dedicated team, which consists of experienced geological, finance and legal personnel, to identify and evaluate high-quality mineral resources for potential acquisition. Potential acquisition targets will only include non-ferrous metal mines that satisfy our assessment criteria which include, but are not limited to, the following attributes: (i) total resources and reserves; (ii) grade and content of the reserves; (iii) mining life; (iv) investment cost; (v) estimated return on investment; (vi) location; (vii) compliance with applicable PRC laws and regulations, including valid exploration permits, mining permits and/or production safety permits; and (viii) implementation of safe operating conditions and systems and environmental standards.

Expand our resources and reserves through further exploration

We believe that control of or access to high-quality non-ferrous metal resources and reserves is essential to the long-term sustainable development of our Group and that increasing our resources and reserves by exploration is the most cost-efficient way to add value for our shareholders. We plan to take full advantage of the significant exploration potential of the Shizishan Mine and the Dazhupeng Mine to increase our resources and reserves. We intend to carry out more substantial drillings and exploration at the Shizishan Mine and plan to expand our current mining permit at the Shizishan Mine to explore the area below the 1,000m elevation limit which is currently beyond our permitted mining area. In addition to the Shizishan Mine, we have obtained an exploration permit for the Dazhupeng Mine which covers an area of 15.19 sq. km and has a term of three years from April 2011 to April 2014. We expect to complete the exploration works in the Dazhupeng Mine in the second quarter of 2013. Furthermore, as part of our exclusive raw ore supply agreement with Xiangcaopo Mining, we will also provide assistance to Xiangcaopo Mining for exploration in the Lushan Mine.

Pursue technological innovation to improve operational efficiency, mining safety and environmental protection

We intend to enhance our geological research and exploration capabilities and pursue technological innovation in our mining and processing activities. We also plan to utilise information technology to assist in the continuous monitoring and optimization of our operations. We plan to focus our research and development efforts in the following areas:

- enhancing our geological research and exploration capabilities (including technologies for deep prospecting) to maximise the potential of our existing mines and assist us in identifying and exploring new mines with significant potential;

- improving our mining methods and technologies to minimise mining loss and dilution, increase efficiency, lower mining costs and enhance mining safety and environmental protection; and

- optimizing our processing technologies to improve production efficiency, lower processing cost and enhance product quality.

Directors and Senior Management's Profile

Executive Directors

Mr. Ran Xiaochuan, executive Director, Chairman

Mr. Ran Xiaochuan, aged 47, is our Chairman and was appointed as an executive Director on 8 June 2011. Mr. Ran has been a director of Gilberta Holdings Limited and Next Horizon Investments Limited, our subsidiaries since June 2011. Mr. Ran has years of mining and exploration experience, and over 20 years of experience in general corporate management. Prior to joining the Group, Mr. Ran worked as the sales chief in the Foreign Trade Bureau of Cangxi County of Sichuan province (四川省蒼溪縣外貿局) from 1982 to 1987, during which time he was responsible for the sales of domestic agricultural produce to overseas purchasers. Between 1988 to 1997, Mr. Ran worked in Zhuhai Haiyuan Trading Company (珠海海元經貿公司) as its general manager and was responsible for sales and marketing. Between 1998 to 2004, Mr. Ran worked in Chongqing Jianxing Company Limited (重慶建興有限公司) which principally engaged in residential and commercial real estate development, and highways and tunnel construction and management business, as its general manager, and was responsible for marketing, daily operation and management of Chongqing Jianxing Company Limited. Between 2005 and 2008, Mr. Ran worked in Sichuan Henglu Industrial Company Limited (四川恒路實業有限公司), a company principally engaged in the construction and consulting business, as its general manager and was responsible for the general operations of the company. Mr. Ran is the father of our controlling shareholder, Mr. Ran Chenghao.

Mr. Zhu Xiaolin, executive Director, Chief Executive Officer

Mr. Zhu Xiaolin, aged 39, our chief executive officer and was appointed as an executive Director on 8 June 2011. Mr. Zhu has been a director of Gilberta Holdings Limited and Next Horizon Investments Limited, our subsidiaries since June 2011. Mr. Zhu has over 16 years of experience in corporate finance, capital management and enterprise management in various industries in the PRC, of which 8 years of his experience is in the management of mining companies. Mr. Zhu graduated from Southwestern University of Finance and Economics (西南財經大學) in Chengdu City, Sichuan province in 1995 with a Bachelor's degree in accounting and obtained the Qualified Accountant Certificate from Ministry of Finance (財政部) in 1997, and is now the council member of the Yunnan Mining Association (雲南省礦業協會). Prior to joining the Group, Mr. Zhu was the head of internal control and senior accountant of Leshan-Phoenix Semiconductor Co., Ltd., the first joint venture by Motorola, Inc. in PRC from 1995 to 1997. Thereafter Mr. Zhu was the financial manager and director of business management of Xinde Telecom International Venture, a joint venture by Siemens AG until 2002. Mr. Zhu then joined New Hope Group in the same year to be their head of finance and vice-head of management. Between 2004 and 2010, Mr. Zhu worked in Sichuan Chuanwei Group Co., Ltd. (四川川威集團有限公司) ("Chuan Wei") and its group companies as their Chief Investment Officer, and was the Chief Executive Officer and Director of Hong Kong Trisonic International Limited (香港合創國際有限公司), as well as the non-executive Director of China Vanadium Titano-Magnetite Mining Company Limited on Hong Kong Stock Exchange (stock code: 00893), its subsidiary.

Mr. Huang Wei, executive Director, head of geology and exploration

Mr. Huang Wei, aged 53, is our head of geology and exploration and was appointed as an executive Director on 24 November 2011, primarily taking in charge of all exploration activities of the Group. He has over 29 years of experience in geology, specifically the exploration of metallic and nonmetallic mineral resources. Mr. Huang graduated from Chengdu University of Technology (成都理工大學) with an engineering degree in 1981 and qualified as a Geological Mining Senior Engineer (Professor Level) (教授級地質礦產高級工程師) by the PRC Safety Production Supervision Bureau (國家安全生產管理局) in 2003. Between 1982 and 2004, Mr. Huang worked at the 1st division in the geology team (第一地質大隊) of the Geology Bureau of Tibet Autonomous Region (西藏地礦局), thereafter he worked with the 6th division of the geology team (第六地質大隊) of Bureau of Geology and Mineral Resources of Tibet Autonomous Region (西藏地礦廳) as their technical supervisor, project director and chief engineer, and was the general manager of Tibet Zangdong Mining Co., Ltd. (西藏藏東礦業有限責任公司). Mr. Huang worked as a deputy chief engineer at the Geological Survey Institution of Tibet Autonomous Region (西藏自治區地質調查院) from 2004 to 2006. Between 2006 and 2007, Mr. Huang worked as the chief engineer at Tibet Autonomous Region Project Surveying and Construction (Group) Co., Ltd. (西藏工程勘察施工集團公司), and worked as the technical consultant for various mining companies from 2007 to 2010.

Mr. Wang Fahai, executive Director, head of mining

Mr. Wang Fahai, aged 56, is our head of mining and was appointed as an executive Director on 24 November 2011, and is primarily responsible for the Group's overall mining management, and the development of our mining production facilities at Shizishan Mine. Mr. Wang has over 29 years of experience in mining and production management. Between 1982 and 2002, Mr. Wang held various positions such as the director of the production department, mining engineer, the chief of the technical and production department, chief and assistant to the head of mine as well as the external operation manager in Angang Iron and Steel Group Corporation and its subsidiaries. Between 2002 and 2009, Mr. Wang worked as the deputy technology manager at the Daye project group of JCHX Mining Construction Group (金誠信礦業建設集團有限公司). Mr. Wang worked as the chief engineer of Wenzhou Construction Group Co., Ltd. (溫建集團公司) in Anhui Province from 2009 to 2011.

Mr. Wu Wei, executive Director, co-head of ore processing and head of safety

Mr. Wu Wei, aged 51, is our co-head of ore processing and head of safety and was appointed as an executive Director on 24 November 2011, and is primarily responsible for the Group's overall mining management, and the development of our mining production facilities at Shizishan Mine as well as the formulation and implementation of our safety production policies. Mr. Wu has over 29 years of experience in mining and ore processing. Mr. Wu received a Bachelor's degree in Engineering from the mining faculty of the North Eastern Engineering College (東北工學院) in Shenyang City, Liaoning Province in 1982. Mr. Wu was certified as a Senior Engineer (高級工程師) by Panzhihua Iron & Steel (Group) Company (攀枝花鋼鐵(集團)公司) ("PIS Group") in April 1994, and is a member of China Metals Association. Between 1982 and 2009, Mr. Wu worked at the PIS Group and its associates as well as its subsidiaries as their engineer of the technical department of the ore processing plant, and was the deputy production director and senior engineer of Panzhihua Scientific Research Titanium Concentrator (攀枝花市科研選鈦廠), the manager and senior engineer of Xingfa Branch of Panzhihua Fengtai Industrial and Trading Company (攀枝花市豐鈦工貿公司興發分公司), the director and senior engineer of Pangang Yunnan Wuding Titanium Concentrator (攀鋼雲南武定選鈦廠) and a senior engineer at Pangang Titanium Company Titanium Concentrator (攀鋼鈦業公司). From 2009 to April 2010, he was the independent non-executive Director of China Vanadium Titano-Magnetite Mining Company Limited on the Hong Kong Stock Exchange (stock code: 00893).

Mr. Zhao Shaohua , executive Director, co-head of ore processing

Mr. Zhao Shaohua, aged 47, is our co-head of ore processing and was appointed as an executive Director on 24 November 2011, primarily taking in charge of the general management and operation of the processing plant at Shizishan Mine. Mr. Zhao is currently the deputy general manager of Kunrun. Mr. Zhao has over 25 years of experience in developing concentrating technology and managing ore processing facilities. Mr. Zhao graduated from the mineral engineering department of Central South University of Technology (中南工業大學) with a Bachelor's degree in Engineering in July 1986. Mr. Zhao held various important positions at Jinchuan Group Company (金川集團有限公司) ("Jinchuan") from 1986 to 2010, such as a director of the processing workshop's laboratory, a director at the technical department, a deputy director of Jinchuan's first processing plant, a director of the second processing plant and a director of Jinchuan's research and development technology department, who is responsible for the technological aspects of all Jinchuan's processing plants, including setting standards and implementing systems management.

Non-executive Director

Mr. Shi Xiangdong, non-executive Director

Mr. Shi Xiangdong, aged 47, was appointed as a non-executive Director on 30 November 2009 and has an advisory role within the Group with a focus on strategic development. Mr. Shi has been a director of Gilberta Holdings Limited and Next Horizon Investments, our subsidiaries since December 2009. Mr. Shi has over 16 years of experience in the capital markets, especially in risk management and capital operation. Mr. Shi received a Bachelor degree in Nuclear Engineering from Tsinghua University in Beijing in June 1985 and graduated from the University of Pennsylvania in June 1992 and obtained a Doctorate Degree in Physics. Mr. Shi joined Union Bank of Switzerland from 1994 to 1997 as Associate and was responsible for the design of its global market risk model. From 1997 to 2000, Mr. Shi worked in Barclays Bank as an associate director and was responsible for trading in US treasury bond 30-year maturity sector. Mr. Shi then joined Merrill Lynch in 2000 as director and was responsible for risk management of US and Latin American equity derivative and convertible bond trading. From April 2003 to March 2010, Mr. Shi worked in Citigroup Global Market Inc. as director and was responsible for trading management, including market risk management of equity business in the Americas and risk management of the equity division's private investment portfolio.

Independent non-executive Directors

Mr. Keith Wayne Abell, independent non-executive Director

Mr. Keith Wayne Abell, aged 54, was appointed as an independent non-executive Director on 24 November 2011. Mr. Abell has over 21 years in corporate finance and investment strategies in Asia. Mr. Abell received a BA in Semiotics with honors from Brown University in June 1979. Mr. Abell graduated from the University of Pennsylvania in May 1986, where he received an MBA from the Wharton School, and an MA in International Studies from the School of Arts and Sciences. He was a Fellow of The Joseph H. Lauder Institute of Management and International Studies, where he was a China specialist from September 1984 to May 1986. Mr. Abell currently serves as treasurer and a member of the Board of directors of the National Committee on United States-China Relations. He is also a member of the Council on Foreign Relations. Mr. Abell served as a vice president at Goldman Sachs & Co. where he worked from 1986 to 1990, a managing director of The Blackstone Group where he worked from 1990 to 1994, based in Hong Kong and Tokyo. He also co-founded GSC Group in 1994 and served as vice chairman until his departure in February 2007. Since 2009, Mr. Abell has been the co-founder and managing director of Sungate Properties, LLC.

Mr. Christopher Michael Casey, independent non-executive Director

Mr. Christopher Michael Casey, aged 57, was appointed as an independent non-executive Directors on 24 November 2011. Mr. Casey has over 32 years of experience in public practice as an auditor and more latterly as a consultant advising companies on acquisitions, disposals and refinancing. Mr. Casey obtained a Bachelor of Arts degree in Politics, Philosophy and Economics from Oxford University in November 1977, and has been a fellow of the Institute of Chartered Accountants in England and Wales since January 1992. In 1977, Mr. Casey joined Peat Marwick & Mitchell which was a predecessor firm of KPMG, currently one of the "Big Four" accounting and auditing firms, and was admitted to the partnership of KPMG in 1992 and practiced as an Audit Partner. Mr. Casey retired from KPMG in 2010 and is now a senior advisor to Alvarez & Marsal, a non-executive Director of TR European Growth Trust PLC and the Chairman of their Audit Committee as well as being a freelance consultant to some private company boards.

Mr. Richard Wingate Edward Charlton, independent non-executive Director

Mr. Richard Wingate Edward Charlton, aged 63, was appointed as an independent non-executive Director on 24 November 2011. Mr. Charlton has over 30 years of experience in the banking industry, and has served on the board of directors for various companies in the past. From 1968 to 1973, Mr. Charlton received training at Frere Cholmeley & Co, Solicitors, and later continued his legal career at Swales & Co, Solicitors from 1974 to 1976. He is a solicitor of the Supreme Court of England and Wales and maintains a practicing certificate. From 1977 to 1981, Mr. Charlton served as a manager at Hambros Bank, based in London, the United Kingdom. From 1981 to 1988, Mr. Charlton was appointed as one of the six executive directors of Banque Paribas in London. From 1988 to 2002, Mr. Charlton served as the managing director and chief executive of Banque Internationale à Luxembourg's London branch ("BIL"). From 2002 to 2005, Mr. Charlton was a special advisor to the DEXIA Group, a Franco Belgian banking group whose principal business was municipal lending which acquired and integrated the business of BIL. From 2005 to 2010, Mr. Charlton served as one of the executive directors of HSBC Private Bank (UK) Ltd, based in London. Currently, Mr. Charlton serves as a Senior Advisor to Citibank International plc and is a non-executive Director of Williams Grand Prix Holdings Plc. He also currently serves as the Chairman of Strabens Hall Ltd and a non-executive Director of Ocean Sport Management Ltd.

Mr. William Beckwith Hayden, independent non-executive Director

Mr. William Beckwith Hayden, aged 60, was appointed as an independent non-executive Director on 24 November 2011. Mr. Hayden has over 35 years of experience in mineral exploration industry. Mr. Hayden obtained an Associated of Arts degree from College of the Sequoias in California, U.S.A. in June 1973, and obtained a Bachelor of Science degree from Sierra Nevada College in the U.S.A. in June 1974, majoring in geology. Mr. Hayden currently serves on the Board of Directors of various companies, including Globe Metals & Mining Ltd. (ASX listed, stock code: GBE.AX), Sunward Resources Ltd. (TSX listed, stock code: SWD.V) and Condoto Platinum NL (ASX listed, stock code: CPD.AX), all of which are companies involved in the mineral exploration business. Apart from the above directorships, Mr. Hayden is also a Director of Ivanplats Limited, a Canadian company that Mr. Hayden helped form in 1991, which has assembled extensive mineral projects in South Africa, Zambia and the Democratic Republic of Congo.

Mr. Maarten Albert Kelder, independent non-executive Director

Mr. Maarten Albert Kelder, aged 48, was appointed as an independent non-executive Directors on 24 November 2011. Mr. Kelder has over 20 years of professional experience across five continents in a wide range of industries, including energy, consumer goods, telecommunications, media, technology, life sciences, financial services, and natural resources. Mr. Kelder obtained both a Bachelor and a Master of Science degree in Mining and Petroleum Engineering from the University of Technology in Delft, the Netherlands as well as a Master of Business Administration degree at the Tuck School of Business at Dartmouth College in U.S.A., where he was awarded a scholarship from the Rotary International Foundation. Mr. Kelder is currently the Managing Partner of Monitor Group in Asia Pacific, which is a global strategy consulting and merchant banking firm, and is responsible for overseeing the activities of Monitor Group in the Asia Pacific region. He is a member of the firm's Global Management Team. Mr. Kelder was a member of the Board of Directors of Monitor Company Group L.P. from 2007 to 2010, when he stepped down because of the firm's term limit policy. Mr. Kelder continues to be actively involved in many of the firm's key governance bodies and is one of the most senior leaders of the firm, and has been has been a member of 6 Monitor offices in Europe, North America, and Asia. Since the mid-1990s, most of Mr. Kelder's experience has been in the Asia Pacific region, with particular emphasis on China, Korea, Japan, and South East Asia. Prior to joining Monitor Group in 1990, Mr. Kelder was a petroleum engineer with Royal Dutch Shell Plc, commonly known as Shell between 1986 and 1988; and he was a member of the corporate finance team with Morgan Stanley based in New York in 1989.

Mr. Miu Edward Kwok Chi, independent non-executive Director

Mr. Miu Edward Kwok Chi, aged 60, was appointed as an independent non-executive Director on 24 November 2011. Mr. Miu has more than 30 years' experience managing diverse finance, operational and business development activities in North America, Asia Pacific and Europe. Mr. Miu received a Bachelor of Science degree (magna cum laude) in Accounting from Seton Hall University in New Jersey, U.S. in May 1976 and an MBA in Finance and International Business from New York University in New York in May 1979. Mr. Miu has held various positions related to financial and operation management in different listed companies, including the Chief Financial Officer of Eldorado Gold Corp., a listed company on the New York Stock Exchange (stock code: EGO), Toronto Stock Exchange (stock code: ELD) and Australian Stock Exchange (stock code: EAU) from December 2009 to May 2011, the former Chief Financial Officer of Sino Gold Mining Limited from January 2009 until December 2009 when it was acquired by Eldorado Gold Corp. Mr. Miu was the Chief Financial Officer for the Asia Pacific region based in Shanghai for Modine Manufacturing Company from 2005 to 2008, a multinational US-based company listed on New York Stock Exchange (stock code: MOD), and director of finance for Alcoa Inc. Asia Pacific Regional Head Office in Beijing from 2002 to 2005. Mr. Miu held various senior positions with TRW Inc. in the U.S. Europe, and Asia Pacific for over 20 years prior to joining Alcoa Inc.

Senior Management

Mr. Li Tao, aged 37, is the Chief Financial Officer of the Company, primarily responsible for the overall financial management and administration of the Company. Mr. Li graduated from Chongqing University (重慶大學) with a master's degree in technological economics and management in June 2006. Mr. Li has over 5 years of experience as financial officer in various PRC and listed companies. Mr. Li worked as the group's financial analysts, management accounting manager and director of the finance office at Chuan Wei from 2006 to 2008, where he was responsible for financial analysis, tax planning, and the construction of internal control system over finance. Mr. Li also assisted Chuan Wei in various financing projects. Mr. Li worked as the Chief Financial Officer of China Vanadium Titano-Magnetite Mining Company Limited from 2008 to 2009.

Mr. Li Xingqian, aged 46, is the deputy director of the concentrator at the Shizishan Mine and a specialist in processing equipment. Mr. Li has over 27 years of experience in administrating and managing processing plants. Mr. Li graduated from a three-year course from Gangsu Province Radio and TV University's department of industrial electric automation (甘肅省廣播電視大學工業電氣自動化專業) with a bachelor's degree in industrial electric automation in December 1989. Mr. Li was awarded with the 2nd Prize Technology Improvement Award by Gangsu provincial government (甘肅省科學技術進步二等獎) in 2005 as a result of the completion of the Nickel Ore Project. Mr. Li was also awarded with the 2nd Scientific Technology Prize by the PRC Nonferrous Metals Industry Association (中國有色金屬工業科學二等獎) as a result of the completion of the Deep Mine Project. Mr. Li leads a team of 30 engineers and is primarily responsible for the selection, purchase, installation and operation of the equipment at the concentrator, optimizing the design solution and management of electrical system of the concentrator. Between 1984 and 2010, Mr. Li held several key management positions in Jinchuan, such as an engineer at processing plant, the director of the technical group of the equipment maintenance and repair workshop and director of the operation workshop at processing plant, the electrical equipment director of No.3 workshop at Jinchuan's processing plant, the chief of safety and environmental protection department at Jinchuan's processing plant and the secretary of electrical equipment at Jinchuan's processing plant.

Mr. Liu Wangsheng, aged 47, was appointed as the deputy director of the concentrator at Shizishan Mine, and is a specialist in mining equipment, primarily responsible for the supervision of the production facilities and expansion plans at Shizishan Mine, production management and all technical matters in relation to the Group's production. He has also prepared the management system for the concentrator and the technical operation guidelines of the concentrator. Mr. Liu has over 25 years of experience in managing mining projects. Mr. Liu graduated from the mineral engineering department of Central South University of Technology (中南科技大學) with a bachelor degree in mineral separation in July 1986, completed postgraduate courses in mineral separation at Kunming University of Science and Technology (昆明科技大學) in May 2008, passed the qualification evaluation of the Professional Title Reformation Office of Gangsu Province (甘肅省職稱改革工作辦公室) as a senior engineer in mineral separation (選礦高級工程師) in November 1998, and was qualified as a professor-level senior engineer (專業教授高級工程師) by passing the qualification evaluation of the Non-ferrous Metal Prospecting Section of the Qualification Evaluation Committee of Senior Professional Duties in Non-ferrous Metal Industry (有色金屬行業高級專業技術職務) in November 2005. Mr. Liu has held various positions at Jinchuan from 1986 to 2011, such as the department chief of the technical department at Jinchuan's smelter, a production technical director, the project director of Jinchuan's "High Mattes Grinding and Floating System Transformation Project", the deputy chief engineer of Jinchuan's smelter and the senior engineer and senior consultant of Jinchuan's processing plant.

Mr. He Min, aged 35, is now the head of administration of the Company. Mr. He has over 12 years of experience in administrative work in PRC companies. Mr. He received a bachelor's degree in Southwest Normal University's art department (西南師範大學美術學院) majoring in decoration art and design in July 1999. Between 1999 and 2002, Mr. He was the vice manager and editor of Chongqing Publishing Company (重慶出版發行公司). Between 2002 and 2010, Mr. He held various positions at Chongqing Xinhua Bookstore Group Company (重慶新華書店集團公司), including editor, chief and vice chair of the manager's office.

Mr. Shen Yang, aged 36, was the chief legal officer and director of safety and quality assurance department of the Company. Mr. Shen is primarily responsible for the overall legal and regulatory compliance matters and safety production of our Group. Mr. Shen has extensive legal knowledge in relation to the mining industry with over 12 years of experience. Mr. Shen received a master's degree in Southwest Financial University (西南財經大學) majoring in law in January 2011. Between 1999 and 2006, Mr. Shen was the deputy manager of various entities: Sichuan Shuguang System Engineering Company Limited (四川曙光系統工程有限公司), Chengdu Shuguang Modern Logistics Investment Company Limited (成都曙光現代物流投資有限公司), Sichuan Shuguang Artificial Intelligence Technology Company Limited (四川曙光智能科技有限公司) and Sichuan Southwest Guoke Engineering Technology Research Centre (四川西南國科工程技術研究中心). Between 2006 and 2009, Mr. Shen was the manager assistant and head of safety and environmental protection department of Sichuan Xinshun Mining Company Limited (四川鑫順礦業股份有限公司).

Company secretary

Ho Siu Pik, FCIS, FCS (PE), aged 48, is now the company secretary of our Company. Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. Ms. Ho is currently the joint company secretary of SITC International Holdings Company Limited (stock code: 1308), the company secretary of China Molybdenum Company Limited (stock code: 3993) and Sun Art Retail Group Limited (stock code: 6808) and was the joint company secretary of Sands China Ltd. (stock code: 1928) from 14 October, 2009 to 13 April, 2011.

Report of Directors

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Corporate Reorganization

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law on 30 November 2009. Pursuant to a reorganization to rationalize the structure of the Group in preparation for the IPO, the Company became the holding company of the companies now comprising the Group. Details of reorganisation are set out in the Prospectus.

The Company's shares have been listed on the main board of the Hong Kong Stock Exchange on 14 December 2011.

Principal Activities

The Company is an investment holding company. The activities of its major subsidiaries are focused on the exploration, pure mining and primary processing of non-ferrous metal mineral resources, mainly including lead, zinc, silver, tungsten and tin, as well as the sales of non-ferrous metal concentrates in China.

There is no change in the principal activities of the Group for the year ended 31 December 2011.

Details of the major subsidiaries of the Company as at 31 December 2011 are set out in note 16 to the consolidated financial statements in this annual report.

Results and Profit Distribution

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 71 of this annual report.

Since the establishment of the Group, it has been mainly engaged in the basic development of its business operations and has made no profits from its business. Therefore, the Directors do not recommend the payment of final dividend but propose that the profit generated from our PRC subsidiaries for the year be retained for financing our ramp-up plan and capital expenditures on business expansion.

Property, Plant, and Equipment

Additions to the property, plant and equipment of the companies under the Group was approximately RMB254.5 million for the year ended 31 December 2011. Details of the movements during the year in the Group's property, plant and equipment are set out in note 12 to the consolidated financial statements in this annual report.

Share Capital

Details of the movements in the issued share capital of the Company for the year ended 31 December 2011 are set out in note 27 to the consolidated financial statements in this annual report.

Reserves

Details of the movements in the reserves of the Group for the year ended 31 December 2011 are set out in the consolidated statement of changes in equity on page 74 of this annual report.

Distributable Reserves

As at 31 December 2011, according to the Articles of Association of the Company, the reserves of the Company distributable to the shareholders are RMB1,305.8 million.

Under the Companies Act of the Cayman Islands and subject to the provisions of the Articles of Association, the share premium account is distributable to the shareholders, provided that immediately following the proposed distribution of dividend, the Company can pay its debts as they fall due in the ordinary course of business. The share premium account also can be distributed by paid-up bonus shares.

The distributable dividend of the Company is limited by its distributable reserves presented in the Chinese statutory financial statement prepared in accordance with the Generally Accepted Accounting Principles of the PRC. Such distributable profits are different from those presented in the financial statement prepared by the Company in accordance with IFRSs.

Use of the Proceeds from IPO

On 14 December 2011, the Company's shares were listed on the main board of the Hong Kong Stock Exchange and raised net proceeds of approximately HK$992.9 million. Details of use of proceeds are set out in the management discuss and analysis on page 26 of this annual report.

Financial Highlights

Summary of the results and of the assets, liabilities and non-controlling interests of the Group for the period from 23 April 2009 to 31 December 2009 and the years ended 31 December 2010 and 2011 are set out on page 6 to page 7 of this annual report.

Loans and Borrowings

Details of the loans and borrowings of the companies under the Group are set out in note 24 to the consolidated financial statements in this annual report.

Charitable Donations

The total charitable donations of the Group for the year ended 31 December 2011 is RMB0.6 million, of which is related to the victims of the earthquake happened in March 2011 in Yingjiang County.

Tax

In this year, the Company's PRC subsidiaries are liable to PRC corporate income tax at the rate of 25% on the taxable profits in accordance with the income tax rule and regulations in the PRC. The relevant details are set out in note 9 to the consolidated financial statements in this annual report.

Major Customers and Suppliers

Since the Group started commercial production in October 2011, we only present the sales of 2011. For the year ended 31 December 2011, the Group only sold to three customers, with the largest customer accounting for 82.1% of the Group's total income.

For the years ended 31 December 2011 and 2010, the purchases attributable to the Group's five largest suppliers were 92.6% and 57.8% of the Group's total purchases, with the purchases from the largest supplier accounting for 85.1% and 21.4%, respectively.

To the best knowledge of the Directors, none of the Directors or any of their connected persons or shareholders or associates (as defined in the Listing Rules) that owned more than 5% of the Company's share capital, had any direct or indirect interest in our major customers or the five largest customers of the Group during the year ended 31 December 2011.

Directors

The Directors up to the date of this annual report are as follows:

Executive directors

Mr. Ran Xiaochuan *(Chairman)*
Mr. Zhu Xiaolin *(Chief Executive Officer)*
Mr. Huang Wei
Mr. Wang Fahai
Mr. Wu Wei
Mr. Zhao Shaohua

Non-executive director

Mr. Shi Xiangdong

Independent non-executive directors

Mr. Keith Wayne Abell
Mr. Christopher Michael Casey
Mr. Richard Wingate Edward Charlton
Mr. William Beckwith Hayden
Mr. Maarten Albert Kelder
Mr. Miu Edward Kwok Chi

In accordance with the Articles of Association, five directors will retire in the coming annual general meeting ("AGM"), and being eligible, have offered themselves to be re-elected and re-appointed at AGM.

The Biography of the Directors and the Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the directors and senior management on page 32 to page 40 of this annual report.

Service Contracts of the Directors

In accordance with the requirements of the Articles of Association, each executive and non-executive director of the Company has entered into a service contract with the Company with an initial term of 3 years commencing from 14 December 2011. Each of the independent non-executive directors has entered into an appointment letter with the Company for a term of three years from the Listing Date. All directors at the expiry of their service can be re-appointed or re-elected. None of the Directors proposed for re-election at the forth coming AGM has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Remuneration of the Directors and the Senior Management

The remuneration of the Directors is based on the position, responsibility and performance of the Directors and the results of the Group.

Details of the Directors' remuneration is set out in note 8 to the consolidated financial statements in this annual report.

Remuneration Policy

The remuneration policy of the Group is based on the performance, experience, competence and market comparables. The remuneration package includes salaries, housing allowance, pension scheme contribution and discretionary bonus in connection with the performance of the Group.

The remuneration package of the Directors and the senior management is based on their contribution to the performance of the Group. The remuneration policy of the executive directors and the senior management is supervised by the remuneration committee of the Company.

Independence of the Independent Non-executive Directors

Each of the independent non-executive directors has presented an annual confirmation letter to confirm their consistence with the independence under Rule 3.13 of the Listing Rules. The Company believes that all the independent non-executive directors are independent in accordance with the guidelines set out in the Listing Rules.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2011, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules were as follows:

(i) Long positions in shares

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Zhu Xiaolin *(note 1)*	Interest of corporation controlled by the director and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s. 317 (1)(a) and s. 318	660,713,108	33.04

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Shi Xiangdong *(note 1)*	Interest of corporation controlled by the director and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s. 317 (1)(a) and s. 318	660,713,108	33.04
Ran Xiaochuan *(note 1)*	Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s. 317 (1)(a) and s. 318	660,713,108	33.04
Keith Wayne Abell	Beneficial owner and others	2,163,000	0.11
Maarten Albert Kelder	Beneficial owner and others	400,000	0.02

(ii) Long positions in share options granted by the Company

Number of share options held by the Directors of the Company as at 31 December 2011:

Name	Number of options held	Number of underlying Shares
Keith Wayne Abell	7,027,027	7,027,027
Christopher Michael Casey	7,027,027	7,027,027
Richard Wingate Edward Charlton	7,027,027	7,027,027
William Beckwith Hayden	7,027,027	7,027,027
Maarten Albert Kelder	7,027,027	7,027,027
Miu Edward Kwok Chi	7,027,027	7,027,027

The details of share options held by the Directors of the Company are disclosed under the section headed “Share Options” of this annual report.

Notes:

1. Ran Chenghao, Ran Xiaochuan, Shi Xiangdong, Zhu Xiaolin, Hover Wealth Limited, Silver Lion, Total Flourish Limited, Grow Brilliant Limited and AL Stone Holdings Limited are the controlling shareholders which have the meaning ascribed to it under the Listing Rules.

Save as disclosed above, as at 31 December 2011, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Share Options

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 24 November 2011 which came into operation on the Listing Date.

The purpose of the Share Option Scheme is to provide an incentive for qualified participants to work with commitment towards enhancing the value of the Company and the shares for the benefit of our Shareholders of the Company and to retain and attract working partners whose contributions are beneficial to the growth and development of the Company.

The Share Option Scheme is valid and effective for a period of 10 years from 14 December 2011, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of shares in respect of which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 200,000,000, being 10% of the shares of the Company in issue immediately after the IPO on the Listing Date which is the effective date of such scheme.

The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person under the Share Option Scheme shall not in any 12-month period up to the date of grant exceed 1% of the issued share capital of the Company from time to time. Any further grant of share options in excess of this limit is subject to the issue of a circular and shareholders' approval in general meeting. The period within which an option may be exercised under the Share Option Scheme will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years from the date of grant of the particular option. Under the Share Option Scheme, the exercise price in relation to each option shall be determined by the Board at its absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of such option; (ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of such option; and (iii) the nominal value of a share on the date of grant of such option.

Any grant of options to a Director, chief executives or to a substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive directors (excluding independent non-executive directors who are the grantees of the options). Any grant of options to a substantial shareholder of the Company or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of all options granted and to be granted to such person in the 12 months up to and including the date of the offer of such grant: (1) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the offer; and (2) having an aggregate value in excess of HK$5 million, based on the closing price of the shares of the Company as quoted on the Hong Kong Stock Exchange at the date of grant, any further grant of options are subject to our shareholders' approval in general meeting at which all connected persons of the Company shall abstain from voting in favour at such meeting and other requirements prescribed under the Listing Rules from time to time.

Pursuant to the Share Option Scheme, each independent non-executive Director of the Company was granted options ("Options") to purchase such number of the Company's shares as having an aggregate value of US$2 million with the exercise price being the offer price of HK$2.22 per share, which is the offer price of the Company's Global Offering, which shall vest, and upon vesting become exercisable in four equal tranches on the first, second, third and fourth anniversary of the Listing Date. The Options were approved by the Company's shareholders on 14 December 2011 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

Details of the Share Option Scheme of the Company on 31 December 2011 are set out in note 28(b) to the consolidated financial statements in this annual report.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Save as disclosed above, during the year ended 31 December 2011, neither the Company nor any of its subsidiaries is a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Deed of Non-competition

The Directors of the Company are of the view that none of the Directors has competed, or are likely to compete, either directly or indirectly, with our businesses, nor have they caused any harm to any interests owned by the Company.

Interests of Substantial Shareholders and Other Persons in Shares and Underlying Shares

As at 31 December 2011, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
SAIF Partners IV L.P.	Beneficial owner	105,243,000(L)	5.26
Yan Andrew Y.	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.26
SAIF IV GP LP	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.26
SAIF IV GP Capital Ltd.	Interest of corporation controlled by the substantial shareholder	105,243,000(L)	5.26
Challenger Mining 8 Limited	Beneficial owner	263,077,073(L)	13.15
Salamanca Group Holdings Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.31

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Blue Andiamo GP Limited	Interest of corporation controlled by the substantial shareholder	126,277,297(L)	6.31
Kedar Sharon Rahamin	Interest of corporation controlled by the substantial shareholder	263,077,073(L)	13.15
Bellamy Martin James	Interest of corporation controlled by the substantial shareholder	263,077,703(L)	13.15
Citigroup Inc.	Interest of corporation controlled by the substantial shareholder	152,306,000(L) 75,000,000(S)	7.61 3.75
Deutsche Bank Aktiengesellschaft	Beneficial owner and Custodian corporation/approved lending agent	294,747,027(L)	14.73
Magic Delight Limited *(note 3)*	Interest of corporation controlled by the substantial shareholder	302,460,664(L)	15.11
Cititrust (Singapore) Limited	Trustee	302,460,664(L)	15.11
Total Flourish Limited *(note 2)*	Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s. 317 (1)(a) and s. 318	660,713,108(L)	33.04
Silver Lion Investment Holdings Limited *(notes 2 and 3)*	Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s. 317 (1)(a) and s. 318	660,713,108(L)	33.04

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Ran Chenghao *(note 2)*	Interest of corporation controlled by the substantial shareholder, Founder of a discretionary trust and Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s. 317 (1)(a) and s. 318	660,713,108(L)	33.04
Hover Wealth Limited *(note 2)*	Interest of corporation controlled by the substantial shareholder and Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s. 317 (1)(a) and s. 318	660,713,108(L)	33.04
Grow Brilliant Limited *(note 2)*	Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s. 317 (1)(a) and s. 318	660,713,108(L)	33.04
AL Stone Holdings Limited *(note 2)*	Beneficial owner and Interests of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under s. 317 (1)(a) and s. 318	660,713,108(L)	33.04

Notes:

1. The letter "L" and "S" denotes the person's long and short position respectively in such shares.

2. Ran Chenghao, Ran Xiaochuan, Shi Xiangdong, Zhu Xiaolin, Hover Wealth Limited, Silver Lion Investment Holdings Limited, Total Flourish Limited, Grow Brilliant Limited and AL Stone Holdings Limited are the controlling shareholders which have the meaning ascribed to it under the Listing Rules.

3. The entire issued share capital of Silver Lion Investment Holdings Limited is held by Hover Wealth Limited and Magic Delight Limited which are in turn ultimately held by the Cititrust (Singapore) Limited as the trustee of The Ran Family Trust. The Ran Family Trust is a discretionary trust established by Mr. Ran Chenghao as settlor and the Cititrust (Singapore) Limited as trustee on 18 October 2011. The beneficiaries of The Ran Family Trust include family members of Mr. Ran Chenghao are deemed to be interested in the 7,068,484,061 shares held by The Ran Family Trust, Silver Lion Investment Holdings Limited, Hover Wealth Limited and Magic Delight Limited pursuant to Part XV of the Securities and Futures Ordinance and their respective interests duplicate the interests held by The Ran Family, Silver Lion Investment Holdings Limited, Hover Wealth Limited and Magic Delight Limited.

Other than as disclosed above, as at 31 December 2011, the directors of the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Management Contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

Contracts of Significance

None of any contracts, to which the Company and subsidiaries were a party and in which a director had a material interest, whether directly or indirectly, was material to the Group's business and subsisted as at 31 December 2011 or at any time during the year ended 31 December 2011.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by any controlling shareholder of the Company or any of its subsidiaries subsisted as at 31 December 2011 or at any time during the year ended 31 December 2011.

No contracts of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted as at 31 December 2011 or at any time during the year ended 31 December 2011.

Directors' Interests in Competing Business

So far as the Directors and chief executives are aware, none of the Directors or their associates has any interest in a business that competes or may compete with the business of the Group.

Non-exempt Continuing Connected Transactions

So far as the Directors and chief executives are aware, no non-exempt continuing connected transactions were entered into by the Group during the year under review.

Board Committees

Audit Committee

The Company established an audit committee in accordance with Rules 3.21 of the Listing Rules and the CG Code on 24 November, 2011. The audit committee is mainly responsible for assisting the Board to give independent advice in respect of the financial reporting process, internal control and risk management system of the Group, supervising the audit process and performing other duties and responsibilities assigned by the Board.

The audit committee currently consists of three independent non-executive Directors, namely, Mr. Christopher Michael Casey (chairman), Mr. Keith Wayne Abell and Mr. Miu Edward Kwok Chi, and one non-executive Director, Mr. Shi Xiangdong.

The audit committee, together with the management of the Company, has reviewed the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and reviewed the financial statements of the Group for the year ended 31 December 2011.

Remuneration Committee

The Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the CG Code on 24 November 2011.

As at 31 December 2011, the remuneration committee consisted of one executive Director, Mr. Zhu Xiaolin, and four independent non-executive Directors, namely, Mr. Maarten Albert Kelder (chairman), Mr. Christopher Michael Casey, Mr. Richard Wingate Edward Charlton and Mr. Miu Edward Kwok Chi.

Nomination Committee

The Company established a nomination committee on 24 November 2011, mainly responsible for giving advice to the Board in respect of the appointment and removal of Directors. As at 31 December 2011, the nomination committee consisted of one executive Director, Mr. Ran Xiaochuan and three independent non-executive Directors, namely, Mr. Maarten Albert Kelder (chairman), Mr. Keith Wayne Abell and Mr. Miu Edward Kwok Chi.

The Board has combined the Nomination Committee and Remuneration Committee into a single committee called the "Nomination and Remuneration Committee" on 20 March 2012. The new committee is responsible for making recommendations to the board of Directors with respect to its structure, the nomination of new directors and compensation of the Directors and senior management. The new committee consists of two executive Directors, namely, Mr. Ran Xiaochuan and Mr. Zhu Xiaolin and four independent non-executive Directors, namely, Mr. Maarten Albert Kelder (chairman), Mr. Keith Wayne Abell, Mr. Richard Wingate Edward Charlton and Mr. William Beckwith Hayden.

Strategy Committee

The Company established a strategy committee on 24 November 2011, mainly responsible for giving advice in respect of the formulation operation strategies of the companies under the Group to plan for the future development of the Company. As at 31 December 2011, the strategy committee consisted of six executive Directors, one non-executive Director, four independent non-executive Directors and the chief financial officer.

On 20 March 2012, the Board has approved the change of member of the committee to three executive Directors, namely, Mr. Ran Xiaochuan, Mr. Zhu Xiaolin and Mr. Huang Wei, one non-executive Director, Mr. Shi Xiangdong, and three independent non-executive Directors, namely, Mr. Richard Wingate Edward Charlton (chairman), Mr. William Beckwith Hayden and Mr. Miu Edward Kwok Chi.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands (the incorporation place of the Company) which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of listed issuers set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. The Company, having made specific enquiries to all Directors, has confirmed that all the Directors have complied with the required standards of dealings as set out in the Model Code throughout the period from the Listing Date of the Company to the date of this annual report.

Closure of Register of Members

To determine the entitlement to attend and vote at AGM, the register of members of the Company will be closed from 6 June 2012 to 12 June 2012 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5 June 2012.

Code of Corporate Governance Practices

The Company has applied the principles as set out in the CG Code. Throughout the Review Period, save for those disclosed in the Corporate Governance Report, the Company has always complied with all the applicable provisions set out in the Code.

Details of the Corporate Governance Report are set out on page 57 to page 68 of this annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

Throughout the Review Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Connected Transactions

During the year ended 31 December 2011, interest-free loan provided by Silver Lion, the immediate holding company of the Company prior to the Listing, was amounted to RMB324,407,000, which was capitalised through subscription of one new ordinary share issued by the Company on 27 June 2011.

Details of the connected transactions of the Group are set out in note 32(a) to the consolidated financial statements in this annual report.

Sufficiency of the Public Float

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has always maintained sufficient public float since the listing of the Company's shares.

Auditors

The Company has appointed Ernst & Young as the auditors of the Company for the year ended 31 December 2011. A resolution will be proposed for approval by shareholders at the next AGM to re-appoint Ernst & Young as the auditors of the Company.

On behalf of the Board
Ran Xiaochuan
Chairman

Hong Kong, 20 March 2012

The Company has applied the principles as set out in the CG Code as its own code of corporate governance. In the opinions of the Directors, the Company has complied with the code provisions and some of the recommended best practices under the CG Code throughout the period from Listing Date to 31 December 2011, except for the deviations from code provisions A.5.4 and D.1.2. The explanation for such deviations is set forth in the relevant paragraphs in this report. The Company has committed to making necessary arrangements to comply with all the code provisions.

The Directors of the Company are dedicated to establishing a sound corporate governance system for ensuring the formality and transparency of the procedures while protecting shareholders' interest.

The following sets forth a detailed discussion in relation to the corporate governance practices adopted and complied with by the Company during the year.

The Board

The Directors of the Company are accountable to all shareholders for their leadership and supervision over the Group's operation, and are committed to achieving the goal of increasing shareholders' value.

The Board currently comprises thirteen Directors, including six executive Directors, one non-executive Director and six independent non-executive Directors. For the list of the Directors, please refer to "Corporate Information" in this annual report. The list of the Directors (listed by category) is also disclosed in all of the corporate communications issued by the Company dispatched from time to time in accordance with the Listing Rules. Pursuant to the Listing Rules, independent non-executive Directors shall be expressly identified in all of the corporate communications. Members of the Board do not have any financial, business and family relationships with each other. The Company has adopted the recommended best practices under the corporate governance practices to arrange appropriate insurance for the Directors and senior management against the legal obligations arising from the legal actions for the activities undertaken in the course of business.

Pursuant to the Listing Rules, the listing issuers shall have at least three independent non-executive Directors and one of whom must possess appropriate professional qualifications or relevant accounting or financial management expertise. The professional qualification and expertise of our six independent non-executive Directors are as follows: two are experienced professionals with accounting or related financial management expertise, two are experienced professionals in the financial industry; one is an experienced professional in the management and consultation while the remaining one is an experienced professional specialized in mining and geological sector.

Each independent non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules, and are independent in accordance with the provisions of the guidelines.

The non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all the non-executive Directors have made various contributions to the effective development of the Company.

Chairman and Chief Executive Officer

The Board is chaired by Mr. Ran Xiaochuan and the duties of the Chief Executive Officer are discharged by Mr. Zhu Xiaolin. There is no deviation from the provisions of Rule A.2.1 in Appendix 14 under the Listing Rules.

Under the leadership of Mr. Ran Xiaochuan, the Chairman of the Board, the Board is responsible for the approval and supervision of the Group's general development strategy, the sanction of the annual budget and business plans, the consent of material investment projects related to the Group's business development, the evaluation of the Group's performance and the supervision of the work of the management, and ensures that the Board acts in the best interests of the Group, operates effectively and performs the necessary duties, as well as discuss all the significant and appropriate issues of the Company's business in a timely manner. All the Directors are entitled to propose the inclusion of any item in the agenda of the board meeting for appropriate discussion. The Chairman of the Board has appointed the company secretary to draft the Board meeting agendas. Under the assistance of the executive Directors and the company secretary, the Chairman of the Board will ensure all the Directors are provided with sufficient and reliable information in a timely manner required for necessary analysis based on their expertise.

As the Chief Executive Officer of the Company, Mr. Zhu Xiaolin has delegated sufficient authority for the operation and management of the Group's business to the executive Directors and other senior management members, who shall be in-charge of the daily management of the Group in every aspect, including the consistent implementation of the Board's resolutions, and be accountable to the Chief Executive Officer for the operations of various aspects of the Group's business, while the Chief Executive Officer shall be accountable to the Board for the Group's operations as a whole.

Board Meetings

Throughout the year ended 31 December 2011, the Board has convened and held a total of 4 Board meetings.

The particulars of the Directors' attendance at the Board meetings are as follows:

Name of the Directors	Number of meetings convened/attended
Executive Directors:	
Mr. Ran Xiaochuan *(Chairman of the Board)*	4/4
Mr. Zhu Xiaolin *(Chief Executive Officer)*	4/4
Mr. Huang Wei	4/4
Mr. Wang Fahai	4/4
Mr. Wu Wei	4/4
Mr. Zhao Shaohua	4/4
Non-executive Director:	
Mr. Shi Xiangdong	4/4
Independent non-executive Directors:	
Mr. Keith Wayne Abell	4/4
Mr. Christopher Michael Casey	4/4
Mr. Richard Wingate Edward Charlton	4/4
Mr. William Beckwith Hayden	4/4
Mr. Maarten Albert Kelder	4/4
Mr. Miu Edward Kwok Chi	4/4

The CG Code stipulates that "Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given". The Company has adopted the provisions of the CG Code and issues notices of meetings 14 days before a Board meeting is held to allow all the Directors to have sufficient time and opportunity to attend the meeting. All meeting agendas, board papers, together with all applicable, complete and reliable information will be sent to all the Directors at least three days before a meeting is held. All the Directors may propose any business to be included in the agenda of the Board meetings and contact the company secretary to ensure full compliance with all of the Board's procedures and applicable regulations. In general, the senior management members shall attend all the regular Board meetings and, if necessary, other Board and committee meetings to advise on the Company's business development, financial and accounting matters, statutory and regulatory compliance, corporate governance as well as other significant issues. The Board may, if appropriate, authorize the Directors to seek independent and professional advice at the expense of the Company. Matters discussed and resolved at Board meetings will be recorded in detail by the company secretary who shall prepare and file the minutes or resolutions. Generally, draft minutes of Board meeting shall be issued to the Directors within reasonable time for their comments after such meeting is held, and the final version will be open for inspections by the Directors.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or their associates have a material interest.

Appointment and re-election of Directors

Every Director (including executive Directors, non-executive Directors and independent non-executive Directors) of the Company is appointed with a service contract for a term of three years. Such appointments may be terminated by giving no less than three months' notice in writing.

According to the Articles of Association of the Company, one-third of the Directors (or if their number is not a multiple of three, the number nearest to but no less than one-third) is required to retire by rotation, and shall be eligible for re-election and re-appointment. Directors who are required to retire by rotation shall be those who have held the longest term of office since their last appointment or re-election. Every Director shall be subject to retirement at the AGM at least once every three years. Any other appointment, resignation, removal or re-designation of Directors will be timely disclosed to the shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

Delegation by the Board

The Company established appropriate financial thresholds for those matters to be reserved for Board approval at the Board meeting held on 19 and 20 March 2012.

All Directors have full and timely access to all relevant information, as well as the advice and services of the company secretary, with a view to ensuring that the Board procedures and all applicable laws and regulations are followed. The Board has established four committees, namely, the Nomination Committee, Remuneration Committee, Audit Committee and Strategy Committee, to monitor the specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Nomination Committee, Remuneration Committee, Audit Committee and Strategy Committee are posted on the Company's website.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2011 are set out in note 8 to the consolidated financial statements of this annual report.

Induction and continuing development for Directors

Prior to the Listing Date, the Directors have been provided with the relevant induction to ensure that they have a proper understanding of the business and operations of the Company and that they are fully aware of the responsibilities and obligations as being a Director of a listing company as well as the compliance practice under the Listing Rules. Such induction is normally accompanied by visits to the Company's key business sites and meetings with senior management of the Company. Directors are kept updated on the statutory and regulatory development and changes in the business and the market so as to facilitate the discharge of their responsibilities. Continuous briefing and professional development for Directors will be arranged where necessary.

Nomination Committee

The Board of the Company has established the Nomination Committee on 24 November 2011 which comprises three independent non-executive Directors, namely, Mr. Keith Wayne Abell, Mr. Maarten Albert Kelder and Mr. Miu Edward Kwok Chi and Mr. Ran Xiaochuan, the Chairman of the Board, and is chaired by Mr. Maarten Albert Kelder.

The roles and functions of the Nomination Committee are set out in its terms of reference. Its primary responsibilities include reviewing the composition of the Board, developing and formulating relevant procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors based on the criteria such as integrity, the relevant accomplishment and experience in the industry, professional and educational background, and the time commitments. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary. Candidates for Directors are selected and recommended to the Board after taken into consideration of whether such candidate is equipped with such skills and experience required for the Company's business.

The Nomination Committee did not convene any meeting during the period from the Listing Date to 31 December 2011.

As at the date of approval of this annual report, the Nomination Committee has convened one meeting. The particulars of the attendance of the Nomination Committee are set forth as follows:

Name of the members of the Nomination Committee	Number of meetings convened/attended
Chairman:	
Mr. Maarten Albert Kelder	1/1
Members:	
Mr. Ran Xiaochuan	1/1
Mr. Keith Wayne Abell	1/1
Mr. Miu Edward Kwok Chi	1/1

Remuneration Committee

The Board of the Company has established the Remuneration Committee on 24 November 2011 which comprises four independent non-executive Directors, namely, Mr. Christopher Michael Casey, Mr. Richard Wingate Edward Charlton, Mr. Maarten Albert Kelder and Mr. Miu Edward Kwok Chi and Mr. Zhu Xiaolin, an executive Director, and is chaired by Mr. Maarten Albert Kelder.

The roles and functions of the Remuneration Committee are set out in its terms of reference. Its primary responsibilities include accessing and making recommendations on the remuneration policy and structure of the Directors and the senior management.

As the Company was only listed on the Listing Date and there has been no change to the remuneration policy and structure of the Directors and the senior management, the Remuneration Committee did not convene any meeting during the period from the Listing Date to 31 December 2011.

As at the date of approval of this annual report, the Remuneration Committee has convened one meeting. The particulars of the attendance of the Remuneration Committee are set forth as follows:

Name of the members of the Remuneration Committee	Number of meetings convened/attended
Chairman:	
Mr. Maarten Albert Kelder	1/1
Members:	
Mr. Zhu Xiaolin	1/1
Mr. Christopher Michael Casey	1/1
Mr. Richard Wingate Edward Charlton	1/1
Mr. Miu Edward Kwok Chi	1/1

The Board has combined the Nomination Committee and Remuneration Committee into a single committee called the "Nomination and Remuneration Committee" on 20 March 2012. The new committee is responsible for making recommendations to the board of directors with respect to its structure, the nomination of directors and compensation of the directors and senior management, the new committee comprises four independent non-executive Directors, namely, Mr. Keith Wayne Abell, Mr. Richard Wingate Edward Charlton, Mr. William Beckwith Hayden and Mr. Maarten Albert Kelder and two executive Directors, namely, Mr. Ran Xiaochuan and Mr. Zhu Xiaolin, and is chaired by Mr. Maarten Albell Kelder. The Nomination and Remuneration Committee shall convene at least two meetings every year for the purpose of making recommendations to the Board in respect of the appointment and removal of the Directors and reviewing remuneration policies and structure and determining the annual remuneration package for the executive Directors and the senior management as well as other relevant matters.

Audit Committee

The Board of the Company has established the Audit Committee on 24 November 2011 which comprises three independent non-executive Directors, namely, Mr. Keith Wayne Abell, Mr. Christopher Michael Casey, and Mr. Miu Edward Kwok Chi and a non-executive Director, Mr. Shi Xiangdong, and is chaired by Mr. Christopher Michael Casey. The Board considered that the members of the Audit Committee possess sufficient professional knowledge and experience of accounting and financial management for the performance of their responsibilities.

The roles and functions of the Audit Committee are set out in its terms of reference. Its primary responsibilities include making recommendations to the Board for the appointment and removal of external auditors, reviewing financial statements and advising on the significant issues on financial reporting as well as monitoring the internal control procedures of the Company.

The Audit Committee did not convene any meeting during the period from the Listing Date to 31 December 2011. Going forward, the Audit Committee will meet at least twice a year, with the Company's auditors and will review the Group's annual results and annual report, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

As at the date of approval of this annual report, the Audit Committee has convened one meeting. The particulars of the attendance of the Audit Committee are set forth as follows:

Name of the members of the Audit Committee	Number of meetings convened/attended
Chairman:	
*Mr. Christopher Michael Casey	1/1
Members:	
Mr. Shi Xiangdong	1/1
Mr. Keith Wayne Abell	1/1
Mr. Miu Edward Kwok Chi	1/1

* Certified Public Accountant

Strategy Committee

Strategy Committee is responsible for conducting research and making recommendations on long-term development strategies and material investments. As at 31 December 2011 the Strategy Committee comprised four independent non-executive Directors, namely, Mr. Keith Wayne Abell, Mr. Richard Wingate Edward Charlton, Mr. William Beckwith Hayden and Mr. Maarten Albert Kelder, a non-executive Director, Mr. Shi Xiangdong, and five executive Directors, namely, Mr. Ran Xiaochuan, Mr. Zhu Xiaolin, Mr. Wang Fahai, Mr. Wu Wei and Mr. Zhao Shaohua, as well as the Chief Financial Officer, Mr. Li Tao, with Mr. Richard Wingate Edward Charlton being the Chairman. The roles and functions of the Strategy Committee are set out in its terms of reference.

On 20 March 2012, the Board approved the change of members of the strategy committee to three Independent non-executive Directors, namely, Mr. Richard Wingate Edward Charlton, Mr. William Beckwith Hayden and Mr. Miu Edward Kwok Chi, a non-executive Director, Mr. Shi Xiangdong, and three executive Director, Mr. Ran Xiaochuan, Mr. Zhu Xiaolin and Mr. Huang Wei, and is chaired by Mr. Richard Wingate Edward Charlton.

In the period between the Listing Date and 31 December 2011, there has been no change to the Group's long-term strategic development nor has there any new material investment decisions to be made. Consequently, the Strategy Committee did not convene any meeting during such period.

As at the date of approval of this annual report, the Strategy Committee has convened one meeting. The particulars of the attendance of the Strategy Committee are set forth as follows:

Name of the members of the Strategy Committee	Number of meetings convened/attended
Chairman:	
Mr. Richard Wingate Edward Charlton	1/1
Members:	
Mr. Ran Xiaochuan	1/1
Mr. Zhu Xiaolin	1/1
Mr. Wang Fahai	1/1
Mr. Wu Wei	1/1
Mr. Zhao Shaohua	1/1
Mr. Shi Xiangdong	1/1
Mr. Keith Wayne Abell	1/1
Mr. William Beckwith Hayden	1/1
Mr. Maarten Albert Kelder	1/1
Mr. Li Tao	1/1

Securities Transactions of the Directors

The Group has adopted the Model Code set forth in Appendix 10 to the Listing Rules as its own model code regarding Directors' securities transactions. All of the Directors of the Company have complied with the requirements set out in the Model Code during the period from the Listing Date to 31 December 2011.

The Company has not established written guidelines for relevant employees in respect of their dealings in the Company's securities during the period from Listing Date up to and including 31 December 2011 as there was inadequate time. However, the Company has adopted written guidelines in respect of employees' dealings in the Company's securities on no less exacting terms than the Model Code at the Board meeting held on 19 and 20 March 2012.

Shareholding interests of senior management members

For the details of the shareholding interests and short positions of the Group's Directors and senior management members, please see the disclosure on Directors' interest on page 46 of this annual report.

Remuneration of external auditors

For the year ended 31 December 2011, apart from the provisions of annual audit services, the Group's external auditors, Ernst & Young, were also the reporting accountants of the Company in relation to listing. During the year ended 31 December 2011, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Items of auditors' services	Amount (RMB)
Audit services:	
Annual audit service	2,000,000
Reporting accountants' services in relation to listing	4,823,000
Non-audit service	
Tax and internal control advisory services	760,000
Total	7,583,000

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors. Such appointment, re-appointment and removal are subject to the approval by the Board and the general meetings of the Company by the shareholders.

Directors' and external auditors' responsibilities for the financial statements

The Directors acknowledge their responsibility for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group as well as the results and cash flow during that period. The Company deploys appropriate and sufficient resources for the purpose of preparing audited accounts. The senior management is required to report and explain the financial reporting and matters that materially affect or may have significant impact on the financial performance and operations of the Company to the Audit Committee and the Board, and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with the IFRSs. In addition, the financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance. The reporting responsibilities of the Company's external auditors in respect of the financial statements of the Group are set out in the independent auditors' report on page 69 of this annual report.

Relationship with investors

The Board is aware that effective communication with investors is the key to establishing investors' confidence and attracting new investors. Timely and regular disclosure of information related to business performance, business strategies and risk management will be made to the public through appropriate channels. After the public announcements of annual and interim results are made, the Group will hold press conferences and/or briefing meetings for investors' analysts immediately. Senior management members, namely, the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer will analyze the results of the Group during the relevant period and elaborate on the Group's business development. The Group's results announcement, after it is published, will be posted on the Company's website in due time.

The general meetings of the Company provide an important channel for communications between the Board and the shareholders. The Chairman of the Board, as well as chairman of the Nomination and Remuneration Committee, Audit Committee and Strategy Committee or, in their absence, other members of each committee, if appropriate, and the Chairman of the independent Board Committee are available to answer questions at the shareholder's meetings.

The 2012 AGM will be held on 12 June 2012. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

We will also arrange visits for investors to our sites to understand the current production status, investment conditions and business development opportunities, thereby increasing their knowledge of our operations.

Shareholder Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors.

All resolutions put forward at shareholder meetings (except procedural and administrative matters) will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each shareholder meeting.

Internal Control

The internal control system has been designed to safeguard the assets of the Group, to assure the proper maintenance of accounting records, and to ensure the compliance with the relevant laws and regulations.

The Board has overall responsibility for maintaining a sound and effective internal control system throughout the Group which includes a defined management structure with limits of authority, and is designed to ensure the proper application of accounting standard and the provision of reliable financial information for internal use and for publication, and to secure compliance with the relevant laws and regulations. The system is developed to provide reasonable, but not absolute, assurance against material misstatement or losses and to manage, but not fully eliminate, the risks of operational systems failure and the risks of the Group's failure in meeting the standards. The Board will review the internal control system on an on-going basis.

During the Review Period, the Board has performed a review on the efficiency of the Group's internal control system on different aspects of the Group such as financial, operation, compliance and risk management, and we have also assessed the accounting and financial reporting functions of the Group, estimated the resources and budgets for training programmes and appraised the staff members' qualifications and experience.

The Board considers that the existing internal control system covers the current operations of the Group. The internal control system of the Group will be constantly optimized to match the continuous development of the business within the Group.

ERNST & YOUNG
安 永

Independent auditors' report
To the shareholders of China Polymetallic Mining Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Polymetallic Mining Limited and its subsidiaries set out on pages 71 to 138, which comprise the consolidated and company statements of the financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

20 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	4	70,180	—
Cost of sales		(16,214)	—
Gross profit		53,966	—
Other income and gains	5	2,760	5,576
Selling and distribution costs		(7)	—
Administrative expenses		(54,457)	(11,987)
Recognition of equity-settled share-based payment	28(a)	(233,000)	—
Other operating expenses		(2,855)	(235)
Finance costs	6	(382)	—
Loss before tax	7	(233,975)	(6,646)
Income tax credit/(expense)	9	(10,272)	1,586
Loss for the year and total comprehensive loss for the year		(244,247)	(5,060)
Attributable to:			
Owners of the Company	10	(244,268)	(4,840)
Non-controlling interests		21	(220)
		(244,247)	(5,060)
Loss per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	11	RMB0.21	N/A

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	311,345	56,806
Intangible assets	13	75,793	44,879
Prepaid land lease payments	14	13,126	—
Payments in advance	15	163,952	24,666
Prepayment and deposits	20	94,854	—
Deferred tax assets	17	3,820	2,372
Total non-current assets		662,890	128,723
CURRENT ASSETS			
Inventories	18	4,701	745
Trade receivables	19	20,304	—
Prepayments, deposits and other receivables	20	42,663	54,187
Cash and cash equivalents	21	870,311	20,320
Total current assets		937,979	75,252
CURRENT LIABILITIES			
Trade payables	22	4,523	—
Other payables and accruals	23	101,566	17,088
Tax payable		11,617	—
Interest-bearing bank loans	24	10,000	—
Due to a related party	25	—	189,191
Total current liabilities		127,706	206,279
NET CURRENT ASSETS/(LIABILITIES)		810,273	(131,027)
Total assets less current liabilities		1,473,163	(2,304)

continued/...

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	24	120,000	—
Deferred tax liabilities	17	—	351
Provision for rehabilitation	26	12,178	—
Total non-current liabilities		132,178	351
Net assets/(liabilities)		1,340,985	(2,655)
EQUITY/(DEFICIT)			
Equity attributable to owners of the Company			
Issued capital	27	17	9
Reserves	29	1,339,638	(10,133)
		1,339,655	(10,124)
Non-controlling interests		1,330	7,469
Total equity/(deficit)		1,340,985	(2,655)

Ran Xiaochuan
Director

Zhu Xiaolin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Notes	Share capital RMB'000 note 27	Share premium account* RMB'000 note 29(a)	Statutory reserves* RMB'000 note 29(b)	Contributed reserve* RMB'000 note 29(c)	Capital contribution reserve* RMB'000 note 28(a)	Share option reserve* RMB'000 note 28(b)	Difference arising from changes in non-controlling interests* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company										
At 1 January 2010		–	–	–	3,510	–	–	(196)	(1,178)	2,136	260	2,396
Issue of shares		9	–	–	–	–	–	–	–	9	–	9
Acquisition of non-controlling interests in a subsidiary		–	–	–	–	–	–	(141)	–	(141)	(249)	(390)
Capital contribution		–	–	–	390	–	–	–	–	390	–	390
Changes in non-controlling interests in a subsidiary		–	–	–	(3,900)	–	–	(3,778)	–	(7,678)	7,678	–
Total comprehensive loss for the year		–	–	–	–	–	–	–	(4,840)	(4,840)	(220)	(5,060)
At 31 December 2010 and 1 January 2011		9	–	–	–	–	–	(4,115)	(6,018)	(10,124)	7,469	(2,655)
Issue of new shares	27(a)	–	520,964	–	–	–	–	–	–	520,964	–	520,964
Issue of new shares	27(c)	4	–	–	–	–	–	–	–	4	–	4
Issue of new shares	27(d)	4	904,424	–	–	–	–	–	–	904,428	–	904,428
Share issue expenses		–	(64,728)	–	–	–	–	–	–	(64,728)	–	(64,728)
Transfer from/(to) reserves		–	–	2,321	–	–	–	–	(2,321)	–	–	–
Acquisition of non-controlling interests in a subsidiary	16	–	–	–	–	–	–	–	–	–	(6,160)	(6,160)
Equity-settled share-based payment	28(a)	–	–	–	–	233,000	–	–	–	233,000	–	233,000
Equity-settled share option arrangement	28(b)	–	–	–	–	–	379	–	–	379	–	379
Total comprehensive loss for the year		–	–	–	–	–	–	–	(244,268)	(244,268)	21	(244,247)
At 31 December 2011		17	1,360,660	2,321	–	233,000	379	(4,115)	(252,607)	1,339,655	1,330	1,340,985

* These reserve accounts comprise the consolidated reserves of RMB1,339,638,000 (2010: RMB(10,124,000)) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(233,975)	(6,646)
Adjustments for:			
Finance costs	6	382	—
Unrealised foreign exchange loss/(gain)	5, 6	1,183	(5,203)
Interest income	5	(287)	(159)
Equity-settled share-based payment	28(a)	233,000	—
Equity-settled share option expense	28(b)	379	—
Depreciation	12	5,920	203
Amortisation of intangible assets	13	693	—
Amortisation of prepaid land lease payments	14	90	—
		7,385	(11,805)
Increase in trade receivables		(20,304)	—
Increase in inventories		(3,956)	(745)
Increase in prepayments, deposits, and other receivables		(81,060)	(53,956)
Increase in trade payables		4,523	—
Increase in other payables and accruals		9,424	3,865
Cash used in operations		(83,988)	(62,641)
Interest received		287	159
Income tax paid		(454)	—
Net cash flows used in operating activities		(84,155)	(62,482)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(156,136)	(62,729)
Payments in advance in respect of:			
— Prepaid land lease payments		(3,785)	(7,203)
— Exploration and evaluation assets		(158,066)	(33,402)
Expenditures on mining rights and exploration rights		(35,718)	(3,065)
Purchase of prepaid land lease payments		(6,283)	—
Net cash flows used in investing activities		(359,988)	(106,399)

continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		904,432	9
Share issue expenses		(64,728)	—
Decrease in an amount due a director		—	(5,190)
Proceeds from bank loans		130,000	—
Acquisition of non-controlling interests in a subsidiary	16	(6,160)	(390)
Increase in an amount due to a related party		336,959	169,167
Capital contribution from the owner of the Company		—	390
Net cash flows from financing activities		1,300,503	163,986
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		856,360	(4,895)
Cash and cash equivalents at beginning of year		20,320	25,319
Effect of foreign exchange rate changes		(6,369)	(104)
CASH AND CASH EQUIVALENTS AT END OF YEAR		870,311	20,320
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	870,311	20,320

Statement of Financial Position of the Company

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSET			
Investment in a subsidiary	16	507,573	187,763
CURRENT ASSETS			
Due from a subsidiary	16	446	—
Cash and cash equivalents	21	814,427	—
Total current assets		814,873	624
CURRENT LIABILITIES			
Due to a subsidiary	16	6,319	—
Other payables and accruals	23	10,338	—
Due to a related party	25	—	189,184
Total current liabilities		16,657	189,184
NET CURRENT ASSETS/(LIABILITIES)		798,216	(188,560)
NET ASSETS/(LIABILITIES)		1,305,789	(797)
EQUITY/(DEFICIT)			
Issued capital	27	17	9
Reserves	29	1,305,772	(806)
Total equity/(deficit)		1,305,789	(797)

Ran Xiaochuan
Director

Zhu Xiaolin
Director

Notes to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

China Polymetallic Mining Limited is an exempted company with limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principle place of business in Hong Kong is Unit 4712, 47/F, The Center, 99 Queen's Road Central, Hong Kong.

During the year, the Company and its subsidiaries were principally engaged in mining, ore processing and the sale of lead-zinc-silver concentrates. There were no significant changes in the nature of the Group's principal activities during the year.

Pursuant to the group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares (the "Listing") on the main board of the Hong Kong Stock Exchange, which was completed on 25 June 2010, the Company became the holding company of subsidiaries now comprising the Group. Details of the Reorganisation were set out in the Prospectus. The Company's shares have been listed on the main board of the Hong Kong Stock Exchange since 14 December 2011.

In the opinion of the Directors, prior to the Listing the immediate holding company and the ultimate holding company of the Company were Silver Lion and Hover Wealth Limited, respectively, both of which are incorporated in the British Virgin Islands. Subsequent to the Listing, the Company does not have an immediate holding company or ultimate holding company. Silver Lion is in a position to exercise significant influence over the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendment to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 (Amendments)	Amendment to IAS 19 *Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendment to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Consequential amendments were made to IAS 27 as a result of the issuance of IFRS 10 and IFRS 12. The Group expects to adopt IFRS 10 and IFRS 12, and the consequential amendments to IAS 27 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combinations under common control

The consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20–30 years
Plant and machinery	5–15 years
Office equipment	3–5 years
Motor vehicles	4–6 years

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to write off the cost of the assets in proportion to the extraction of the proved and probable mineral reserves. The estimated useful lives of the mining infrastructure of 12.5 years are determined in accordance with the production plans of the entity concerned and the proved and probable reserves of mines using the UOP method.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Exploration rights and assets (continued)

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment test is performed if any of the following indicators is present:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and depreciated/amortised using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, expect in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

The Group's financial assets include cash and bank balances, trade receivables and other receivables.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains" in profit or loss. The loss arising from impairment is recognised in profit or loss in "Finance costs" for loans and in "Other operating expenses" for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets except for those at fair value through profit or loss is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance amount. If a future write-off is later recovered, the recovery is credited to "Other operating expenses" in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interesting-bearing bank loans.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate portion of overheads. Net realisable value is the estimated selling price in the ordinary course of business, less any estimated costs to be incurred to completion and disposal.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the profit or loss account.

Provisions for the Group's obligations for rehabilitation are based on estimates of the required expenditure at the mines in accordance with the People's Republic of China (the "PRC") rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within “Finance costs” in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer i.e., when goods are delivered and title has passed, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in profit or loss in the period in which they are incurred. Borrowing costs consistent of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 (b) to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution retirement benefit plans.

Housing fund

Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements require management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(a) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(b) PRC corporate income tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the differences realise. The carrying amount of PRC CIT payable at 31 December 2011 was RMB11,617,000 (2010: Nil).

(c) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment at 31 December 2011 was RMB311,345,000 (2010: RMB56,806,000).

(d) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2011 was RMB3,820,000 (2010: RMB2,372,000). Further details are contained in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(e) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimates of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the amortisation rate calculated on UOP basis. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(f) Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that future economic benefits will result either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of mine reserves is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(g) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation (7.83% as at 31 December 2011) to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. The carrying amount of provision for rehabilitation at 31 December 2011 was RMB12,178,000 (2010: Nil).

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories at 31 December 2011 was RMB4,701,000 (2010: RMB745,000).

4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to profit were mainly derived from its sale of lead-silver concentrates and zinc-silver concentrates, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Yunnan Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

4. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the year:

	2011		2010	
	RMB'000	%	RMB'000	%
Lead-silver concentrates	51,198	73.0	—	—
Zinc-silver concentrates	18,982	27.0	—	—
	70,180	100.0	—	—

Geographical information

All external revenue of the Group during the year ended 31 December 2011 was attributable to customers established in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2011	2010
	RMB'000	RMB'000
Customer A	57,600	—
Customer B	7,298	—

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2011 RMB'000	2010 RMB'000
Sale of spare parts	473	214
Bank interest income	287	159
Government grants*	2,000	—
Foreign exchange gains	—	5,203
	2,760	5,576

* There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	Notes	2011 RMB'000	2010 RMB'000
Interest on bank loans wholly repayable within five years		5,038	—
Unwinding of a discount	26	382	—
		5,420	—
Less: interest capitalised to property, plant and equipment	12	(5,038)	—
		382	—

7. LOSS BEFORE TAX

The Group's loss before tax was arrived at after charging:

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold		16,214	—
Staff costs (including directors' remuneration):	8		
Wages and salaries		11,285	6,431
Equity-settled share-based payment	28(a)	233,000	—
Equity-settled share option expense	28(b)	379	—
Pension scheme contributions			
— Defined contribution fund		217	44
Housing fund			
— Defined contribution fund		115	33
		244,996	6,508
Depreciation of items of property plant and equipment	12	5,920	203
Amortisation of intangible assets^	12	693	—
Amortisation of prepaid land lease payments^	14	90	—
Depreciation and amortisation		6,703	203
Auditors' remuneration		2,054	20
Foreign exchange losses		1,183	—
Operating lease rentals in respect:			
— Motor vehicles		167	324
— Office building		355	—

^ The amortisation of intangible assets and prepaid land lease payments for the year is included in "Cost of sales" on the face of the consolidated statement of comprehensive income.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2011 RMB'000	2010 RMB'000
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	6,424	1,494
Equity-settled share-based payment	233,000	—
Equity-settled share option expense	379	—
Pension scheme contributions		
— Defined contribution fund	37	—
Housing fund		
— Defined contribution fund	8	—
	239,848	1,494

During the year, certain Directors were granted share options, in respect of their services to the Group, under the Share Option Scheme of the Company, further details of which are set out in note 28(b) to the financial statements. The fair value of such options which has been recognised in profit or loss over the vesting period was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above Directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Independent non-executive directors

Messrs. Richard Wingate Edward Charlton, Keith Wayne Abell, Christopher Michael Casey, Maarten Albert Kelder, William Beckwith Hayden and Miu Edward Kwok Chi were appointed as independent non-executive directors on 24 November 2011. There were no fees payable to the independent non-executive directors for the year ended 31 December 2011.

The other emoluments paid to independent non-executive directors during the year were as follows:

	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Mr. Richard Wingate Edward Charlton	65	63	128
Mr. Keith Wayne Abell	65	63	128
Mr. Christopher Michael Casey	65	63	128
Mr. Maarten Albert Kelder	65	63	128
Mr. William Beckwith Hayden	65	63	128
Mr. Miu Edward Kwok Chi	65	64	129
	390	379	769

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive directors and non-executive directors

	Salaries, allowances and benefits in kind RMB'000	Pension scheme and housing fund contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
2011				
Executive directors				
Mr. Ran Xiaochuan	1,505	12	–	1,517
Mr. Zhu Xiaolin	1,505	12	233,000	234,517
Mr. Huang Wei	225	–	–	225
Mr. Wang Fahai	225	–	–	225
Mr. Wu Wei	471	12	–	483
Mr. Zhao Shaohua	503	9	–	512
	4,434	45	233,000	237,479
Non-executive director				
Mr. Shi Xiangdong	1,600	–	–	1,600
	1,600	–	–	1,600
	6,034	45	233,000	239,079
2010				
Executive director				
Mr. Shi Xiangdong	1,494	–	–	1,494
Non-executive director				
Mr. Sharon Rahamin Kedar *	–	–	–	–
	1,494	–	–	1,494

* Mr. Sharon Rahamin Kedar resigned as the Company's non-executive director on 8 June 2011.

There were no fees payable to the executive and non-executive directors for the two years ended 31 December 2011 and 2010.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(c) There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2010: Nil).

(d) The five highest paid employees during the year included four (2010: one) Directors, details of whose remuneration are set out in above. Details of the remuneration of the remaining one (2010: four) non-director, highest paid employee for the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	807	4,233
Pension scheme contributions	10	31
	817	4,264

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	–	2
	1	4

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated for the year.

The major components of income tax expense/(credit) were as follows:

	2011 RMB'000	2010 RMB'000
Current — Mainland China		
Charge for the year	11,675	—
Underprovision in prior years	396	—
Deferred (note 17)	(1,799)	(1,586)
Total tax charge/(credit) for the year	10,272	(1,586)

9. INCOME TAX (continued)

A reconciliation of the income tax expense/(credit) applicable to loss before tax at the statutory rates is as follows:

	2011 RMB'000	2010 RMB'000
Loss before tax	**(233,975)**	(6,646)
Less: disallowed expenses incurred by the Company*	**(287,461)**	(796)
Profit before tax generated/(loss before tax incurred) by Hong Kong and PRC subsidiaries	**53,486**	(5,850)
Tax at the respective statutory tax rates:		
— PRC subsidiaries, at 25%	**10,052**	(1,891)
— HK subsidiary, at 16.5%	**2,191**	282
Income not subject to tax	**(2,283)**	(405)
Tax losses not recognised	**74**	123
Expenses not deductible for tax	**194**	305
Adjustments in respect of current tax of previous year	**396**	—
Reversal of net deferred tax liabilities recognised in previous year	**(352)**	—
Income tax expense/(credit)	**10,272**	(1,586)

* Expenses incurred by the Company mainly consist of a one-time equity-settled share-based payment expense and transaction costs relating to the Listing incurred by the Company. These expenses are not expected to be tax deductible.

10. COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated comprehensive loss attributable to owners of the Company for the year ended 31 December 2011 includes a comprehensive loss of RMB287,461,000 (2010: RMB796,000) which has been dealt with in the financial statements of the Company (note 29).

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,148,208,219 in issue during the year.

The weighted average number of shares used to calculate the basic loss per share for the year ended 31 December 2011 includes the weighted average number of shares of 84,208,219 shares issued upon the Listing as referred to in note 27(c) to the financial statements and the pro forma number of 1,064,000,000 upon completion of the sub-division of shares as referred to in note 27(b) to the financial statements.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2011 in respect of a dilution as the exercise price of the Company's outstanding share options was higher than the average market price for the Company's shares during the year ended 31 December 2011.

Loss per share information for the year ended 31 December 2010 was not considered meaningful due to the Reorganisation as described in note 1 to the financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infra-structure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2011							
Cost:							
At 1 January 2011	16,940	–	984	802	–	38,285	57,011
Additions	–	2,169	1,130	2,899	41,864	212,397	260,459
Transferred from CIP	–	176,982	–	–	–	(176,982)	–
At 31 December 2011	16,940	179,151	2,114	3,701	41,864	73,700	317,470
Accumulated depreciation:							
At 1 January 2011	48	–	82	75	–	–	205
Provided for the year	818	2,680	302	430	1,690	–	5,920
At 31 December 2011	866	2,680	384	505	1,690	–	6,125
Net carrying amount:							
At 1 January 2011	16,892	–	902	727	–	38,285	56,806
At 31 December 2011	16,074	176,471	1,730	3,196	40,174	73,700	311,345
31 December 2010							
Cost:							
At 1 January 2010	–	–	34	–	–	20	54
Additions	5,007	–	950	802	–	50,198	56,957
Transferred from CIP	11,933	–	–	–	–	(11,933)	–
At 31 December 2010	16,940	–	984	802	–	38,285	57,011
Accumulated depreciation:							
At 1 January 2010	–	–	2	–	–	–	2
Provided for the year	48	–	80	75	–	–	203
At 31 December 2010	48	–	82	75	–	–	205
Net carrying amount:							
At 1 January 2010	–	–	32	–	–	20	52
At 31 December 2010	16,892	–	902	727	–	38,285	56,806

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Additions to CIP during the year include interest capitalised in respect of bank loans amounting to RMB5,038,000 (2010: Nil). The interest rate of borrowing costs capitalised was 7.83% (2010: Not applicable).

(b) As at 31 December 2011, the Group was in the customary process of obtaining the relevant building ownership certificates ("BOCs") for the Group's warehouse and plant with a net carrying amount of RMB147,745,000 (2010: RMB5,007,000). The Group's buildings can be sold, transferred or mortgaged when the relevant BOCs have been obtained.

13. INTANGIBLE ASSETS

	Mining rights RMB'000	Exploration and evaluation assets RMB'000	Total RMB'000
31 December 2011			
Cost at 1 January 2011, net of accumulated amortisation	9,282	35,597	44,879
Additions	55	31,552	31,607
Transfer to mining rights	63,905	(63,905)	—
Amortisation provided during the year	(693)	—	(693)
At 31 December 2011	72,549	3,244	75,793
Analysed as:			
Cost	73,242	3,244	76,486
Accumulated amortisation	(693)	—	(693)
Net carrying amount	72,549	3,244	75,793
31 December 2010			
Cost at 1 January 2010, net of accumulated amortisation	—	—	—
Additions	9,282	35,597	44,879
At 31 December 2010	9,282	35,597	44,879
Analysed as:			
Cost and net carrying amount	9,282	35,597	44,879

As at 31 December 2011, the mining right to the Shizishan Mine with a net carrying amount of RMB72,549,000 was pledged to secure the Group's bank loans (note 24).

14. PREPAID LAND LEASE PAYMENTS

	2011 RMB'000	2010 RMB'000
Carrying amount at 1 January	—	—
Additions	13,486	—
Recognised during the year	(90)	—
Carrying amount at 31 December	13,396	—
Current portion included in prepayments, deposits and other receivables (note 20)	(270)	—
Non-current portion	13,126	—

Prepaid land lease payments represented costs of land use rights in respect of the Group's leasehold land situated in Yunnan Province, the PRC, and held under medium lease terms.

15. PAYMENTS IN ADVANCE

	2011 RMB'000	2010 RMB'000
In respect of the purchase of:		
Prepaid land lease payments	3,785	7,203
Exploration rights	160,167	2,101
Property, plant and equipment	—	15,362
	163,952	24,666

16. INVESTMENT IN A SUBSIDIARY

	2011 RMB'000	2010 RMB'000
Unlisted investment in Gilberta Holdings Limited ("Gilberta"), at cost *	–	–
Advances to a subsidiary	507,573	187,763
	507,573	187,763

* The cost of the investment in Gilberta is US$1.00.

The amounts advanced to a subsidiary included in the investment in a subsidiary above are denominated in US$, which are unsecured and have no fixed terms of repayment. In the opinion of the Directors, these advances are considered as quasi-equity loans to the subsidiary.

The amounts due from/to a subsidiary as at 31 December 2011 included in the Company's current assets and current liabilities were unsecured, interest-free and repayable on demand or within one year.

16. INVESTMENT IN A SUBSIDIARY (continued)

Particulars of the Company's subsidiaries are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity interests attributable to the Company	Principal activities
			%	
Directly held:				
Gilberta	British Virgin Islands 3 November 2009	US$1.00	100.0	Investment holding
Indirectly held:				
Next Horizon Investments Limited	Hong Kong 3 November 2009	HK$1.00	100.0	Investment holding
Dehong Yinbang Mining Technology Development Company Limited ("Dehong Yinbang")	Mainland China 23 December 2009	US$40,000,000	100.0	Sale of ore products
Dehong Yinrun Mining Technology Development Company Limited ("Dehong Yinrun")	Mainland China 7 January 2010	RMB10,000,000	100.0	Sale of ore products
Kunrun	Mainland China 7 January 2010	RMB56,000,000	99.0*	Mining, ore processing and sale of lead-zinc-silver ore products

* During the year, the Group acquired 5.96% equity interests in Kunrun from the non-controlling shareholder at a consideration of RMB6,160,000. The consideration was determined by reference to the book value of the share of net assets acquired in Kunrun and was accounted for as an equity transaction. Upon the completion of the acquisition, the Group's equity interests in Kunrun increased from 93.04% to 99%.

17. DEFERRED TAX

The movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Pre-operating expenses RMB'000	Accrued interest expenses RMB'000	Losses available for off setting against taxable profit RMB'000	Unrealised profit from intra-group sales RMB'000	Provision for rehabilitation RMB'000	Excess tax depreciation over book value of fixed assets RMB'000	Total RMB'000
At 1 January 2010	435	–	–	–	–	–	435
Deferred tax credit to profit or loss during the year (note 9)	1,505	–	766	–	–	–	2,271
At 31 December 2010 and 1 January 2011	1,940	–	766	–	–	–	2,706
Deferred tax credited/(charged) to profit or loss during the year (note 9)	(1,940)	980	(331)	695	96	1,614	1,114
At 31 December 2011	–	980	435	695	96	1,614	3,820

As at 31 December 2011, the Group had accumulative tax losses arising in Hong Kong of RMB1,193,000 (2010: RMB745,000) that are available indefinitely for offsetting against future taxable profits of its Hong Kong subsidiary in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

17. DEFERRED TAX (continued)

Deferred tax liabilities

	Unrealised foreign exchange gains RMB'000
At 1 January 2010	—
Deferred tax charged to profit or loss during the year (note 9)	685
At 31 December 2010 and 1 January 2011	685
Deferred tax credited to profit or loss during the year (note 9)	(685)
At 31 December 2011	—

Deferred tax assets and liabilities related to the PRC subsidiaries have been provided at the enacted corporate income tax rate of 25%.

According to the articles of association of Kunrun, shareholders of Kunrun have the ultimate power to decide Kunrun's dividend policy. Pursuant to shareholders' resolutions of Kunrun on 20 February 2012, the net profit of Kunrun for the year ended 31 December 2011, after appropriations to the statuary reserve fund, would be used to operate and expand the Group's business and would not be distributed to its shareholders. As a result, no deferred tax liabilities relating to withholding tax on the distributable profits of Kunrun for the year ended 31 December 2011 have been recognised.

17. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2011 RMB'000	2010 RMB'000
Net deferred tax assets	3,820	2,372
Net deferred tax liabilities	—	(351)
	3,820	2,021

18. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials	1,756	—
Spare parts and consumables	2,878	745
Finished goods	67	—
	4,701	745

19. TRADE RECEIVABLES

All the trade receivables were neither past due nor impaired at 31 December 2011 and aged within one month, based on the invoice date.

The Group normally requires a payment in advance of up to 75% of the turnover before delivery. The credit period for the remaining 25% of turnover is generally one month. In view of the fact that the Group sells all of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2011 RMB'000	2010 RMB'000
Current portion:			
Prepayments in respect of:			
— purchase of inventories	(a)	38,136	18,000
— prepaid land lease payments to be amortised within one year	14	270	—
— Other prepayments		345	993
Deposits		44	170
Deferred listing fees		—	624
Staff advances		1,868	811
Government grants receivable		2,000	—
Interest-free advances to an independent third party supplier	(b)	—	33,589
		42,663	54,187
Non-current portion:			
Prepayment in respect of purchase of inventories	(a)	54,854	—
Deposit in respect of an optional to acquire interest in an entity	(c)	40,000	—
		94,854	—
		137,517	54,187

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) The balances represent prepayment made to Xiangcaopo Mining, an independent third party supplier for the purchase of tungsten and tin ores, where the delivery of products is expected to take place within next two years from the end of the reporting date. Both Mr. Li Jincheng and Xiangcaopo Mining entered into an equity pledge agreement with the Group in June 2011, pursuant to which Mr. Li Jincheng pledged his entire equity interests in Xiangcaopo Mining to the Group.

(b) The balance as at 31 December 2010 represents interest-free advances given to Mr. Li Jincheng, who is an independent third party and the sole owner of Xiangcaopo Mining for exploration activities at the Lushan Mine operated by Xiangcaopo Mining. According to the arrangement between the Group and Mr. Li Jincheng, both parties intended to offset the interest-free advances against future payables in relation to purchase of tungsten and tin ores mined from the Lushan Mine. Accordingly, the interest-free advances given to Mr. Li Jincheng were reclassified to prepayment in respect of purchase of inventories as described in note (a) above.

(c) The balance represents a refundable good-faith deposit paid by the Group to Mr. Xi Wanli, who is an independent third party and the shareholder of Dakuangshan Company, which owns the exploration right of the Dakuangshan Mine. Pursuant to an option agreement dated 21 May 2011, the Group can acquire 90% equity interests in the Dakuangshan Company from Mr. Xi Wanli at the Group's sole discretion within a period of 18 months commencing from May 2011.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**870,311**	20,320	**814,427**	—

At the end of the reporting period, cash and bank balances of the Group and the Company were denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**45,357**	8,942	**—**	—
HK$	**751,361**	1	**751,356**	—
US$	**73,593**	11,377	**63,071**	—
	870,311	20,320	**814,427**	—

21. CASH AND CASH EQUIVALENTS (continued)

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2011 RMB'000	2010 RMB'000
Within 1 month	2,232	—
1 to 2 months	1,117	—
2 to 3 months	426	—
Over 3 months	748	—
	4,523	—

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

23. OTHER PAYABLES AND ACCRUALS

Group

	2011 RMB'000	2010 RMB'000
Payables relating to:		
Mining rights	—	489
Exploration and evaluation assets	674	4,296
Property, plant and equipment	85,155	7,990
Professional fees	9,638	—
Tax other than income tax	(3,282)	(825)
Payroll and welfare	81	185
Mining resource compensation fees	1,484	—
Mining resource usage fees	897	—
Others	63	69
	94,710	12,204
Accruals	6,856	4,884
	101,566	17,088

Company

	2011 RMB'000	2010 RMB'000
Payables relating to:		
Professional fees	9,638	—
Payroll and welfare	700	—
	10,338	—

Other payables are non-interest-bearing and have average payment terms within three to six months.

24. INTEREST-BEARING BANK LOANS

	2011 RMB'000	2010 RMB'000
Secured bank loans and repayable:		
Within one year	**10,000**	—
In the second year	**60,000**	—
In the third year	**60,000**	—
	130,000	—
Current portion	**(10,000)**	—
Non-current portion	**120,000**	—

The Group's bank loans are secured by the mortgage over the Group's mining right to the Shizishan Mine with a net carrying amount of RMB72,549,000 as at 31 December 2011 (2010: Not applicable). As at 31 December 2011, all bank loans were denominated in RMB and bore interest at 7.83% per annum.

The carrying amounts of the interest-bearing bank loans approximate to their fair values.

25. DUE TO A RELATED PARTY

The balance due to Silver Lion, the immediate holding company of the Company prior to the Listing, represented interest-free loans provided to support the Group's mining development and was capitalised through its subscription of one new ordinary share issued by the Company on 27 June 2011. The difference between the balance due to Silver Lion on 27 June 2011 of RMB520,964,000 and the nominal value of the one share issued to Silver Lion was credited to the Company's share premium account (note 27(a)).

26. PROVISION FOR REHABILITATION

	2011 RMB'000	2010 RMB'000
At the beginning of year	—	—
Additions	11,796	—
Unwinding of a discount (note 6)	382	—
At end of year	12,178	—

27. SHARE CAPITAL

	2011 RMB'000	2010 RMB'000
Authorised:		
38,000,000,000 ordinary shares of HK$0.00001 each		
(2010: 3,800,000 ordinary shares of HK$0.1 each)	342	342
Issued and fully paid:		
2,000,000,000 ordinary shares of HK$0.00001 each		
(2010: 100,000 ordinary shares of HK$0.1 each)	17	9

The following changes in the Company's authorised and issued share capital took place during the year:

Authorised share capital:

Pursuant to a shareholders' resolution passed on 10 November 2011, each ordinary share of nominal value of HK$0.10 was sub-divided into 10,000 ordinary shares of nominal value of HK$0.00001 each. As a result of the sub-division, the authorised shares of the Company were increased from 3,800,000 shares to 38,000,000,000 shares by the creation of 37,996,200,000 shares, ranking pari passu in all respects with the existing shares of the Company. The Company's authorised share capital remained unchanged.

27. SHARE CAPITAL (continued)

Issued and fully paid share capital:

	Notes	Number of ordinary shares	Nominal value of ordinary shares RMB'000
At 1 January 2011		100,000	9
Issue of new shares	(a)	6,400	—
Sub-division of issued share capital	(b)	1,063,893,600	—
Issue of new shares	(c)	436,000,000	4
Issue of new shares	(d)	500,000,000	4
As at 31 December 2011		**2,000,000,000**	**17**

Notes:

(a) On 27 June 2011, the Company allotted and issued 6,399 ordinary shares to Grow Brilliant Limited, credited as fully paid shares at a par value of HK$0.1 each, totalling RMB532.

On the same day, Silver Lion subscribed for one new ordinary share by way of capitalisation of an amount due to Silver Lion of US$80,500,000 (equivalent to approximately RMB520,964,000) (note 25).

(b) On 10 November 2011, the Company's shareholders passed a resolution approving sub-division in the Company's share capital. Each ordinary share of nominal value of HK$0.10 was sub-divided into 10,000 ordinary shares of nominal value of HK$0.00001 each. As a result of the sub-division, the number of issued ordinary shares was increased from 106,400 shares to 1,064,000,000 shares.

(c) On 10 November 2011, Silver Lion and Grow Brilliant Limited subscribed for 393,387,556 ordinary shares and 42,612,444 ordinary shares of the Company on a pro-rata basis at nominal value of HK$0.00001 each by cash, respectively.

(d) In connection with the Listing, 500,000,000 shares of HK$0.00001 each were issued at a price of HK$2.22 per share for a total cash consideration, before listing expenses, of HK$1,110,000,000.

The proceeds of HK$5,000, representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$1,109,995,000 have been credited to the share premium account.

28. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share-based payment

The Company allotted and issued the Awarded Shares to Grow Brilliant Limited pursuant to a shareholders' resolution passed on 27 June 2011. Grow Brilliant Limited is a company which is wholly owned and controlled by Mr. Zhu Xiaolin, the executive director and chief executive officer of the Company. The objective of the Awarded Shares is to reward his contribution to the Group's development. The Awarded Shares are not subject to a vesting period and vested immediately when allotted and issued to Grow Brilliant Limited on 27 June 2011.

The fair value of the Awarded Shares during at date of allotment was RMB233,000,000 determined by an external valuer using the discounted cash flow method. The significant inputs into the model were the weighted average cost of capital as a discount rate and required return on equity.

The Group recognised an expense of RMB233,000,000 for the year ended 31 December 2011 in relation to the Awarded Shares with a corresponding amount credited to the capital contribution reserve.

(b) Share option scheme

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to independent non-executive directors. Each independent non-executive director was upon listing of the Company granted options to purchase such number of the Company's shares having an aggregate value of US$2 million with the exercise price being the offer price of HK$2.22 per share, which shall vest, and upon vesting become exercisable in four equal tranches on the first, second, third and fourth anniversary of the Listing Date. The Share Option Scheme was approved by the Company's shareholders on 14 December 2011 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one to four years and ends on 13 December 2016.

The exercise price of share options is determinable by the Board, but may not be less than the highest of (i) the nominal value of shares of the Company; (ii) the average official closing price of the Company's shares as stated on the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the official closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of the share options.

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The exercise prices and exercise periods of the share options outstanding as at 31 December 2011 (2010: Not applicable) are as follows:

Number of options	Exercise price per share HK$	Exercise period
10,540,536	2.22	From 14 December 2012 to 13 December 2016
10,540,542	2.22	From 14 December 2013 to 13 December 2016
10,540,542	2.22	From 14 December 2014 to 13 December 2016
10,540,542	2.22	From 14 December 2015 to 13 December 2016
42,162,162		

The fair value of the share options granted during the year was HK$19,626,000 (equivalent to approximately RMB15,953,000) or HK$0.47 each (equivalent to approximately RMB0.38 each), of which the Group recognised a share option expense of HK$466,000 (approximately RMB379,000) during the year ended 31 December 2011 (2010: Not applicable).

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.83
Expected volatility (%)	63.65
Risk-free interest rate (%)	0.83

No other feature of the options granted was incorporated into the measurement of fair value.

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

At the end of the reporting period, the Company had 42,162,162 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,162,162 additional shares of the Company and additional share capital of HK$422 and share premium of HK$93,388,319 (before issue expenses).

At the date of approval of these financial statements, the Company had 42,162,162 share options outstanding under the Share Option Scheme, which represented approximately 2.10% of the Company's shares in issue as at that date.

29. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 74 of the financial statements.

(a) Share premium account

The application of the share premium account is governed by the Companies Law. Under the constitutional documents and the Companies Law, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Statutory surplus reserve and statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of associations of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

As Dehong Yinbang is a foreign investment enterprise since its establishment on 23 December 2009, allocation to SSR is not required. According to Dehong Yinbang's articles of association, Dehong Yinbang is required to allocate 10% of its profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF").

29. RESERVES (continued)

Group (continued)

(b) Statutory surplus reserve and statutory reserve fund (continued)

SSR and SRF are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalised as paid-up capital.

(c) Contributed reserve

The contributed surplus represented the difference between the nominal value of the Company's shares issued in exchange for the subsidiaries acquired as part of the Reorganisation and the aggregate amount of the nominal value of the paid-up capital of these subsidiaries attributable to the owners of the Company.

Company

The amounts of the Company's reserves and the movements therein for the current and prior years are as follows:

	Notes	Share premium account RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Accu-mulated losses RMB'000	Total RMB'000
At 1 January 2010		—	—	—	(10)	(10)
Total comprehensive loss for the year		—	—	—	(796)	(796)
At 31 December 2010 and 1 January 2011		—	—	—	(806)	(806)
Issue of new shares	27(a)	520,964	—	—	—	520,964
Issue of new shares	27(d)	904,424	—	—	—	904,424
Share issue expenses		(64,728)	—	—	—	(64,728)
Equity-settled share-based payment	28(a)	—	233,000	—	—	233,000
Equity-settled share option arrangement	28(b)	—	—	379	—	379
Total comprehensive loss for the year		—	—	—	(287,461)	(287,461)
At 31 December 2011		**1,360,660**	**233,000**	**379**	**(288,267)**	**1,305,772**

30. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
Contracted, but not provided for:		
— Exploration and evaluation assets	**320,671**	16,635
— An option to acquire equity interest in an entity	**105,000**	—
— Property, plant and equipment	**31,830**	35,615
	457,501	52,250
Contracted, but not provided for:		
— Property, plant and equipment	**92,280**	358,333
	549,781	410,583

31. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

32. RELATED PARTY TRANSACTIONS

(a) During the years ended 31 December 2011 and 2010, an interest-free loan provided by Silver Lion, the immediate holding company of the Company prior to the Listing, amounted to RMB324,407,000 and RMB169,167,000, respectively.

The Directors consider that the interest-free loan provided by Silver Lion was conducted based on terms more favourable than terms available from an independent third party. The aforesaid loan was capitalised through its subscription of one new ordinary share issued by the Company on 27 June 2011. There was no outstanding balance with Silver Lion at the end of the reporting period.

32. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group:

	2011 RMB'000	2010 RMB'000
Basic salaries and other benefits	4,577	5,727
Equity-settled share based payment	233,000	—
Equity-settled share option expense	379	—
Pension scheme contributions	47	31
	238,003	5,758

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, trade receivables and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include advances from customers, trade and other payables, an amount due to a related party and interest-bearing bank loans.

Risk management is carried out by the finance department which is led by the Group's executive directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, liquidity risk, and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarised below:

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which comprise trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

As disclosed in note 4, the Group sells all of the products to a small number of customers. As a result, it faces a high level of concentration of credit risk. The Group manages this risk by requiring a payment in advance of 75% of turnover and offering standardised credit terms of 30 days for the remaining 25% of turnover. The Group seeks to maintain strict control over its outstanding receivables and senior management regularly reviews the overdue balances. In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate. During the year, the Group generated its revenue from the sale of lead-silver concentrates and zinc-silver concentrates to trading companies that purchase the Group's products and resell them to smelting companies, thereby exposing the Group to the concentration of credit risk in the refined lead and zinc industry.

Foreign currency risk

The Group's businesses are located in the PRC and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in HK$ and US$ arising from proceeds from the Listing.

The Group has not and does not intend to enter into any hedging transactions to manage the potential fluctuation in foreign currencies as management considers that the Group will utilise the proceeds from the Listing to expand its business operations in Mainland China in the near future. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure if the needs arise.

The following table demonstrates the sensitivity to a 5.0% change in RMB against HK$ and US$, respectively. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5.0% change in RMB against HK$ and US$, respectively, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of cash and cash equivalents denominated in HK$ and US$, respectively).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	2011 RMB'000	2010 RMB'000
Increase/(decrease) in profit before tax:		
If RMB weakens against HK$	37,568	—
If RMB strengthens against HK$	(37,568)	—
If RMB weakens against US$	3,680	(8,836)
If RMB strengthens against US$	(3,680)	8,836

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and its own funding sources.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2011				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Total RMB'000
Other payables and accruals	101,566	—	—	—	101,566
Trade payables	2,291	2,232	—	—	4,523
Interest-bearing bank loans	—	—	11,263	145,279	156,542
	97,001	2,232	11,263	145,279	255,775

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2010				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Total RMB'000
Other payables and accruals	12,204	—	—	—	12,204
Due to a related party	189,191	—	—	—	189,191
	201,395	—	—	—	201,395

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in note 24 to the financial statements. The Group manages its interest rate exposure arising from its interest-bearing bank loans through the use of fixed rates. In addition, the Group has not used any interest rate swaps to hedge against interest rate risk.

In addition, the Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's profit or loss during the year.

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's long term interest-bearing bank loans approximate to their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities during the reporting period.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

The carrying amounts of the Group's all other financial instruments approximated to their fair values due to the short term to maturity at the end of the reporting period.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the year.

34. EVENT AFTER THE REPORTING PERIOD

On 2 March 2012, Dehong Yinrun entered into a share transfer agreement with Mr. Xi Wanli (an independent third party), the shareholder of the Menghu Company, pursuant to which Dehong Yinrun agreed to purchase 90% of the equity interest in the Menghu Company. The Menghu Company owns 100% interest in the Menghu Mine, a lead-zinc-silver polymetallic mine, with a mining permit covering an area of 0.395 sq. km. The consideration for the 90% equity interest is RMB85.5 million. To guarantee the due and punctual performance of the share transfer agreement, Mr. Xi Wanli pledged his entire equity interest in the Menghu Company to the Group.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2012.

"Ag"	the chemical symbol for silver
"Articles of Association"	the articles of association of the Company, conditionally adopted on November 24, 2011 and as amended from time to time
"Board"	the board of directors of our Company
"BVI"	the British Virgin Islands
"CG Code"	the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding, for the purpose of this Prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company" or "our Company"	China Polymetallic Mining Limited (中國多金屬礦業有限公司), a limited liability company incorporated under the laws of the Cayman Islands on November 30, 2009
"Companies Ordinance"	the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Competent Person's Report"	the Competent Person's Report, dated November 25, 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult with respect to the independent technical review and assessment of the Shizishan Mine; under such report, Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine, which was disclosed as appendix V to the Prospectus

Glossary

"Dakuangshan Company"	a company owned by Xi Wanli, an Independent Third Party, who entered into an option agreement in relation to the Dakuangshan Mine with the Group on May 21, 2011
"Dakuangshan Mine"	a lead-zinc-silver polymetallic mine to which the Dakuangshan Company owns the mining right
"Dazhupeng Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, with respect to which we hold an exploration permit
"GDP"	stands for Gross Domestic Product, a measure of country's overall official economic output
"Director(s)"	director(s) of our Company or any one of them
"g/t"	grams per tonne
"Group", "we" or "us"	our Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of the Company at the time
"Hatch Report"	the "Polymetallic Industry Report" prepared by the Hatch Group, an international consulting firm specializing in providing data and analyses in relation to the mining, metallurgical, manufacturing and energy industries, which is an Independent Third Party
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the International Accounting Standards (the "IAS") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
"IPO"	the initial public offering and listing of shares of the Company on the main board of Hong Kong Stock Exchange on 14 December 2011
"km"	kilometre(s), a metric unit measure of distance
"kt"	thousand tonnes
"Kunrun"	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), incorporated in China with business license number 533123100002302, whose registered office is opposite the Chinese Medicine Hospital, Yingdong Road, Pingyuan Town, Yingjiang County, Yunnan Province, China, and is currently an indirect subsidiary of the Company
"Listing Date"	14 December 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Lushan Mine"	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, China, operated by Xiangcaopo Mining, an Independent Third Party
"Liziping Company"	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), a company owned by Song Denghong who entered into a share transfer agreement in relation to the Liziping Mine with the Group on June 9, 2011
"Liziping Mine"	a lead-zinc-silver polymetallic mine to which the Liziping Company owns the exploration right

Glossary

"Memorandum of Association"	the memorandum of association of our Company conditionally adopted on November 24, 2011 and as amended from time to time
"Menghu Company"	Meng La Chen Feng Mining Development Company Limited (勐腊縣宸豐礦業開發有限公司), incorporated in the PRC with business licence number 532823100001912 whose registered office is at Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC
"Menghu Mine"	a lead mine located in Menghu Stockade Village, Na Me Tian Village, Yi Wu Town, Meng La County, Yunnan Province, the PRC
"mineral resource(s)" or "resource(s)"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into "inferred," "indicated," and "measured" categories
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time

"ore reserve(s)" or "reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves
"Pb"	the chemical symbol for lead
"Prospectus"	the prospectus of the Company dated 2 December 2011 issued in connection with the IPO
"pure mining company"	the mining company which only conducts upstream operations in exploration, mining and primary processing of mineral resources with no downstream operations in smelting, refining and others
"Renminbi" or "RMB"	the lawful currency of the PRC
"Review Period"	the period from the Listing Date and up to the date of this annual report
"Shizishan Mine"	a lead-zinc-silver polymetallic mine located in Yingjiang County, Yunnan Province, China, and operated by Kunrun
"Silver Lion"	Silver Lion Investment Holdings Limited, a limited liability company incorporated in BVI with company number 1553896, whose registered office address is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
"sq.km."	square kilometer
"t"	tonnes
"tpd"	tonnes per day

Glossary

“Twelfth Five-Year Plan”	the Communist Party of China Central Committee’s proposal on formulating the 12th five-year programme (from year 2011 to 2015) on National Economic and Social Development
”US dollars” or “US$”	the lawful currency of the United States
“Xiangcaopo Mining”	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in China, currently wholly owned by Li Jincheng, an Independent Third Party
“Zn”	the chemical symbol for zinc