VALUATION REPORT
INNER MONGOLIA YITAI GROUP COMPANY LIMITED UNDERGROUND COAL MINING OPERATIONS

Inner Mongolia Autonomous Region
People's Republic of China

Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.

By
John T. Boyd Company
Mining and Geological Consultants
Pittsburgh, Pennsylvania

Report No. 3434.13
March 2012

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7 March 2012
File: 3434.13

Inner Mongolia Yitai Coal Co., Ltd.
Tianjiao North Road
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Ordos, Inner Mongolia
People's Republic of China

Attention: Ms. Jian Qing'e
Secretary of the Board of Directors

Subject: Valuation Report
Inner Mongolia Yitai Group Company Limited
Underground Coal Mining Operations
Inner Mongolia Autonomous Region
People's Republic of China

Ladies and Gentlemen:

John T. Boyd Company (BOYD) was engaged on 23 June 2010 to complete an independent valuation of five underground coal mining operations of Inner Mongolia Yitai Group Company Limited (Yitai Group) located in the Dongsheng Coalfield in the Inner Mongolia Autonomous Region. The basis of coal resource and reserve reporting is the JORC Code and of valuation preparation is the VALMIN Code.

The reader is referred to a companion Competent Person's Report prepared by BOYD in March 2012, which provides the basis of the estimated coal reserves, mine plans, and related economics used to prepare this Valuation Report.

Respectfully submitted,

JOHN T. BOYD COMPANY
By:

Ronald L. Lewis
Managing Director and COO
Competent Evaluator

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GLOSSARY AND DEFINITIONS

The following terminology and definitions are used in this coal valuation report.

Terminology	Source	Definition
Competent Evaluator	HKEx	A Competent Person undertaking mineral valuations that satisfy HKEx rule 18.23.
Competent Person	HKEx	A person that satisfies HKEx rules 18.21 and 18.22.
DCF	BOYD	Discounted cash flow.
Depreciated Replacement Value	BOYD	The current value of a fixed or personal property/equipment asset to an ongoing mining operation calculated by multiplying the current (new) cost of an asset by its percentage of remaining life. Percentage of remaining life is determined by dividing estimated remaining asset life by the assigned original useful life: $DRV = NC \times \left(\frac{RL}{UL}\right)$ DRV: Depreciated replacement value NC: New cost RL: Remaining life UL: Useful original life Remaining life is the appraiser's judgment regarding such factors as age, operating schedule, maintenance history, obsolescence, condition, remaining mine life, and overall original useful life of the asset. If the asset is useful to the mining operation and does not have a life as long as the remaining mine life, then the asset must be replaced. If mine life is shorter than remaining life, the installed useful life of the asset ends with termination of mining (with possibly some salvage value remaining). This method yields the highest value for the asset, predicated on the premium paid for a required asset which is installed and in-service as part of an ongoing business. Depreciated replacement value has no relationship to accounting practices (book value) or to prevailing market conditions for used mining equipment.
Expert	VALMIN	D10: may be either: (a) an "Independent individual" who prepares and accepts responsibility for a Report, or (b) a "Representative Expert" who is the nominated representative of a legally constituted body. He or she supervises the preparation of a Report and accepts responsibility for it on behalf of that body. Independent Individual Expert: (a) must be Competent in and have had at least ten years of relevant and recent general mining experience in the mining industry, as may be appropriate; (b) have had at least five years of relevant and recent experience in the assessment and/or valuation of mineral assets or securities, as may be appropriate; (c) hold appropriate licenses;

Terminology	Source	Definition
		(d) be a member of an appropriate professional association having an enforceable code of ethics. **Representative Expert:** should preferably have the same length of experience and degree of competence as is required of an Independent Individual Expert. If this is not the case, he or she must engage a "Senior Specialist" who: (a) is competent and has had at least ten years of relevant and recent experience in the mining industry, as may be appropriate; (b) has had at least five years of relevant and recent experience in the assessment and/or valuation of mineral assets and securities, as may be appropriate; (c) holds the appropriate licenses; (d) is a member of an appropriate professional association having an enforceable code of ethics.
Fair Market Value	VALMIN	D43: the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the mineral asset should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently, and without compulsion.
Feasibility Study	HKEx	A comprehensive design and costing study of the selected option for the development of a mineral project in which appropriate assessments have been made of realistically assumed geological, mining, metallurgical, economic, marketing, legal, environmental, social, governmental, engineering, operational, and all other relevant factors, which are considered in enough detail to demonstrate at the time of reporting that extraction is reasonably justified and the factors reasonably serve as the basis for a final decision by a financial institution to finance the development of the project.
Gross Cash Flow	BOYD	Revenue less operating cash cost; can be determined on a pre-tax (income tax) or a post-tax basis.
Indicated Resource	HKEx	That part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a reasonable level of confidence.
Inferred Resource	HKEx	That part of a mineral Resource for which tonnage, grade, and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence, sampling, and assumed but not verified geological and/or grade continuity.
JORC	HKEx	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time.
LOM	BOYD	Life-of-Mine.
Measured Resource	HKEx	That part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a high level of confidence.

Terminology	Source	Definition
Mineral	VALMIN	D19: any naturally occurring material found in or on the earth's crust that is useful to and/or has a value placed on it by humankind, excluding crude oil, natural gas, coal-based methane, tar sands, and oil-shale, which are classified as Petroleum as defined in D35.
Mineral Asset	VALMIN	D20: all property, including but not limited to real property, intellectual property, mining, and exploration tenements held or acquired in connection with the exploration of, the development of, and the production from those tenements together with all plant, equipment, and infrastructure owned or acquired for the development, extraction, and processing of minerals in connection with those tenements. Most Mineral Assets can be classified as either: Exploration Areas — properties where mineralization may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified. Advanced Exploration Areas — properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A resource estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralization present and encouragement that further work will elevate one or more of the prospects to the resource category. Pre-Development Projects — properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance, and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further Valuation, Technical Assessment, delineation, or advanced exploration is being undertaken. Development Projects — properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels. Operating Mines — mineral properties, particularly mines and processing plants, that have been commissioned and are in production.
Net Cash Flow	BOYD	Gross Cash Flow less Capital Cost; can be expressed on a pre-tax (income tax) or post-tax basis.
NPVs	HKEx	Net present values.
Off-Mine-Site Selling Costs	BOYD	Includes all transportation and sales component necessary to reach final point of dispatch (truck to rail dispatch, dispatch to port, port fees, rail fees, G&A, sales, commissions, taxes and/or miscellaneous fees).

Terminology	Source	Definition
Prefeasibility Study	HKEx	A comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, for underground mining, or the pit configuration, for an open pit, has been established and an effective method of mineral processing has been determined. It includes a financial analysis based on realistically assumed or reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are enough for a Competent Person, acting reasonably, to determine if all or part of the mineral Resource may be classified as a mineral Reserve.
Probable Reserve	HKEx	With regard to minerals, the economically mineable part of an Indicated, and in some circumstances a Measured, Resource.
Professional Association	VALMIN	D27: a self-regulating body such as one of engineers or geoscientists or both that: (a) has been given authority or recognition by statute; (b) admits members primarily on the basis of their academic qualifications and professional experience; (c) requires compliance with professional standards of expertise and behavior according to a code of ethics established by the association; and (d) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its code of ethics be breached.
Proved Reserve	HKEx	With regard to minerals, the economically mineable part of a Measured Resource.
Recognized Professional Organization	HKEx	A self-regulatory organization of professional individuals in the mining or petroleum industry which admits individuals on the basis of their academic qualifications and experience, requires compliance with professional standards of competence and ethics established by the organization, and has disciplinary powers, including the power to suspend or expel a member.
Reserve	HKEx	With regard to minerals, the economically mineable part of a Measured, and/or Indicated Resource, taking into account diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments to a minimum of a Prefeasibility Study must have been carried out. Mineral Reserves are subdivided in order of increasing confidence into Probable Reserves and Proved Reserves. Note: although the term Mineral Reserve is used throughout this Chapter, it is recognized that the term Ore Reserve is used in the JORC Code.
Resources	HKEx	With regard to minerals, 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 their eventual economic extraction. The location, quantity, grade, geological characteristics, and continuity of a mineral Resource are known, estimated,

Terminology	Source	Definition
		or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated, and Measured Resources, as defined in the JORC Code.
Risk	VALMIN	D30: the chance of an event occurring that will have an impact on objectives. A risk may be quantifiable in terms of the likelihood of loss, less than expected returns, or an undesirable outcome.
Scoping Study	HKEx	A preliminary evaluation of a mineral project, including an assessment of the economic viability of mineral Resources. Scoping Studies should include forecasts production schedules and cost estimates based on data under which the Resources are identified.
Specialist	VALMIN	An individual who may be retained by the Expert to prepare sections of Reports concerning matters about which the Expert is not personally Competent. Specialists must accept responsibility for the sections of the reports they prepare.
Technical Value	VALMIN	D36: an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by an Expert or Specialist, excluding any premium or discount to account for such factors as market or strategic considerations.
Tenement	VALMIN	D37: any form of title or right such as a license, permit, or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract minerals that may be, or is known to be contained under the surface of the land. "Tenure" and "Title" have the same connotation as a "Tenement." All references to Tenements should be qualified by denoting its type (e.g., "mining" license or "exploration" Tenement).
VALMIN Code	HKEx	The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005 edition), as prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, and the Mineral Industry Consultants Association as amended from time to time.
Valuation Date	VALMIN	D41: the reference date on which the monetary amount of a Valuation in "dollars of that day" terms is current. This date could be different from the dates of completion or signing of the Report or the cut-off date of available data.
Valuation Report	HKEx	The public valuation report prepared by a Competent Evaluator on Mineral or Petroleum Assets in compliance with SEHK rule 18.34 and the applicable Reporting Standard, as modified by this Chapter. It may form part of a Competent Person's Report.

1.0 INTRODUCTION

1.1 Scope of Work/Purpose

This independent valuation of the five Yitai Group underground mining operations was prepared for Inner Mongolia Yitai Coal Co., Ltd (Yitai) for use in a public filing on the Stock Exchange of Hong Kong (HKEx).

In preparing this report, we have relied on a companion report: Competent Person's Report, prepared by BOYD in March 2012. The Valuation Date for this study is 1 January 2012. This report is prepared in accordance with HKEx Chapter 18 and the VALMIN Code.

1.2 Assets Summary Description

The Yitai Group assets being valued include the following five underground coal mining operations located within the Dongsheng Coalfield in the Inner Mongolia Autonomous Region:

Mining Operation	Yitai Group Equity Interest (% owned)	Date of Initial Operation	Estimated Remaining Reserves (Mt) As of 1 January 2012	Annual Coal Production (Mt)		
				Mining Right Approved Capacity	Approved Production Certificate Capacity	2011 Actual
Dadijing	100.0	4/1/2008	52	1.2	3.0	4.46
Baoshan	73.0	6/1/2007	15	1.2	1.9	2.16
Dingjiaqu	73.0	12/1/2008	16	1.2	2.3	3.05
Chengyi	100.0	2/1/2009	5	0.6	1.2	0.94
Baijialiang	100.0	1/1/2008	*	0.3	1.9	2.07

* 0.49 Mt of Estimated Remaining reserve

The five Yitai Group mines are fully developed and have made the transition to modern longwall (LW) mining technology.

1.3 Source Data

The reader is referred to the BOYD Competent Person's Report for a listing of source data used to prepare this supporting document. For purposes of this Valuation Report, BOYD requested and received the following additional source data:

- Additional details for forward 2012-2014 mining and business plans (projections).
  - Coal prices by product type.
  - General and administrative cost.
  - Selling costs and taxes.
  - Financial costs.
  - Fully Mechanized (FM) LW and development equipment replacement plan by year for each mine.
- Coal sales.
  - Existing coal sales commitments (or contracts) for forward sales.
  - Summary of historical coal sales contracts, showing the name of customer, name of mine, coal quality requirement, FOB price, tonnage, and other additional pricing agreement.
  - FOB mine coal sales prices for all five mines on the close of the first day of each month in 2011.
  - Minegate sales by product type with tonnage and average FOB mine prices (including VAT) for 2011.
  - Port (off-site) sales by product type with tonnage, point of sales, average port prices, port charges, rail transport, G&A and sales commissions for 2011.

- Existing assets.
  - Fixed asset summary listing for Yitai Group mines and facilities as of 1 January 2012 showing original and net asset values.
  - Annual depreciation rates by asset classes.
  - Depreciation schedule table for all the assets for each mine from 1 January 2012 until the end of mine life.
- Mineral and land costs.
  - Mineral resource compensation fees.
  - Outstanding mining right fees to be paid (owed) for Yitai Group mines as of 1 January 2012.
  - Mining right fees paid in and future payment schedules for Yitai Group mines as of 1 January 2012.
  - Land usage fees and future payment schedules for Yitai Group mines as of 1 January 2012.
- Baijialiang Mine.

  The equipment use plan after mine closure (where the equipment will be transferred) for Baijialiang Mine, which is projected to be depleted in 2012.
- Other forward planning considerations.
  - Production fee projections by year with detailed breakdowns for the period 2012 — 2014 and beyond.
  - Expected coal processing (coal preparation plant (CPP) processing) requirements for the Yitai Group mines.
  - Rate and calculation method for all the fees/taxes levied by tax department or administrative organizations.
  - Expected VAT obligation as percent of selling price and expected deductions to VAT for purchase of goods and services.

1.4 BOYD Background and Qualifications

BOYD is one of the largest independent consulting firms in the world exclusively serving the mining, financial, utility, power, and related industries. We have provided services on a continuous basis since 1943 in over 50 countries. Our full-time staff includes specialists in the analysis of geology, reserves, mine planning and costs, material handling, markets, business planning, transport, and environmental issues. Our full range of professional services includes:

- Due diligence of mining operations
- Fuel and energy supply planning
- Permitting and environmental analysis
- Contract negotiations
- Market and transport analyses
- Economic feasibility studies and valuations
- Assessment of existing operations
- Strategic business planning
- Transport issues
- Asset appraisals
- Minerals industry restructuring
- Privatization studies
- Geologic, reserve and mine plan modeling
- Exploration design and supervision
- Reserve and geotechnical studies
- Technical assistance in legal matters
- Monitoring of operating companies
- Financial analysis

BOYD also possesses extensive computer and software systems to estimate reserves and complete mine plans. These include Vulcan, MINCOM, SurvCADD, and others.

Our headquarters office is located in the Pittsburgh, Pennsylvania, region in the United States. Branch offices are established in Denver, Colorado (US); Brisbane, Australia; and Beijing, People's Republic of China (PRC). Please visit our website, www.jtboyd.com, for additional details.

BOYD has extensive experience in preparing Competent Person's Technical Review and Valuation reports for international financing purposes and for public stock exchange filings. We are knowledgeable of listing requirements of the HKEx, London Stock Exchange, and NI43-101 (Canadian requirements), JORC Code, U.S. Securities and Exchange (SEC) Rules, etc. We are familiar with the level of independent reporting required by international investors and financial institutions.

Among our Chinese coal projects, we represented Shenhua Group Corporation as their Technical Advisor for the China Shenhua Energy Company Limited (China Shenhua) IPO on the HKEx. Our work included an analysis of reserves (JORC, SEC, and UN Reporting Standards), coal quality, mine operations, processing, material handling, rail and ocean transport facilities, and economics. Shenhua Group Corp.'s reserve holdings were evaluated according to JORC Code and the HKEx Rule 18 requirements. We subsequently prepared four resource studies commissioned by China Shenhua for material acquisition HKEx filings. We also prepared ITRs for MP Logistics International Holdings Limited (Ming Kei Energy Holdings Limited) for a transaction involving two openpit mines in Xinjiang Uygur Autonomous Region, for Fushan International Energy Group Limited's acquisition of Fortune Dragon Group Limited mines in Shanxi Province, for Artfield Group Limited's very substantial acquisition HKEx filing for the Ming Kei Energy Holdings Limited openpit mines in Xinjiang Uygur Autonomous Region, and for GCL-Poly Energy Holdings Limited's acquisition of the Duolun Mine in the Inner Mongolia Autonomous Region. Our Chinese non-coal projects include the ITR for the Lumena Resources Corporation IPO on the HKEx.

BOYD is a recognized consultancy having worldwide stature. We were retained by Her Majesty's Government, Department of Trade and Industry, regarding the privatization of British Coal Corporation (British Coal) and were actively involved with N M Rothschild, the lead financial advisor, during the course of this project. Our work assisted in the restructuring of the industry, and the coal mining operations of British Coal were successfully privatized.

We have completed over 2,000 resource and reserve audits. BOYD's reserve statements have been used by client companies, including some of the largest US coal producers. We have worked with and for virtually all of the major international banks. Numerous financial agencies have used our services to opine on property/mine operations. We have the proven ability to prepare a bankable document that is accepted and used with confidence by major financial institutions and other investors around the world.

1.5 Competent Evaluator and Specialists

Competent Evaluator for this Valuation Report is Mr. Ronald L. Lewis, who is serving as Representative Expert as defined by VALMIN. Mr. Lewis clearly meets all HKEx Rule 18.23 requirements:

- Employed by BOYD for approximately 40 years, currently serving as Chief Operating Officer (COO) and overall Managing Director (MD).
- Relevant experience includes: oversight of all BOYD consulting activities and senior management approval of BOYD work products, direct participation in mining and mineral resource/reserve and valuation assignments.
- Independently recognized expert in mineral valuation serving as an expert witness in over 40 legal proceedings.
- Registered Member of the Society for Mining, Metallurgy, and Exploration, Inc. (a Recognized Professional Organization under the JORC Code), and a registered Professional Engineer in the United States.

Mr. Lewis has directed and participated in the preparation of this Report, and accepts responsibility for the Report on behalf of BOYD. Key Senior Specialists who assisted Mr. Lewis are:

Mr. James F. Kvitkovich — Vice President, BS (Mining Engineering) Mr. Kvitkovich has 30 years of experience in assessment and evaluation of underground coal mining operations throughout the world. He is

a Registered Professional Engineer within the United States and is highly experienced with regard to reviewing and evaluating continuous miner (CM) and LW mining operations. Mr. Kvitkovich is a Registered Member of the Society for Mining, Metallurgy, and Exploration, Inc., and is a Competent Person as defined in the JORC Code and HKEx Chapter 18 Rule 18.21.

Mr. Paul D. Anderson — Director of Geological Services, BS (Geology) Mr. Anderson is a Certified Professional Geologist (AIPG) with 35 years of professional experience in exploration, evaluation, and development of coal and mineral deposits. Mr. Anderson is a Registered Member of the Society for Mining, Metallurgy, and Exploration, Inc., and a member of the American Institute of Professional Geologists and is qualified as a Competent Person as defined in the JORC Code and HKEx Chapter 18 Rule 18.21.

1.6 Certification of Competent Evaluator

As evidenced by Mr. Lewis's signature to this report, he certifies that, to the best of his knowledge and belief:

- The statements of fact contained in this Report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, and BOYD's impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- I (Mr. Lewis), nor BOYD, have no present or prospective interest in the Yitai Group assets that are the subject of this Report, and I, nor BOYD, have no personal interest with respect to the parties involved.
- I, nor BOYD, have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- BOYD's engagement in this assignment was not contingent upon developing or reporting predetermined results.
- BOYD's compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the VALMIN Code.
- I have not made a personal inspection of the property that is the subject of the report, but representatives of BOYD have visited the Yitai Group mines in conjunction with the preparation of the companion Competent Person's Independent Technical Review report.

1.7 Reporting Considerations

BOYD is a privately owned consultancy firm with headquarters in the United States. Our company was selected for this assignment on the basis of our internationally recognized expertise in exploration, resource/reserve studies, mine development, and valuation.

Estimates of resources and reserves, as well as projections of mine and processing plant output, and financial results, are inherently forward-looking statements. Actual performance may differ from projections of future performance due to various reasons beyond the control of BOYD, including, but not limited to: inherent uncertainties in geologic data interpretation, occurrence of unforeseen geological conditions, change or lack of development in key domestic and international markets, material changes in market prices, variances in the execution of construction and mine plans, and significant changes in projected materials, supplies, parts and equipment, operating costs, and expenditures. Imposition of different central, regional, and/or local government policies could affect future coal production. For example, increased environmental compliance and changes in regulatory oversight for health and safety could result in reduced output and increased costs. Possible variations of future performance from the projections presented in this report are addressed in more detail in specific sections of this report.

We believe the Yitai Group mining operations are appropriately equipped and operated, and except for normal geologic, operational, and other risks associated with underground coal mining in the PRC, BOYD has not identified any concerns and/or risks that we consider extraordinary. Management of each mine is a critical element in achieving both production plans and a high degree of safety. Yitai Group's output plans are based on operating the mines and production facilities consistent with each operation's production capacity. In the event that any unforeseeable events result in decreased production, BOYD is of the opinion that Yitai Group does not have additional capacity and scheduling to make up for any loss of production volumes.

The primary source of information (written and verbal) relied upon by BOYD in preparing this Valuation Report was provided by Yitai and Yitai Group. We have exercised reasonable care in reviewing the information provided and received written confirmation from Yitai that all historical data have been accurately reported and all forward projections are prepared and/or approved by competent professionals and Yitai Group management. Information regarding historical coal sales taking place beyond the minegate (pricing and related costs beyond the minegate) were provided in summary form and used by BOYD as provided. We have no reason to believe that any material facts have been withheld. We are not responsible for any material errors or omissions in the information provided.

The valuation opinion presented in this report represents the independent professional opinion of the Competent Evaluator and BOYD based on our review of available project information. Our expertise is in technical and valuation issues, and BOYD is not qualified to offer, nor do we represent that any of our findings include, matters of a legal or accounting nature. We have relied on information provided by Yitai and Yitai Group regarding land tenure, legal rights held, and ownership. We have not independently researched land and/or coal certificate rights, nor have we reviewed or verified the ownership or structure of the various entities with interests in Yitai Group. BOYD is not qualified to assess PRC legal matters and does not purport to offer a legal opinion on the status of ownership/control and/or the right to mine.

Although we believe all findings and conclusions to be reasonable, we rely on information developed by others and reflect mining and marketing conditions, and our interpretation of regulations, as of the date of the VR.

Following this page are:

Figure

1.1: General Location Map Showing Yitai Group Coal Mines, Coal Measures, Railways, and Ports

1.2: Map Showing Mining and Exploration Right Areas and Selected Transportation Infrastructure

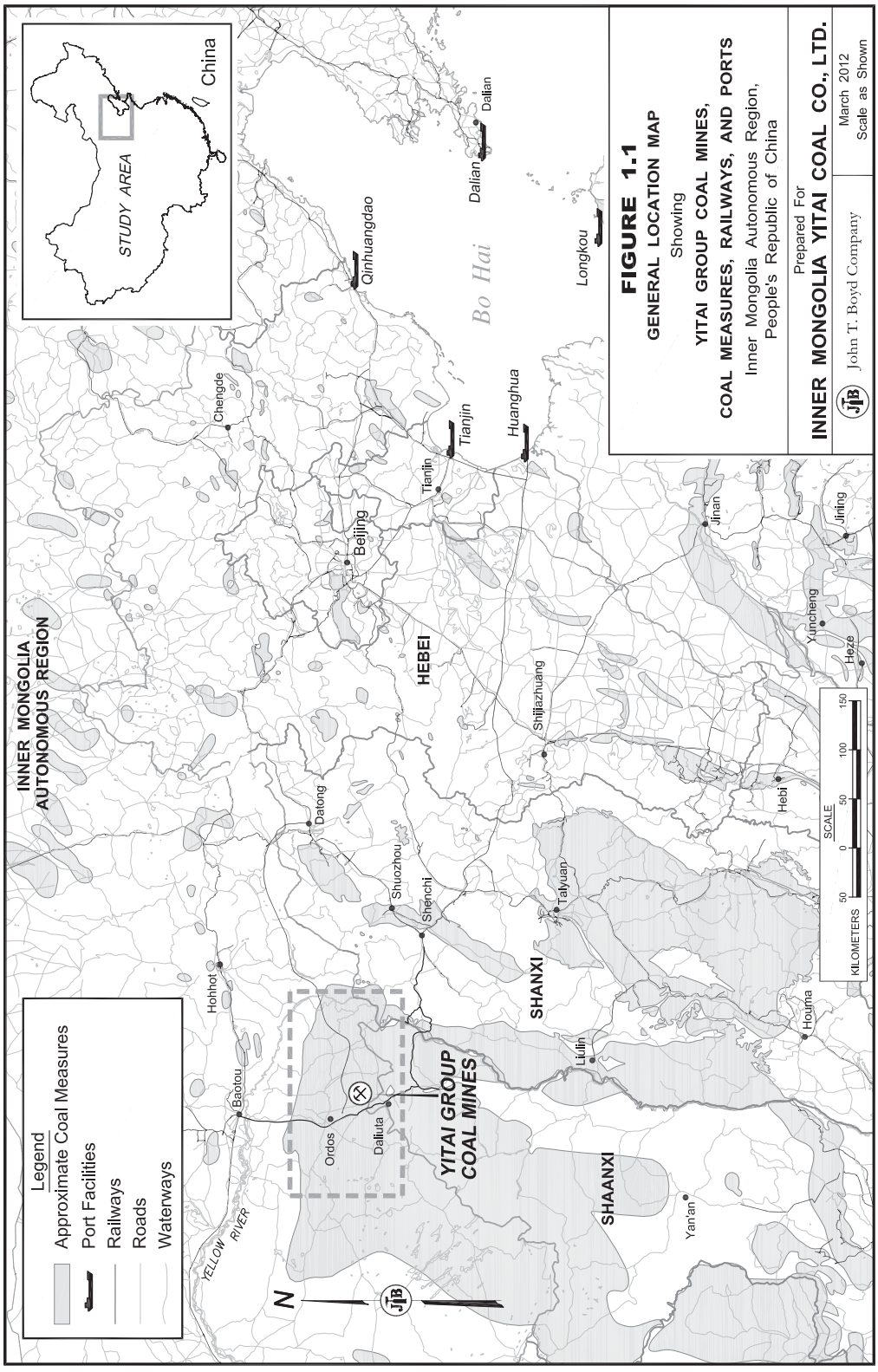
Respectfully submitted,

JOHN T. BOYD COMPANY
By:

Paul D. Anderson
Director of Geological Services

James F. Kvitkovich
Vice President

Ronald L. Lewis
Managing Director and COO


INNER MONGOLIA AUTONOMOUS REGION
HEBEI
SHANXI
SHAANXI
YITAI GROUP COAL MINES
Bo Hai
YELLOW RIVER
Legend
Approximate Coal Measures
Port Facilities
Railways
Roads
Waterways
STUDY AREA
China
Hohhot
Baotou
Ordos
Daliuta
Datong
Shuozhou
Shenchi
Taiyuan
Liulin
Yan'an
Houma
Hebi
Shijiazhuang
Chengde
Beijing
Tianjin
Qinhuangdao
Huanghua
Longkou
Dalian
Jinan
Yuncheng
Jiriing
Heze
SCALE
KILOMETERS
50 0 50 100 150
N
FIGURE 1.1
GENERAL LOCATION MAP
Showing
YITAI GROUP COAL MINES,
COAL MEASURES, RAILWAYS, AND PORTS
Inner Mongolia Autonomous Region,
People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
John T. Boyd Company
March 2012
Scale as Shown

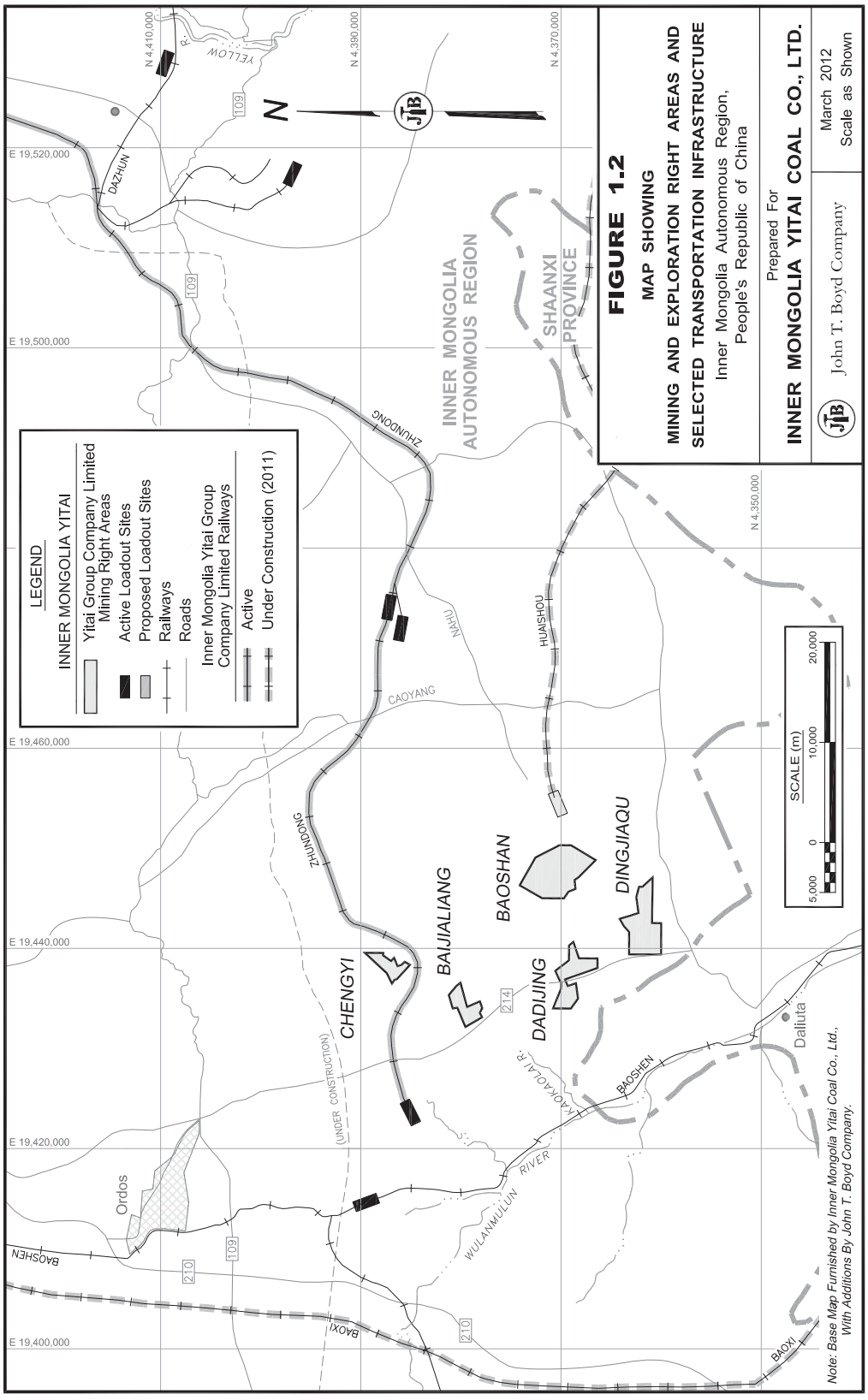


FIGURE 1.2
MAP SHOWING
MINING AND EXPLORATION RIGHT AREAS AND
SELECTED TRANSPORTATION INFRASTRUCTURE
Inner Mongolia Autonomous Region,
People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
John T. Boyd Company
March 2012
Scale as Shown
LEGEND
INNER MONGOLIA YITAI
Yitai Group Company Limited Mining Right Areas
Active Loadout Sites
Proposed Loadout Sites
Railways
Roads
Inner Mongolia Yitai Group Company Limited Railways
Active
Under Construction (2011)
INNER MONGOLIA AUTONOMOUS REGION
SHAANXI PROVINCE
CHENGYI
BAJIALIANG
BAOSHAN
DINGJIAQU
DADIJING
ZHUNDONG
CAOYANG
NAHU
HUAISHOU
DAZHUN
YELLOW R.
Ordos
Dalluta
BAOSHEN
BAOXI
WULANMULUN RIVER
TAOKAOLAI R.
(UNDER CONSTRUCTION)
SCALE (m)
5,000 0 10,000 20,000
N 4,410,000
N 4,390,000
N 4,370,000
N 4,350,000
E 19,520,000
E 19,500,000
E 19,460,000
E 19,440,000
E 19,420,000
E 19,400,000
109
210
214
Note: Base Map Furnished by Inner Mongolia Yitai Coal Co., Ltd., With Additions By John T. Boyd Company.

2.0 VALUATION OPINION

The assignment of this report is to opine on the Fair Market Value (FMV) of the five Yitai Group underground coal mines, as of 1 January 2012. Based on the production, sales, cost, and other data provided to BOYD for the purposes of this assignment and our LOM plan and DCF analysis, we developed an independent opinion of the value of the Yitai Group mines.

According to our discounted cash flow analysis, the Base FMV of the five mining operations on the Yitai Group basis is RMB8,726 million.

Mine	Full Interest Valuation FMV (DCF-NPV)[1][2]	Yitai Group Ownership (%)	Yitai Group Ownership Valuation[1],[2],[3]
Dadijing	4,349	100.0	4,349
Baoshan	2,559	73.0	1,868
Dingjiaqu	2,495	73.0	1,821
Chengyi	594	100.0	594
Baijialiang	94	100.0	94
Total	10,090		8,726

(1) RMB millions (as of 1 January 2012).

(2) Figures may not add due to rounding

(3) Yitai Group interest basis.

To provide guidance on the probable range in values, we have completed a series of sensitivity DCF-NPV analyzes. The probable range in value using the variables below to the specified Base Case FMV parameters using a 10% discount factor are as follows:

Sensitivity Case	Valuation FMV (DCF-NPV)[1],[2]
Sales Prices (+20%)	11,300
Sales Price (+10%)	10,000
Operating Cost (–10%)	9,200
Capital Cost (–10%)	8,800
Capital Cost (+10%)	8,600
Operating Cost (+10%)	8,300
Flat Chinese Income Tax Rate (25%)	7,800
Sales Prices (–10%)	7,500
Production (–10%)	7,400
Sales Prices (–20%)	6,100

(1) RMB millions (as of 1 January 2012).

(2) Yitai Group interest basis.

The probable range in value using discount factors ranging from 8% to 12% are as follows:

Discount Factor (%)	Yitai Group Ownership Valuation[1],[2]
8	9,555
9	9,122
10	8,726
11	8,361
12	8,025

(1) RMB millions (1 January 2012).

(2) Yitai Group Interest basis.

We developed life-of-mine (LOM) plans for each mine that provide the foundation of the cash flow projections. Level of study of the LOM plans is considered to be Prefeasibility. All plans are limited to defined JORC Code qualified Proven and Probable Reserves (as developed by BOYD in the Competent Person's Report (CPR)).

The major valuation parameters and assumptions used to develop our base FMV are as follows:

1. Annual coal production, operating cost, and capital expenditures are derived from the LOM plan (developed by BOYD) for each mine.
2. All costs and prices are expressed in constant RMB values.
3. Annual cash flow projections are calculated on an after-tax basis, with annual capital expenditures deducted in the year incurred. Yitai provided Chinese tax rates for individual mines, that varied between 15 and 25%, which recognize preferred tax rates for Inner Mongolia A.R. industrial development.
4. Discounting is completed using a fixed rate of 10% with mid-year discounting used when assigning the period applicable to each year.

3.0 SUMMARY OF ASSETS

3.1 Introduction

A detailed description of the Yitai Group mining operations is contained in the companion report: Competent Person's Report, Inner Mongolia Yitai Coal Co., Ltd., March 2012, as prepared by BOYD. This chapter provides a summary of the Yitai Group assets included in this independent Valuation Report.

Yitai Group underground mines are located in southern Inner Mongolia, near the boundary of Shaanxi and Shanxi provinces, and within China's largest coal-producing region. The following Yitai Group mining rights areas were included in this Report:

Mining Rights Area	Yitai Group Equity Interest (% owned)	Mining Certificate Number	Authorized Mining Right Output Capacity (Mtpa)	Authorized Mining Elevation (m)	Mining Method	Area (km^2)	Mining Right Grant Date (month/yr)	Mining Right Expiration Date* (month/yr)
Dadijing	100.0	C1500002011061120115049	1.20	1,115-1,320	UG	11.6	06/2011	12/2018
Baoshan	73.0	C1500002011071120115196	1.20	1,100-1,300	UG	25.0	07/2011	12/2018
Dingjiaqu	73.0	C1500002011061120115051	1.20	1,120-1,240	UG	17.4	06/2011	12/2018
Chengyi	100.0	C1500002011061120115048	0.60	1,224-1,362	UG	5.1	06/2011	12/2013
Baijialiang	100.0	C1500002011061120115050	0.30	1,242-1,308	UG	6.5	06/2011	10/2013

* Terms are normally renewable prior to expiration.

Note: UG = underground

BOYD has reviewed the mining rights documentation presented by Yitai with regard to the Yitai Group coal holdings. To the extent supported by the documentation and from BOYD's standing as a technical expert, we have accepted that Yitai Group holds the mining right certificates for the areas evaluated in this report. We understand that these rights reference only underground extraction methods.

Mine	Coal Production Certificate Number	Authorized Output Capacity (Mtpa)	Mining Method	Certificate Grant Date	Expiration Date
	Yitai Group Mines				
Dadijing	201527280154	3.00	FM LW	4/15/2010	12/31/2023
Baoshan	201527280369	1.90	FM LW	4/15/2010	12/31/2025
Dingjiaqu	201527280378	2.30	FM LW	4/15/2010	12/31/2023
Chengyi	201527230041	1.20	FM LW	4/15/2010	4/30/2019
Baijialiang	201527280139	1.90	FM LW	4/15/2010	4/30/2012

3.2 Geology and Resources

3.2.1 Geologic Setting

On a global basis, the geological setting or nature of the coal deposits controlled by Yitai Group are judged to be simple to moderate in complexity (i.e., not geologically complex). The mine and exploration areas evaluated are located within the Dongsheng Coalfield.

The coal-bearing strata within the Dongsheng Coalfield occur in the Middle and Lower Jurassic-age Yan'an Formation, containing coal seams 2 through 7. There are several principal coal seams that are uniform in occurrence generally 3 to 6 m thick and other secondary seams that range in thickness from 1 to 3 m.

Yitai's/Yitai Group's geological and geotechnical staff's technical knowledge of the reserve base and associated geologic settings is adequate to support projected long-term mining operations.

Based on our review of the coal resource data and the methodology used to define the resources, our visits to the active mining operations, and interaction with Yitai personnel, we have a high degree of confidence that the resource estimates shown in this report are professionally prepared and representative of the specified mine properties.

3.2.2 Resources and Reserves

Using source data provided by Yitai, BOYD has independently assessed this information and prepared resource and reserve estimates in accordance with JORC Code. Our estimates of the Measured, Indicated, and Inferred Resources and Proved and Probable Recoverable and Marketable Reserves for the five Yitai Group mining rights areas, as of 31 December 2011, are summarized as follows:

Control Type & Mine	In-Place Resource (Mt)				Recoverable Reserves (Mt)			Processing Yield %	Marketable Reserves (Mt)			% of Reserves
	Measured	Indicated	Inferred	Total	Proved	Probable	Total		Proved	Probable	Total	
Inner Mongolia Yitai Group Company Limited												
Mining Rights												
Dadijing	7.45	63.01	—	70.46	6.20	48.04	54.24	95	5.82	45.96	51.78	58
Baoshan	7.40	17.89	—	25.29	4.37	11.66	16.03	91	3.93	10.62	14.55	17
Dingjiaqu	11.14	13.00	0.31	24.45	8.73	8.82	17.55	93	8.10	8.19	16.29	19
Chengyi	5.71	2.41	0.37	8.49	3.57	1.53	5.10	95	3.38	1.44	4.82	5
Baijialiang	0.05	0.61	—	0.66	0.04	0.47	0.51	96	0.04	0.45	0.49	1
Total	31.75	96.92	0.68	129.35	22.91	70.52	93.43		21.27	66.66	87.93	100

Note: Tonnages shown for Baoshan and Dingjiaqu reflect 100% equity

Approximately 24% of the Marketable Reserves are in the Proved classification. Based upon projected coal output levels and current BOYD reserve base estimate, projected FM LW mine lives are as follows:

Mine	Projected Life (years)*
Dadijing	21
Baoshan	7
Dingjiaqu	7
Chengyi	4
Baijialiang	—**

* Based on BOYD LOM planning projections and BOYD Marketable reserves estimates.

** Depletion of LW reserves in 2nd Q 2012.

3.2.3 Coal Quality

The Dongsheng Coalfield supports numerous mining operations and is a major source of thermal coal in the PRC. Therefore, coal quality characteristics are well known and documented. According to Chinese coal

classification, the Yitai Group mines principally produce long flame (CY41) coal with non-caking (BN31) coal production.

The Yitai Group mine output is characterized by medium to high calorific value, non-caking coal (high-volatile C bituminous rank) with low sulfur content. Calorific value varies with moisture and ash content but is typically 5,000 to 5,500 Kcal/kg on an as-received basis, including partings and mining dilution.

Typical Yitai Group coal quality (as-received basis) is as follows:

Characteristic (as-received basis)		Parameter
Moisture	(%)	17-20
Ash	(%)	8-18
Sulfur	(%)	0.2-0.7
Volatile Matter	(%)	22-27
Calorific Value	(Kcal/kg)	5,000-5,500

The coal seams typically contain few in-seam partings, and therefore, mines can produce an acceptable quality of coal product on a screened, raw (without coal washing) basis.

Yitai Group operations utilize a combination of screening, crushing, and hand-picking to increase product quality. At Baijialiang, Baoshan, and Dadijing mines, the coal is screened at 50 mm. Lump coal (plus 50 mm) is sold directly on site, while the minus 50-mm size coal is transported to nearby rail loading stations. At Chengyi and Dingjiaqu mines, however, coal is crushed to minus 50-mm size to be transported to the rail loading stations. According to Yitai Group, there is no plan to build coal washing facilities at any of the mine sites. It is BOYD's opinion that this arrangement is appropriate since the screened coal products achieve acceptable quality for the markets or, if necessary, raw coal can be transported to Yitai's Zhunge'erzhao CPP for processing. BOYD's valuation analysis assumes that the current practice of producing saleable raw coal products continues.

3.3 Mine Operation

3.3.1 Mines

Yitai Group owns and operates five small to medium-sized underground LW mines. These mines have transitioned to FM mining operations by combining multiple small local mining right areas. The current approved production certificate output level for these mines ranges from 1.2 to 3.0 Mtpa, as follows:

Mine	Yitai Group Equity Interest (% owned)	Date of Initial Operation[1]	Current Approved Mining Right Output Capacity (Mtpa)	Approved Production Certificate Capacity (Mtpa)	Estimated[2] Remaining Reserve Tonnes as of 31 December 2011 (millions)	Integrated from Local Mines
Dadijing	100.0	4/1/2008	1.2	3.0	52	Dadijing, Dashuigou
Baoshan	73.0	6/1/2007	1.2	1.9	15	Baoshan, Qiaojiata, Niujialiang
Dingjiaqu	73.0	12/1/2008	1.2	2.3	16	Sanhechang No. 2, Dingjiaqu
Chengyi	100.0	2/1/2009	0.6	1.2	5	Chengyi, Yelaisetai
Baijialiang	100.0	1/1/2008	0.3	1.9	*	Baijialiang, Naomutu

(1) After integration from local mines.

(2) BOYD estimate of marketable tonnes according to JORC Code classification.

* 0.49 Mt of remaining LW mineable reserves.

BOYD visited the five subject mines in August 2009, February 2011 and February 2012. Based on our field observations, the mines are well capitalized and organized, utilizing FM LW mining systems supported predominantly by roadheader development units. Underground mining conditions are generally favorable, with relatively thick coal seams and minimal seam gradients; depth of mining is relatively shallow (less than 200 m). Third-party service entities provide a supplemental source of workers and are employed to provide certain

services in the coal production process on an as-needed basis. Yitai Group maintains the overall management of each mine, while the third-party service providers working at the mines report to the general managers appointed by Yitai Group at each mine.

Mine	BOYD Visit Date	Mining Techniques	No. of LW Faces	Manufacturing Source of LW Face	Off-Site Coal Transportation
Dadijing	8/30/2009 & 2/18/2011 & 2/2/2012	LW/RH/DB	1	D	T to RLST/C
Baoshan	8/30/2009 & 2/17/2011 & 2/2/2012	LW/RH	1	D	T to RLST/C
Dingjiaqu	8/27/2009 & 2/17/2011 & 2/2/2012	LW/RH	1	D	T to RLST/C
Chengyi	8/31/2009 & 2/17/2011 & 2/2/2012	LW/RH	1	D	T to RLST/C
Baijialiang	8/30/2009 & 2/17/2011 & 2/2/2012	LW/RH	1	D	T to RLST/C

Note:
LW = Longwall
RH = Roadheader
DB = Drill and Blast
D = Domestic
T = Truck
RLST = Rail Loading Station
C = Customer

Yitai Group's reserve base offers the potential for highly efficient LW mine designs comparable to those employed at similar highly mechanized mines in the United States and Australia. Higher levels of output can be anticipated from the existing and future LW installations.

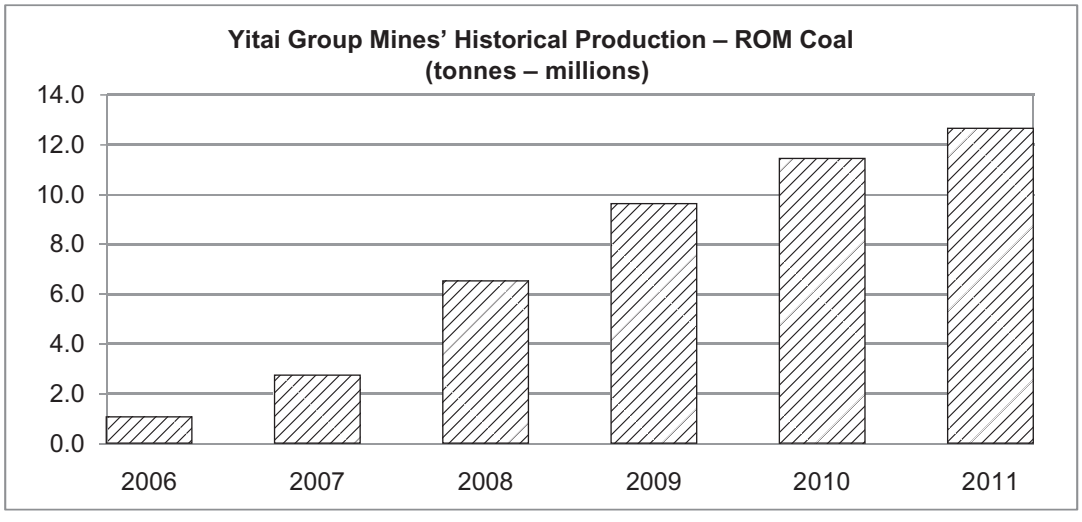
3.3.2 Historical Production

Yitai Group's production in the past six years has been increasing, especially in the years 2008 and 2009, when the mines transitioned to FM LW techniques, as shown below:

	ROM Coal Production (tonnes — millions)															
	2006		2007		2008			2009			2010			2011		
Mine	DB	FM	DB	FM	DB	FM	Total	DB	FM	Total	DB	FM	Total	DB	FM	Total
Dadijing	0.63	—	1.33	—	1.71	1.34	3.05	1.37	1.90	3.27	1.50	2.27	3.77	1.42	3.04	4.46
Baoshan	0.06	—	0.72	—	—	1.68	1.68	—	1.53	1.53	—	1.81	1.81	—	2.16	2.16
Dingjiaqu	0.04	—	0.17	—	0.13	—	0.13	—	2.21	2.21	—	2.80	2.80	—	3.05	3.05
Chengyi	0.02	—	0.15	—	0.16	0.04	0.20	—	0.88	0.88	—	1.11	1.11	—	0.94	0.94
Baijialiang	0.32	—	0.38	—	0.25	1.22	1.47	—	1.75	1.75	—	1.97	1.97	—	2.07	2.07
Total	1.06	—	2.74	—	2.25	4.28	6.53	1.37	8.27	9.64	1.50	9.96	11.46	1.42	11.26	12.68

DB = Drill & Blast, FM = Fully Mechanized

Note: Figures may not add due to rounding and reflect 100% equity in all cases.



Yitai Group mines employ modern LW mining techniques. Physical mining conditions are generally considered among the most favorable observed by BOYD in the world coal mining industry and highly conducive to the utilization of LW and roadheaders. Although the mines only evolved from drill and blast (DB) mining techniques to FM LW using domestic equipment in the 2006 — 2011 period, the transition has been successfully managed. Yitai Group's mine plans appear appropriate for the geologic and geotechnical settings observed in the current mines and reflect known or potential mining hazards. Yitai Group mines are producing at higher output levels than those shown in the design documents. This is common in the PRC, particularly where a mining operation has introduced newer FM LW systems.

3.3.3 Staffing

Yitai Group engages third-party service providers for their main source of personnel for development and production work. Yitai Group mines had 2,288 mine-related, registered employees (as of 1 January 2012), summarized as follows:

	Staffing as of 1 January 2012*			
Mine	UG	Surface Coal Processing	Surface Service/ Other	Total
Dadijing	674	—	142	816
Baoshan	317	—	102	419
Dingjiaqu	260	8	85	353
Chengyi	203	27	77	307
Baijialiang	213	39	141	393
Subtotal	1,667	74	547	2,288

* Includes third-party service providers.

Of total personnel, 246 are Yitai Group employees. Yitai Group's employment approach is also commonly used at other mines in the PRC to varying extents. Third-party service providers are generally comprised of experienced workers from other coal-producing areas. Yitai Group's personnel are generally involved in mine management only. The overall staffing level is comparable to similar regional coal producers and is much lower than that of other coal-producing areas within the PRC using more labor-intensive mining techniques and operating in less favorable conditions. The present personnel complement for the headquarters, management support staff, and auxiliary management production support staff is adequate for the planned scale of operations and is expected to remain relatively constant over the mine service lives.

Labor productivity in 2011 for total mine and underground employees was 5,540 and 7,610 product tonnes per employee-year, respectively, for the Yitai Group mines. Yitai Group's average labor efficiency for 2011 detailed by mine is as follows:

	2011 Output Tonnes	Number of Employees		Productivity (tonnes/employee-yr)	
Mine	(millions)	Mine	Underground	Mine	Underground
Dadijing	4.463	816	674	5,470	6,620
Baoshan	2.161	419	317	5,160	6,820
Dingjiaqu	3.055	353	260	8,650	11,750
Chengyi	0.938	307	203	3,050	4,620
Baijialiang	2.069	393	213	5,260	9,710
Yitai Group Total/Average	12.685	2,288	1,667	5,540	7,610

Note: Figures may not add due to rounding.

Yitai Group's labor efficiency (raw tonnes divided by payroll personnel count) is comparable to the international coal industry.

3.3.4 Mine Operating Costs

According to information provided by Yitai Group, average mine operating costs by year were as follows:

Mine	Operating Costs (RMB/ROM tonne)*					
	2006	2007	2008	2009	2010	2011
Dadijing	62	74	74	103	102	107
Baoshan	28	67	70	69	82	83
Dingjiaqu	50	52	111	67	66	67
Chengyi	52	55	75	94	100	121
Baijialiang	45	54	72	67	72	73
Yitai Group Average*	55	67	74	82	85	89

* Composite costs include a weighted average of DB and FM output.

A breakdown of operating costs on a composite basis is as follows:

Category	Operating Costs (RMB/ROM tonne)*					
	2006	2007	2008	2009	2010	2011
	(RMB/ROM tonne)					
Cash Costs						
Materials / Supplies	4	3	6	5	4	7
Maintenance/Repairs	—	—	5	1	2	1
Power / Fuel	1	1	2	2	3	3
Salary & Welfare	5	9	8	7	8	9
Production Fees	38	45	47	60	60	62
Subtotal – Cash Costs	48	59	69	75	76	81
Non-Cash Costs						
Depreciation	7	8	5	8	9	8
Subtotal – Non-Cash Costs	7	8	5	8	9	8
Total	55	67	74	82	85	89

* Average composite costs include a weighted average of DB with FM output achieved with FM LW face methods.

Note: Figures may not add due to rounding.

Yitai Group mines' operating costs are in-line with BOYD's expectations based on our experience in China and the type of mines, technology employed, and output levels.

3.4 Life-of-Mine Planning

In order to have a reliable basis to project future revenue, operating and capital costs, and cash flow for the Yitai Group, BOYD has extended the available three-year projections to a life-of-mine (LOM) plan for mines in the Yitai Group (except for Baijialiang, which closes in 2012). This is a necessary step in the valuation of mining operations using the income method (of valuation). We have restricted all future mine plans to defined Marketable Reserve areas in accordance with VALMIN, JORC, and HKEx Chapter 18 requirements. The level of mine planning is considered Prefeasibility.

BOYD's LOM projections and operating performance, shown in Table 3.7, include annual ROM output, LW face retreat distance (meters), LW face moves, and average seam thickness. The LOM period extends from 2012 to 2033, with the following mine operating schedule:

Mine	Last Year of Mine Operation
Dadijing	2033
Baoshan	2018
Dingjiaqu	2019
Chengyi	2015
Baijialiang	2012

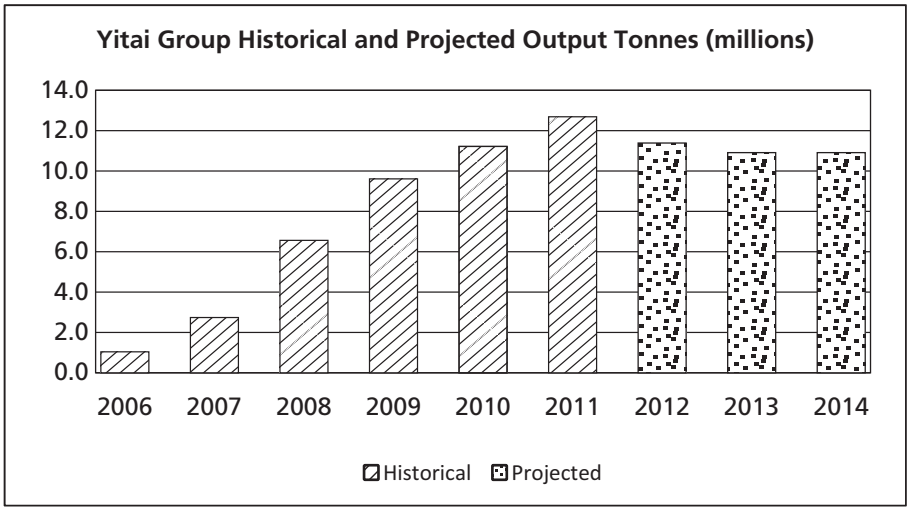
Using the LOM LW face layouts developed for the CPR reserve analysis, we sequenced the Yitai Group mines through the planned LW faces at LW face retreat rates consistent with Yitai Group's recent operating history and our experience with similar Chinese coal mines.

LW face retreat rate varied by mine, based on BOYD estimates. We assume that Yitai Group will maintain sufficient LW face equipment redundancy to support the projected face retreat meterage, where LW face relocations (moves) exceed two per year. BOYD's LOM sequencing by mine by seam is shown in Figures 3.1 to 3.10. Output projections also include tonnage from LW development estimated at 7% of total ROM output. We have assumed that LW development is adequate to avoid LW face relocation delays. Detailed development timing has not been performed, but recognizing the mines' recent LW performance, we are confident that Yitai Group has the resources to avoid LW face delays due to insufficient gate development.

3.5 Future Operations

3.5.1 Three-Year Projections

BOYD's review of future operations was based on Yitai's internally prepared three-year mine plans, business projection data submittals, and discussions with corporate and mine management, financial, and engineering staff. The internal mine plan begins 1 January 2012 and ends 31 December 2014. Available mine plan forecasts were evaluated for reasonableness according to recent operating history.



The transition from DB practices to FM LW technology has been accomplished in all Yitai Group mines, and the mine infrastructures in these mines have been shown to be capable of supporting the proposed output levels. BOYD has reviewed the plans for 2012 — 2014 and the reserve tonnages in the Yitai Group mines. Based on our review, output plans for the mines, are achievable in our opinion except as noted. Output from open pit and room and pillar mining may be required to supplement LW face output at Dadijing, Dingjiaqu, and Baijialiang mines. Room and pillar mining methods are deployed on occasion to recover coal resources not suitable for FM LW mining methods. Depletion of FM LW reserves is expected at the Baijialiang Mine in 2012. Of the 0.80 Mt output projected in 2012, 0.31 Mt is generated from room and pillar mining operations and 0.49 Mt from FM LW operations. We project that Dingjiaqu will be transitioning into thinner LW coal reserves in 2013 and LW face out will be affected. Of the 3.0 Mt output projected in 2013 and 2014, 0.50 and 1.00 Mt is generated from room and pillar mining operations and 2.50 and 2.00 Mt is produced from FM LW operations in 2013 and 2014, respectively. Dadijing will continue utilizing room and pillar mining operations for a portion of its output. Output projections for 2012 include 0.90 Mt generated from room and pillar mining operations open pit mining operations are projected to provide 1.0 Mt annually in 2013 and 2014 at Dadijing.

The following table shows Yitai Group ROM coal output projections for the period 2012 through 2014:

Mine	Projected ROM Output (tonnes — millions) 2012	2013	2014
Dadijing*	4.20	4.50	4.50
Baoshan	2.20	2.20	2.20
Dingjiaqu**	3.00	3.00	3.00
Chengyi	1.20	1.20	1.20
Baijialiang***	0.80	—	—
Total****	11.40	10.90	10.90

* Yitai Group Dadijing output projections include 0.90 Mt of room and pillar output 2012.

** We project that Dingjiaqu will be transitioning into thinner coal reserves in 2013 and LW face output will be affected. Of the 3.0 Mt output projected in 2013 and 2014, 0.5 and 1.0 Mt is generated from room and pillar operations.

*** Based on BOYD's reserve estimation, we project that Baijialiang mine will deplete its FM LW reserves in 2012. Of the 0.80 Mt output projection in 2012, 0.31 Mt is projected from room and pillar mining operations.

**** Open pit mining at several mines may also contribute to Yitai Group's output (including 1.0 Mt annually at Dadijing in 2013 and 2014).

Yitai Group production on a product output tonnage basis is equivalent to the ROM (raw coal) tonnage since Yitai Group sells its coal on an unwashed (raw coal) basis.

Yitai Group staffing projections are summarized as follows:

	Employees at Full Production											
	Dadijing		Baoshan		Dingjiaqu		Chengyi		Baijialiang		Total	
Category	Yitai Gp.	Other	Yitai Gp.	Other	Yitai Gp.	Other	Yitai Gp.	Other	Yitai Gp.	Other	Yitai Gp.	Other
Underground	19	610	21	327	—	269	—	219	—	213	40	1,638
Surface	—	—	—	—	4	12	12	15	32	7	48	34
Service	24	118	25	86	56	29	32	45	25	116	162	394
Subtotal	43	728	46	413	60	310	44	279	57	336	250	2,066
Total	771		459		370		323		393		2,316	

Yitai Group's projected average labor productivity at full output by mine is as follows:

Mine	Projected Full Operation Output Tonnes (Mt)	Employees		Productivity (tonnes/employee-yr.)	
		Total Mine	Underground Only	Total Mine	Underground Only
Dadijing	4.20	771	629	5,450	6,710
Baoshan	2.20	459	348	4,790	6,320
Dingjiaqu	3.00	370	269	8,110	11,150
Chengyi	1.20	323	219	8,720	5,480
Baijialiang	0.80	393	213	2,040	3,760
Yitai Group Total/Average	11.40	2,316	1,678	4,920	6,790

Projected staffing levels remain fairly consistent with actual staffing at the Yitai Group mining operations. Added personnel who were used during the transition period in order to expedite the mine upgrades are reassigned to regular production duties to support the increased mine output levels.

3.5.2 Capital Spending

During this assignment, Yitai Group provided internal capital spending estimates from 2012 through 2014 for the five active mines. Additionally, BOYD has projected capital spending for face transitions and additional production equipment as needed in LOM planning. Our analysis utilizes Yitai Group's plans for equipment from the Baijialiang Mine after its closure in 2012. A summary of 2012 through 2014 capital spending is summarized below:

	Projected Capital Expenditures (RMB-millions)[1]			
Mine	2012	2013	2014	Total
Dadijing	48	21	16	85
Baoshan	26	14	15	55
Dingjiaqu	23	23	22	68
Chengyi	10	9	8	27
Baijialiang	—	—	—	—
Yitai Group Total	107	67	61	235

(1) Figures may not add due to rounding.

Capital spending is adequate for face replacements during the period. Following 2014, sustaining capital was projected on an approximate RMB6 per ROM tonne basis, excluding new production equipment necessary to sustain LOM planning. Baoshan Mine plans to replace its LW with used equipment from Nalinmiao No. 1 (Yitai). An additional FM LW face is planned at Dadijing Mine, which will be sourced from Baijialiang Mine after its closure in 2012. (RMB40 million) is projected for a second LW Face at Dingjiaqu in 2015.

Projected capital spending is adequate to support the projected output levels utilized in our valuation. The current domestic faces in our opinion are capable of sustaining the projected production plans, although routine maintenance and replacement due to normal wear and tear are required. Capital spending estimates by mine are shown in Tables 4.1 through 4.6.

Since the transition to FM LW technology is complete, Yitai Group's capital spending is used for sustaining the current production level. Operating mines generally have adequate equipment and infrastructure (including shafts, inclines, belt conveyor systems, electrical systems, pumping systems, etc.) necessary to support projected output levels. Additional openings (shafts, inclines) or extensions of openings may be periodically required for ventilation or to access deeper occurring coal seams and/or more remote areas of the reserve. The relatively shallow operating depths of the Yitai Group mines require relatively low levels of excavation work. Thus, the impact of access projects on capital spending is relatively small.

3.5.3 Operating Costs

Yitai Group provided operating cost projections for the period 2012—2014. These operating cost projections are reasonable based on our experience, historical performance, and the advanced stage of mine capitalization at the Yitai Group operations. Yitai Group operating cost projections developed by BOYD in this valuation are summarized below and reflect FM LW mining only.

	Projected Operating Costs (RMB/ROM tonne)		
Mine	2012	2013	2014
Dadijing	105	109	112
Baoshan	86	87	89
Dingjiaqu	68	70	72
Chengyi	126	127	130
Baijialiang	76	—	—
Composite	91	96	100

Based on Yitai Group's projections, we extended the operating cost projections through the projected LOM plan for the four mines operating from 2015 onward (Baijialiang closes in 2012). We developed operating cost projections for post-2012 based on assumed production levels, staffing, fixed and variable cost assumptions, selling price, taxes, and fees. Operating cost projections reflect our judgment and modifications for anticipated operating circumstances and reflect FM LW mining only. A breakdown of operating cost projections can be found in Tables 3.1 through 3.6, following this text. Yitai Group operating cost projections by category are as follows:

	Projected Operating Costs (RMB/ROM tonne)[1]		
Category	2012	2013	2014
Cash			
Materials/Supplies	5	5	5
Maintenance/Repairs	2	2	2
Power/Fuel	3	3	3
Salary & Welfare	10	10	10
Production Fees	62	65	68
Subtotal — Cash	82	86	89
Non-Cash			
Depreciation	9	10	11
Subtotal — Non-Cash	9	10	11
Total	91	96	100

(1) Figures may not add due to rounding.

Operating cost projections include the following line items:

Cash Costs	Non-Cash Costs
Materials/Supplies	Depreciation
Repairs	
Power/Fuel	
Salary & Welfare	
Production Fees:	
Compensation for Subsidence & Village Move	
FM LW Relocation	
Mine Engineering Fee	
Contract Mining Fee	
Coal Management Fee	
Coal Price Adjustment Fund	
Environmental Recovery Compensation Fund	
Other Expenses	
Safety Fund Fee	
Production Maintenance Fee	

Operating cost projections follow Yitai Group's cost reporting format that is typically utilized in Chinese cost reporting format. Several cost categories are specific to Yitai Group costing procedures. Comments on specific line items are:

- Salary and welfare costs reference only third-party provider labor costs at the mine site. Yitai Group salary and welfare costs are included in General and Administrative costs (see Chapter 4).
- Compensation for village move costs are included in the Yitai Group projections. Our understanding is that the local government will be responsible for village move costs after 2012. The extent of village moves post-2012 is anticipated to be minor. We have projected monies for subsidence repairs based on Yitai projections.
- FM LW relocation costs are projected in RMB terms according to Yitai Group projections with adjustment for years where three or more face moves occur. Costs in this category relate to outsourcing of services for LW face moving and also include repair and rebuild of face components.

- The Contract Mining fee is paid to the third-party service providers for conducting mine operations.
- The Mine Engineering fee includes payments for services rendered at the mine site by third parties not related to labor services for mine operations.
- Other Expenses include minor cost categories.
- Limited room-and-pillar mining may be conducted at the Yitai Group mines during the LOM plan period, but the impact of these activities on financial performance is not evaluated in this analysis.
- The Environmental Recovery Compensation Fund fee is paid to local governments for mine-related environmental remediation issues and other projects.
- The Coal Price Adjustment Fund fee, RMB15 per ROM tonne, is paid to the Inner Mongolia Autonomous Region government as a general industry tax levy.
- The Coal Management fee in BOYD's projections includes the Coal Resource Compensation fee (1% of sales revenue).
- Depreciation projections are based on Yitai Group asset listings as of 1 January 2012. We extended the book depreciation as scheduled through the respective mine service lives.
- Amortization projections have been excluded from our analysis as directed by Yitai Group.
- The Safety Fund and Production Maintenance fees, RMB6 and RMB10.5 per ROM tonne respectively, have been included as cash costs as directed by Yitai Group.
- Financial expenses have been excluded from our analysis as directed by Yitai Group.

3.6 Environmental Overview

Based on observations during our site visits and our review of source data, BOYD concludes that Yitai Group has implemented appropriate environmental protection measures in response to national environmental protection laws. Generally, the company's environmental protection work is comparable to similar mining enterprises elsewhere in the PRC. Based on our site visits, BOYD opines that environmental protection practices at Yitai Group's mining operations function adequately. While the particulars of current environmental practices may need to be upgraded at some mines, there do not appear to be environmental constraints to future coal mining operations in meeting the relevant requirements as required by national laws. In our opinion, the environmental protection practices of Yitai Group comply with the PRC and World Bank's requirements for environmental protection related to coal mining activities.

Following this page are:

Tables

Estimated Operating Costs

3.1: Dadijing Mine

3.2: Baoshan Mine

3.3: Dingjiaqu Mine

3.4: Chengyi Mine

3.5: Baijialiang Mine

3.6: Yitai Group Composite

3.7: Projected Operating Performance, Yitai Group Mines

Figures

LOM Plans

TABLE 3.1

ESTIMATED OPERATING COSTS
DADIJING MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Production Tonnes (millions)	3.30	3.50	3.50	3.27	3.27	3.27	3.23	3.13	2.76	1.92	1.92
	Constant (RMB — millions)										
Cash Costs											
Materials / Supplies	23.5	20.6	20.6	20.5	20.5	20.5	20.5	20.5	18.0	15.0	15.0
Maintenance/Repairs	9.6	9.2	9.6	9.8	9.8	9.8	9.7	9.4	8.3	5.8	5.8
Power / Fuel	10.4	11.0	11.0	10.6	10.6	10.6	10.6	10.5	10.4	7.6	7.6
Salary & Welfare	24.4	34.7	34.7	35.0	35.0	35.0	35.0	35.0	30.0	25.0	25.0
Production Fees	240.4	261.9	275.1	247.0	250.0	247.0	244.2	243.1	219.8	157.0	154.0
Subtotal — Cash Costs	308.2	337.4	351.1	322.9	325.9	322.9	320.0	318.5	286.5	210.4	207.4
Non-Cash Costs											
Depreciation	38.3	44.3	39.9	32.1	46.5	48.8	45.5	37.9	48.9	50.1	51.2
Production Fees	—	—	—	—	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	38.3	44.3	39.9	32.1	46.5	48.8	45.5	37.9	48.9	50.1	51.2
TOTAL	346.5	381.8	391.0	355.1	372.4	371.8	365.4	356.5	335.3	260.6	258.6

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Production Tonnes (millions)	1.92	1.92	1.92	1.74	1.81	1.84	1.84	1.84	1.82	1.81	0.25
	Constant (RMB — millions)										
Cash Costs											
Materials / Supplies	15.0	15.0	15.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	2.5
Maintenance/Repairs	5.8	5.8	5.8	5.2	5.4	5.5	5.5	5.5	5.5	5.4	0.8
Power / Fuel	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	1.1
Salary & Welfare	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	5.0
Production Fees	151.0	157.0	160.0	147.2	146.2	148.3	151.3	148.3	146.9	146.2	20.3
Subtotal — Cash Costs	204.4	210.4	213.4	198.0	197.2	199.5	202.5	199.5	198.0	197.2	29.6
Non-Cash Costs											
Depreciation	46.2	32.9	31.6	30.3	29.3	27.4	26.3	25.1	25.2	25.3	3.8
Production Fees	—	—	—	—	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	46.2	32.9	31.6	30.3	29.3	27.4	26.3	25.1	25.2	25.3	3.8
TOTAL	250.7	243.3	245.0	228.3	226.5	226.9	228.8	224.6	223.2	222.5	33.4

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Constant (RMB/tonne)										
Cash Costs											
Materials / Supplies	7.13	5.89	5.89	6.27	6.27	6.27	6.35	6.55	6.52	7.81	7.81
Maintenance/Repairs	2.91	2.63	2.74	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Power / Fuel	3.15	3.15	3.15	3.24	3.24	3.24	3.27	3.37	3.77	3.98	3.98
Salary & Welfare	7.39	9.92	9.92	10.70	10.70	10.70	10.84	11.18	10.87	13.02	13.02
Production Fees	72.83	74.82	78.61	75.55	76.46	75.55	75.60	77.66	79.63	81.79	80.23
Subtotal — Cash Costs	93.40	96.41	100.31	98.75	99.67	98.75	99.06	101.76	103.79	109.60	108.03
Non-Cash Costs											
Depreciation	11.61	12.66	11.40	9.82	14.22	14.94	14.08	12.12	17.70	26.11	26.68
Production Fees	—	—	—	—	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	11.61	12.66	11.40	9.82	14.22	14.94	14.08	12.12	17.70	26.11	26.68
TOTAL	105.01	109.07	111.71	108.58	113.90	113.69	113.14	113.88	121.49	135.71	134.71

TABLE 3.1 — Continued

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Constant (RMB/tonne)										
Cash Costs											
Materials / Supplies	7.81	7.81	7.81	7.47	7.18	7.07	7.07	7.07	7.14	7.18	10.00
Maintenance/Repairs	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Power / Fuel	3.98	3.98	3.98	4.35	4.20	4.13	4.13	4.13	4.18	4.20	4.33
Salary & Welfare	13.02	13.02	13.02	14.37	13.81	13.59	13.59	13.59	13.74	13.81	20.00
Production Fees	78.66	81.79	83.35	84.62	80.78	80.62	82.25	80.62	80.73	80.78	81.10
Subtotal — Cash Costs	106.47	109.60	111.16	113.81	108.97	108.41	110.04	108.41	108.78	108.97	118.43
Non-cash Costs											
Depreciation	24.09	17.12	16.44	17.39	16.18	14.89	14.31	13.64	13.84	13.96	15.21
Production Fees	—	—	—	—	—	—	—	—	—	—	—
Subtotal — Non-cash Costs	24.09	17.12	16.44	17.39	16.18	14.89	14.31	13.64	13.84	13.96	15.21
TOTAL	130.56	126.72	127.60	131.20	125.15	123.30	124.35	122.05	122.62	122.93	133.63

TABLE 3.2

ESTIMATED OPERATING COSTS
BAOSHAN MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015	2016	2017	2018
Production Tonnes (millions)	2.20	2.20	2.20	2.20	2.20	2.00	1.55
	Constant (RMB — millions)						
Cash Costs							
Materials / Supplies	15.2	15.2	15.2	15.0	15.0	15.0	12.0
Maintenance/Repairs	2.5	4.7	3.5	5.0	5.0	4.5	3.5
Power / Fuel	6.5	6.5	6.5	6.5	6.5	6.4	5.9
Salary & Welfare	22.9	22.9	22.9	23.0	23.0	23.0	18.0
Production Fees	121.0	121.0	125.3	117.7	123.7	119.9	97.9
Subtotal — Cash Costs	168.1	170.4	173.5	167.2	173.2	168.8	137.3
Non-Cash Costs							
Depreciation	20.2	21.7	23.2	18.1	18.9	19.5	13.5
Production Fees	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	20.2	21.7	23.2	18.1	18.9	19.5	13.5
TOTAL	188.3	192.1	196.7	185.3	192.1	188.3	150.8
	Constant (RMB/tonne)						
Cash Costs							
Materials / Supplies	6.92	6.92	6.92	6.82	6.82	7.50	7.74
Maintenance/Repairs	1.13	2.13	1.58	2.25	2.25	2.25	2.25
Power / Fuel	2.97	2.97	2.97	2.98	2.98	3.18	3.83
Salary & Welfare	10.42	10.42	10.42	10.45	10.45	11.50	11.61
Production Fees	54.98	55.01	56.98	53.50	56.22	59.95	63.14
Subtotal — Cash Costs	76.42	77.45	78.87	75.99	78.72	84.38	88.58
Non-Cash Costs							
Depreciation	9.19	9.87	10.55	8.24	8.59	9.77	8.70
Production Fees	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	9.19	9.87	10.55	8.24	8.59	9.77	8.70
TOTAL	85.61	87.32	89.42	84.23	87.31	94.14	97.28

TABLE 3.3

ESTIMATED OPERATING COSTS
DINGJIAQU MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015	2016	2017	2018	2019
Production Tonnes (millions)	3.00	2.50	2.00	2.00	2.00	2.00	2.00	0.79
	Constant (RMB — millions)							
Cash Costs								
Materials / Supplies	8.5	7.1	5.7	6.0	6.0	6.0	6.0	4.0
Maintenance/Repairs	3.6	3.0	2.4	2.4	2.4	2.4	2.4	0.9
Power / Fuel	7.3	6.0	4.8	4.5	4.5	4.5	4.5	3.2
Salary & Welfare	23.3	19.4	15.5	15.5	15.5	15.5	15.5	8.0
Production Fees	144.5	123.8	102.2	106.6	106.6	109.6	121.6	50.3
Subtotal — Cash Costs	187.1	159.2	130.5	135.0	135.0	138.0	150.0	66.4
Non-Cash Costs								
Depreciation	16.7	15.2	13.5	20.6	28.1	29.0	29.3	24.7
Production Fees	—	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	16.7	15.2	13.5	20.6	28.1	29.0	29.3	24.7
TOTAL	203.8	174.4	144.0	155.7	163.2	167.0	179.4	91.1
	Constant (RMB/tonne)							
Cash Costs								
Materials / Supplies	2.83	2.83	2.83	3.00	3.00	3.00	3.00	5.06
Maintenance/Repairs	1.18	1.18	1.18	1.20	1.20	1.20	1.20	1.20
Power / Fuel	2.42	2.42	2.42	2.25	2.25	2.25	2.25	4.05
Salary & Welfare	7.75	7.75	7.75	7.75	7.75	7.75	7.75	10.13
Production Fees	48.17	49.51	51.08	53.32	53.32	54.82	60.82	63.62
Subtotal — Cash Costs	62.36	63.70	65.27	67.52	67.52	69.02	75.02	84.06
Non-Cash Costs								
Depreciation	5.57	6.07	6.74	10.31	14.07	14.49	14.65	31.31
Production Fees	—	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	5.57	6.07	6.74	10.31	14.07	14.49	14.65	31.31
TOTAL	67.93	69.77	72.01	77.83	81.59	83.51	89.68	115.36

TABLE 3.4

ESTIMATED OPERATING COSTS
CHENGYI MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015
Production Tonnes (millions)	1.20	1.20	1.20	1.22
	Constant (RMB — millions)			
Cash Costs				
Materials / Supplies	6.9	6.9	6.9	6.9
Maintenance/Repairs	4.0	4.0	4.0	4.0
Power / Fuel	4.2	4.2	4.2	4.4
Salary & Welfare	20.5	20.5	18.7	18.8
Production Fees	98.5	101.3	104.3	100.3
Subtotal — Cash Costs	134.0	136.8	138.1	134.3
Non-Cash Costs				
Depreciation	16.7	16.4	18.1	12.8
Production Fees	—	—	—	—
Subtotal — Non-Cash Costs	16.7	16.4	18.1	12.8
TOTAL	150.7	153.2	156.2	147.1
	Constant (RMB/tonne)			
Cash Costs				
Materials / Supplies	5.73	5.73	5.73	5.64
Maintenance/Repairs	3.32	3.32	3.32	3.26
Power / Fuel	3.48	3.48	3.48	3.58
Salary & Welfare	17.05	17.05	15.61	15.37
Production Fees	82.09	84.39	86.92	82.22
Subtotal — Cash Costs	111.66	113.96	115.06	110.06
Non-Cash Costs				
Depreciation	13.94	13.69	15.10	10.50
Production Fees	—	—	—	—
Subtotal — Non-Cash Costs	13.94	13.69	15.10	10.50
TOTAL	125.59	127.65	130.16	120.57

TABLE 3.5

ESTIMATED OPERATING COSTS
BAIJIALIANG MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012
Production Tonnes (millions)	0.49
	Constant (RMB — millions)
Cash Costs	
Materials / Supplies	1.6
Maintenance/Repairs	0.3
Power / Fuel	1.0
Salary & Welfare	6.6
Production Fees	24.6
Subtotal — Cash Costs	34.1
Non-Cash Costs	
Depreciation	2.4
Production Fees	—
Subtotal — Non-Cash Costs	2.4
TOTAL	36.5
	Constant (RMB/tonne)
Cash Costs	
Materials / Supplies	3.39
Maintenance/Repairs	0.68
Power / Fuel	2.08
Salary & Welfare	13.79
Production Fees	51.42
Subtotal — Cash Costs	71.35
Non-Cash Costs	
Depreciation	4.93
Production Fees	—
Subtotal — Non-Cash Costs	4.93
TOTAL	76.28

TABLE 3.6

ESTIMATED OPERATING COSTS
YITAI GROUP COMPOSITE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Production Tonnes (millions)	10.18	9.40	8.90	8.69	7.47	7.27	6.78	3.92	2.76	1.92	1.92
	Constant (RMB — million)										
Cash Costs											
Materials / Supplies	55.7	49.8	48.4	48.4	41.5	41.5	38.5	24.5	18.0	15.0	15.0
Maintenance/Repairs	19.9	20.8	19.4	21.1	17.2	16.7	15.6	10.3	8.3	5.8	5.8
Power / Fuel	29.3	27.8	26.6	26.0	21.6	21.4	21.0	13.7	10.4	7.6	7.6
Salary & Welfare	97.6	97.5	91.9	92.3	73.5	73.5	68.5	43.0	30.0	25.0	25.0
Production Fees	628.9	607.9	607.0	571.7	480.4	476.6	463.7	293.3	219.8	157.0	154.0
Subtotal — Cash Costs	831.6	803.8	793.2	759.4	634.2	629.7	607.3	384.9	286.5	210.4	207.4
Non-Cash Costs											
Depreciation	94.3	97.6	94.7	83.7	93.5	97.3	88.3	62.7	48.9	50.1	51.2
Production Fees	—	—	—	—	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	94.3	97.6	94.7	83.7	93.5	97.3	88.3	62.7	48.9	50.1	51.2
TOTAL	925.9	901.5	887.9	843.1	727.7	727.1	695.6	447.6	335.3	260.6	258.6

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Production Tonnes (millions)	1.92	1.92	1.92	1.74	1.81	1.84	1.84	1.84	1.82	1.81	0.25
	Constant (RMB — million)										
Cash Costs											
Materials / Supplies	15.0	15.0	15.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	2.5
Maintenance/Repairs	5.8	5.8	5.8	5.2	5.4	5.5	5.5	5.5	5.5	5.4	0.8
Power / Fuel	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	1.1
Salary & Welfare	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	5.0
Production Fees	151.0	157.0	160.0	147.2	146.2	148.3	151.3	148.3	146.9	146.2	20.3
Subtotal — Cash Costs	204.4	210.4	213.4	198.0	197.2	199.5	202.5	199.5	198.0	197.2	29.6
Non-Cash Costs											
Depreciation	46.2	32.9	31.6	30.3	29.3	27.4	26.3	25.1	25.2	25.3	3.8
Production Fees	—	—	—	—	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	46.2	32.9	31.6	30.3	29.3	27.4	26.3	25.1	25.2	25.3	3.8
TOTAL	250.7	243.3	245.0	228.3	226.5	226.9	228.8	224.6	223.2	222.5	33.4

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Constant (RMB/tonne)										
Cash Costs											
Materials / Supplies	5.47	5.30	5.44	5.57	5.56	5.71	5.68	6.25	6.52	7.81	7.81
Maintenance/Repairs	1.96	2.22	2.18	2.43	2.30	2.30	2.30	2.64	3.00	3.00	3.00
Power / Fuel	2.88	2.95	2.98	2.99	2.89	2.95	3.10	3.50	3.77	3.98	3.98
Salary & Welfare	9.59	10.37	10.32	10.62	9.84	10.11	10.10	10.97	10.87	13.02	13.02
Production Fees	61.79	64.68	68.20	65.79	64.31	65.55	68.39	74.83	79.63	81.79	80.23
Subtotal — Cash Costs	81.70	85.51	89.12	87.39	84.89	86.62	89.57	98.19	103.79	109.60	108.03
Non-Cash Costs											
Depreciation	9.27	10.39	10.64	9.63	12.52	13.39	13.02	15.99	17.70	26.11	26.68
Production Fees	—	—	—	—	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	9.27	10.39	10.64	9.63	12.52	13.39	13.02	15.99	17.70	26.11	26.68
TOTAL	90.97	95.90	99.77	97.02	97.42	100.01	102.59	114.18	121.49	135.71	134.71

TABLE 3.6 — Continued

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Constant (RMB/tonne)										
Cash Costs											
Materials / Supplies	7.81	7.81	7.81	7.47	7.18	7.07	7.07	7.07	7.14	7.18	10.00
Maintenance/Repairs	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Power / Fuel	3.98	3.98	3.98	4.35	4.20	4.13	4.13	4.13	4.18	4.20	4.33
Salary & Welfare	13.02	13.02	13.02	14.37	13.81	13.59	13.59	13.59	13.74	13.81	20.00
Production Fees	78.66	81.79	83.35	84.62	80.78	80.62	82.25	80.62	80.73	80.78	81.10
Subtotal — Cash Costs	106.47	109.60	111.16	113.81	108.97	108.41	110.04	108.41	108.78	108.97	118.43
Non-Cash Costs											
Depreciation	24.09	17.12	16.44	17.39	16.18	14.89	14.31	13.64	13.84	13.96	15.21
Production Fees	—	—	—	—	—	—	—	—	—	—	—
Subtotal — Non-Cash Costs	24.09	17.12	16.44	17.39	16.18	14.89	14.31	13.64	13.84	13.96	15.21
TOTAL	130.56	126.72	127.60	131.20	125.15	123.30	124.35	122.05	122.62	122.93	133.63

TABLE 3.7

PROJECTED OPERATING PERFORMANCE
YITAI GROUP MINES
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012 Year 2	2013 Year 3	2014 Year 4	2015 Year 5	2016 Year 6	2017 Year 7	2018 Year 8	2019 Year 9	2020 Year 10	2021 Year 11	2022 Year 12	2023 Year 13	2024 Year 14	2025 Year 15	2026 Year 16	2027 Year 17	2028 Year 18	2029 Year 19	2030 Year 20	2031 Year 21	2032 Year 22	2033 Year 23
Annual Production (ROM tonnes-000)																						
Dadijing	3,300	3,500	3,500	3,270	3,270	3,270	3,230	3,130	2,760	1,920	1,920	1,920	1,920	1,920	1,740	1,810	1,840	1,840	1,840	1,820	1,810	250
Baoshan	2,200	2,200	2,200	2,200	2,200	2,000	1,550	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dingjiaqu	3,000	2,500	2,000	2,000	2,000	2,000	2,000	790	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Chengyi	1,200	1,200	1,200	1,220	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baijialiang	490	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total — Production	10,190	9,400	8,900	8,690	7,470	7,270	6,780	3,920	2,760	1,920	1,920	1,920	1,920	1,920	1,740	1,810	1,840	1,840	1,840	1,820	1,810	250
Longwall Retreat(m)																						
Dadijing	3,740	4,130	4,610	3,500	3,500	3,500	3,550	4,000	4,515	4,500	4,500	4,500	4,500	4,500	4,000	4,000	4,000	4,000	4,000	4,000	4,000	420
Baoshan	3,150	3,150	3,150	3,150	3,150	3,900	3,850	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dingjiaqu	4,840	4,840	4,840	7,400	7,400	7,400	7,400	2,960	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Chengyi	4,550	4,600	4,580	4,650	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baijialiang	1,050	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total — Longwall Retreat	17,330	16,720	17,180	18,700	14,050	14,800	14,800	6,960	4,515	4,500	4,500	4,500	4,500	4,500	4,000	4,000	4,000	4,000	4,000	4,000	4,000	420
Longwall Moves																						
Dadijing	2	2	4	2	3	2	2	4	5	4	3	2	4	5	5	3	3	2	3	4	3	—
Baoshan	2	1	2	1	2	4	4	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dingjiaqu	3	6	2	4	4	5	9	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Chengyi	7	5	6	4	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baijialiang	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total — Longwall Moves	16	14	14	11	9	11	15	6	5	4	3	2	4	5	5	3	3	2	3	4	3	—
Seam Thickness(m)																						
Dadijing	3.2	3.1	2.8	3.6	3.6	3.6	3.5	2.9	2.5	1.5	1.5	1.5	1.5	1.5	1.6	1.7	1.6	1.6	1.6	1.7	1.7	1.7
Baoshan	3.5	3.5	3.5	3.5	3.5	2.8	1.9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dingjiaqu	2.8	2.5	2.0	1.3	1.3	1.3	1.3	1.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Chengyi	1.5	1.2	1.3	1.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baijialiang	3.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wt Avg — In Seam Thickness	3.0	2.8	2.6	2.7	3.0	2.8	2.5	2.6	2.5	1.5	1.5	1.5	1.5	1.5	1.6	1.7	1.6	1.6	1.6	1.7	1.7	1.7

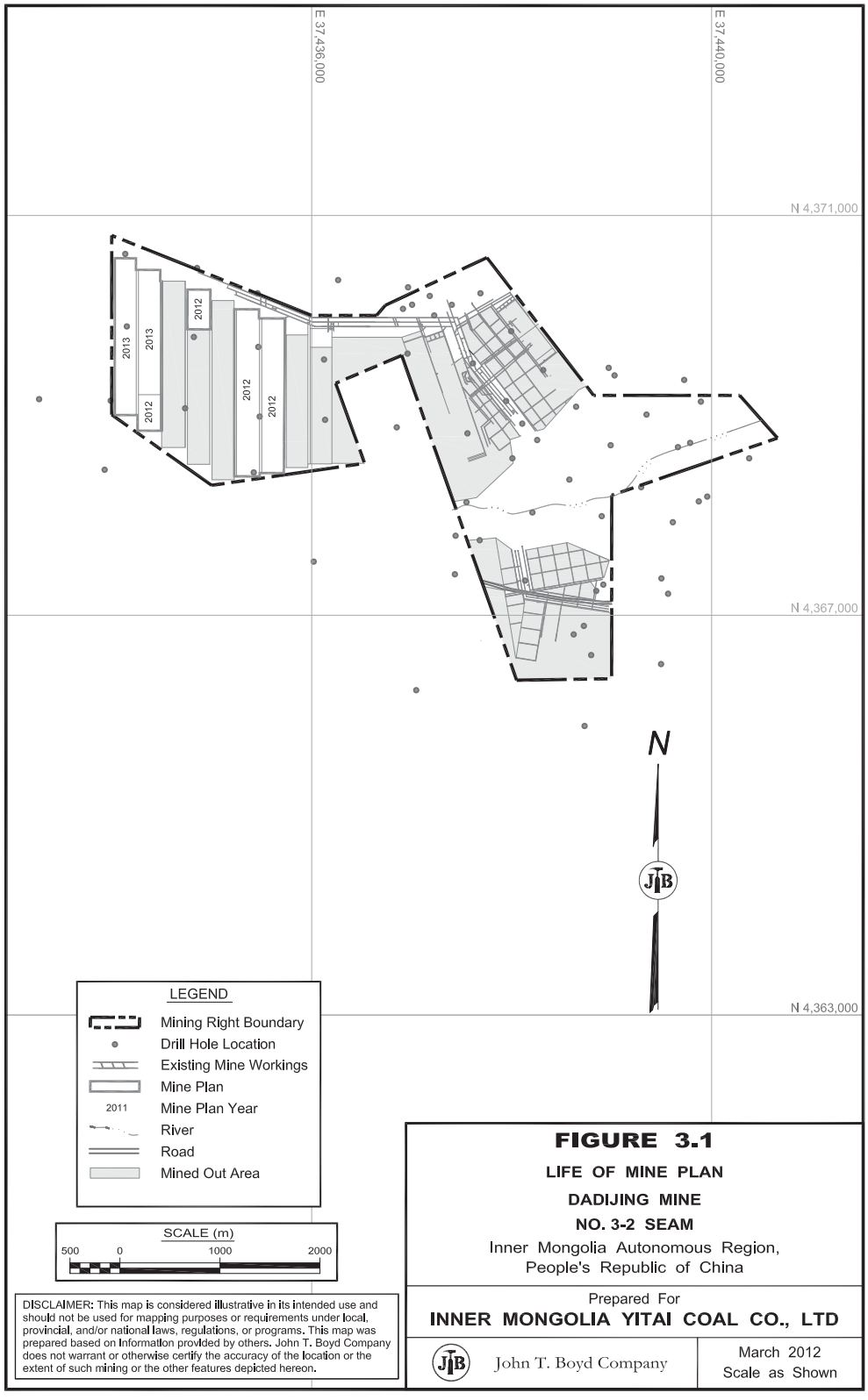

E 37,436,000
E 37,440,000
N 4,371,000
N 4,367,000
N 4,363,000
2012
2013
2013
2012
2012
2012
N
LEGEND
Mining Right Boundary
Drill Hole Location
Existing Mine Workings
Mine Plan
2011 Mine Plan Year
River
Road
Mined Out Area
SCALE (m)
500 0 1000 2000
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FIGURE 3.1
LIFE OF MINE PLAN
DADIJING MINE
NO. 3-2 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown

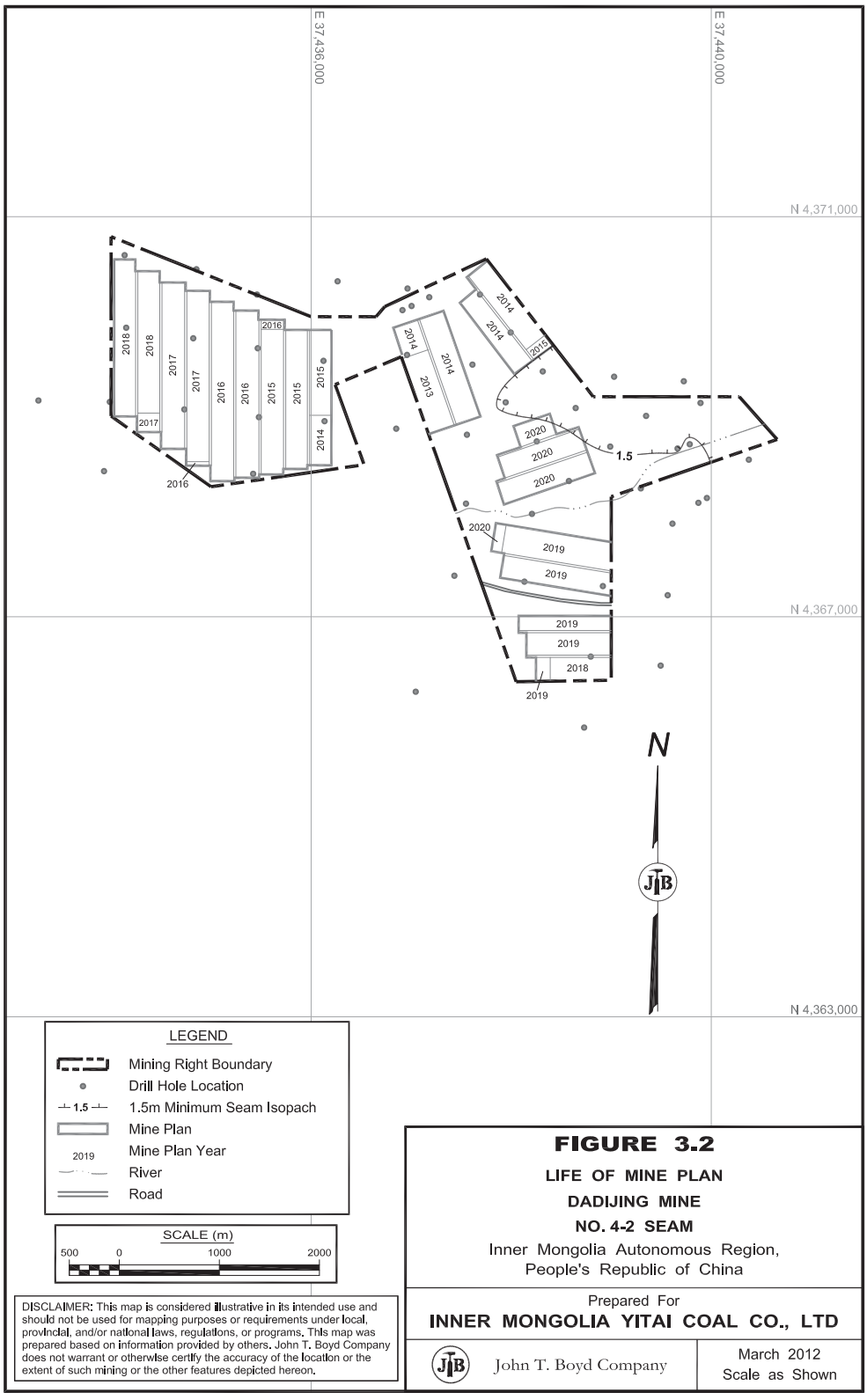
E 37,436,000
E 37,440,000
N 4,371,000
N 4,367,000
N 4,363,000
2018
2018
2017
2017
2016
2016
2015
2015
2015
2014
2016
2017
2016
2014
2014
2014
2013
2014
2015
2020
2020
2020
1.5
2020
2019
2019
2019
2019
2018
2019
N
LEGEND
Mining Right Boundary
Drill Hole Location
1.5 1.5m Minimum Seam Isopach
Mine Plan
2019 Mine Plan Year
River
Road
SCALE (m)
500 0 1000 2000
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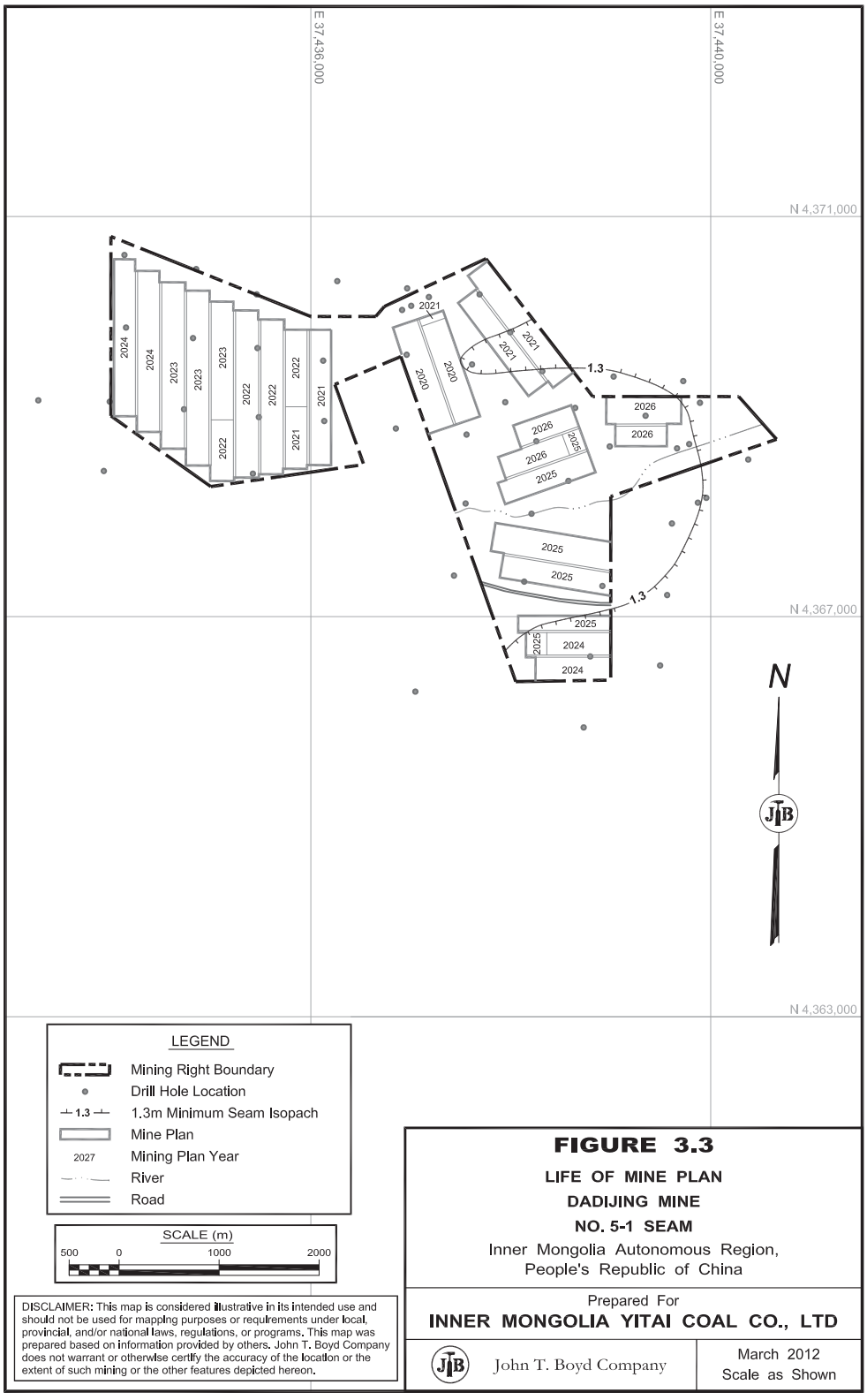
FIGURE 3.2
LIFE OF MINE PLAN
DADIJING MINE
NO. 4-2 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown


E 37,436,000
E 37,440,000
N 4,371,000
N 4,367,000
N 4,363,000
2024
2024
2023
2023
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2022
2022
2022
2022
2021
2021
2021
2021
2020
2020
1.3
2026
2026
2026
2025
2026
2025
2025
2025
2025
1.3
2025
2025
2024
2024
N
LEGEND
Mining Right Boundary
Drill Hole Location
1.3m Minimum Seam Isopach
Mine Plan
2027 Mining Plan Year
River
Road
SCALE (m)
500 0 1000 2000
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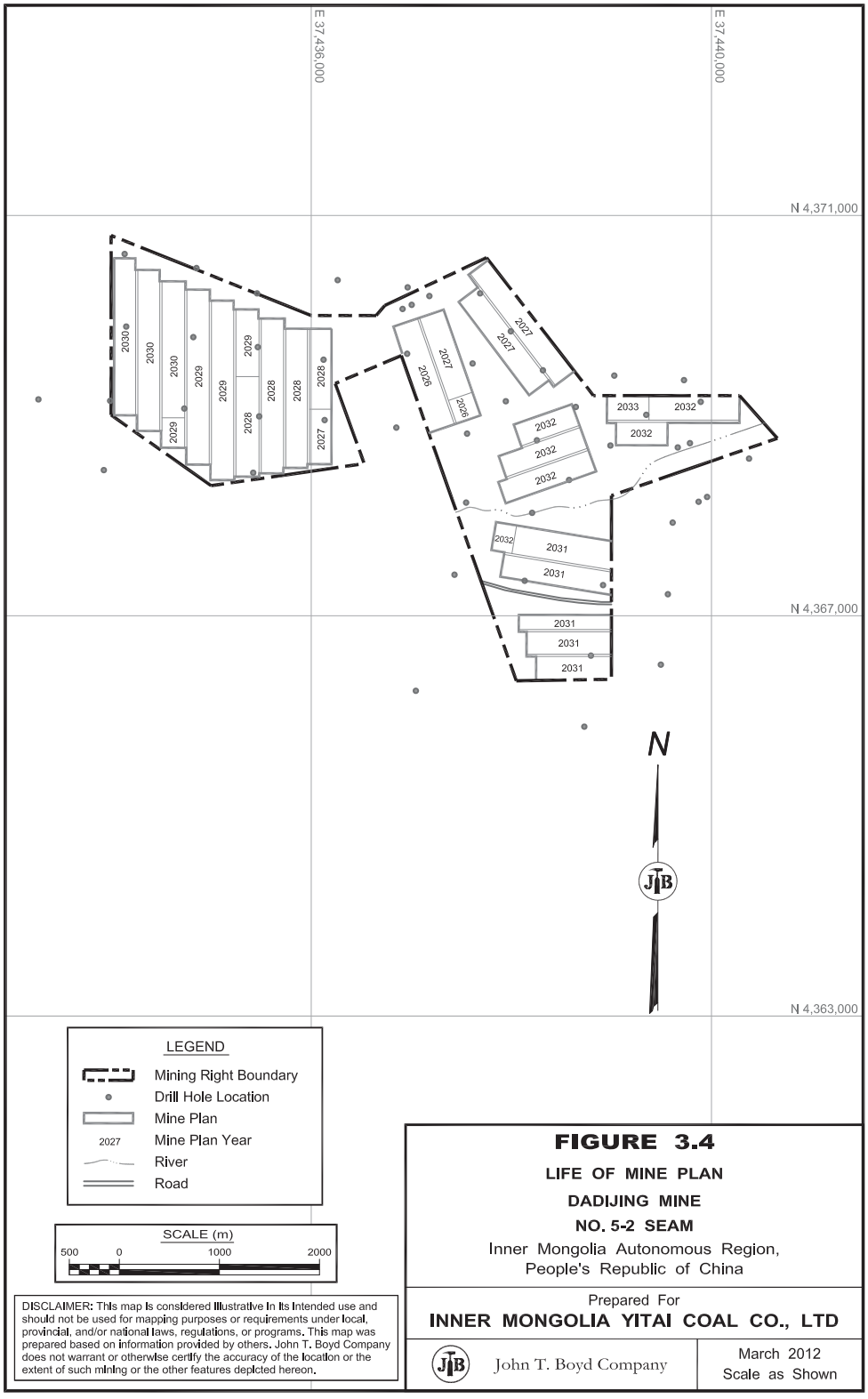
FIGURE 3.3
LIFE OF MINE PLAN
DADIJING MINE
NO. 5-1 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown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E 37,440,000
N 4,371,000
N 4,367,000
N 4,363,000
2030
2029
2028
2027
2026
2033
2032
2031
N
LEGEND
Mining Right Boundary
Drill Hole Location
Mine Plan
2027 Mine Plan Year
River
Road
SCALE (m)
500 0 1000 2000
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FIGURE 3.4
LIFE OF MINE PLAN
DADIJING MINE
NO. 5-2 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown

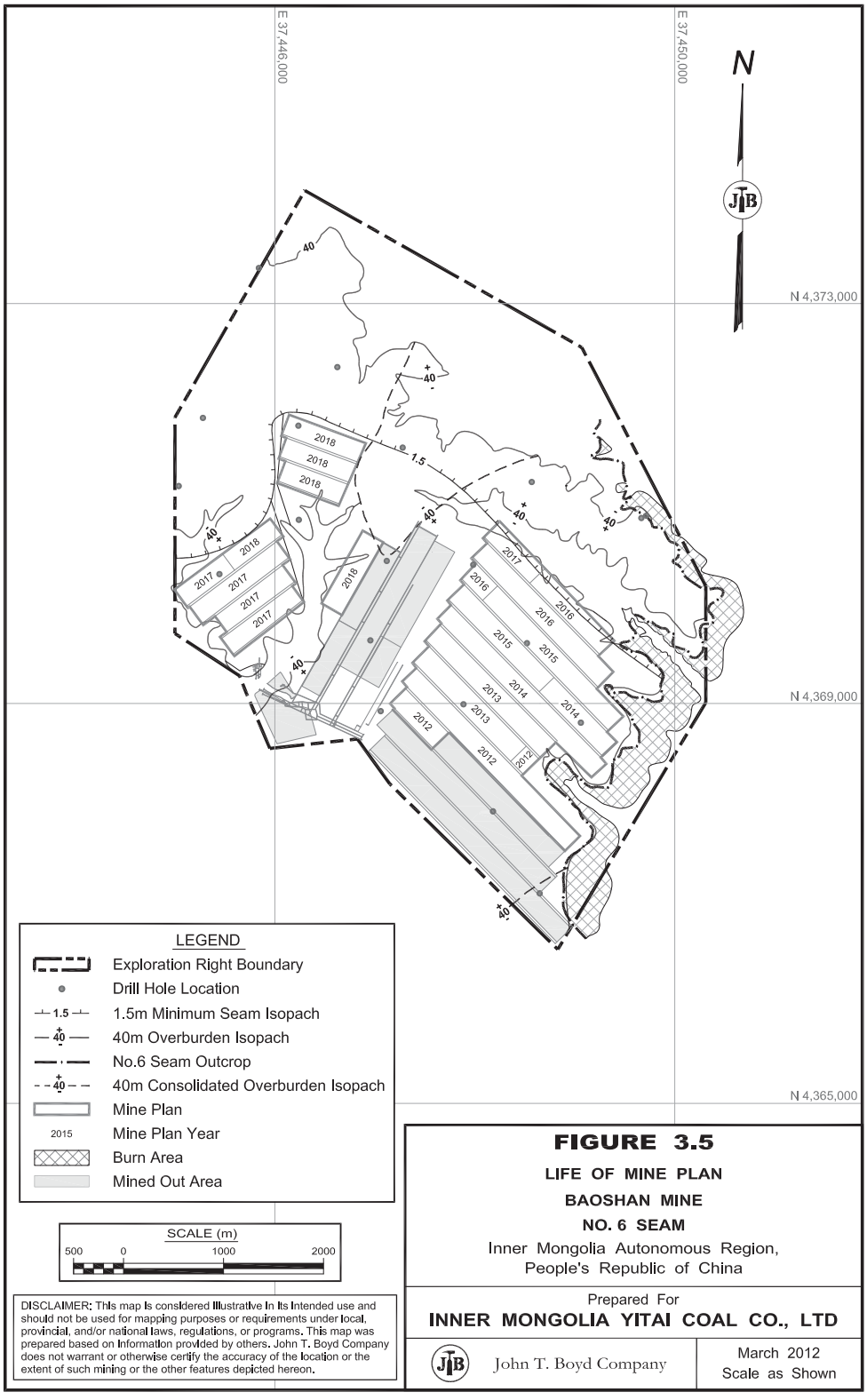
E 37,446,000
E 37,450,000
N
N 4,373,000
N 4,369,000
N 4,365,000
LEGEND
Exploration Right Boundary
Drill Hole Location
1.5m Minimum Seam Isopach
40m Overburden Isopach
No.6 Seam Outcrop
40m Consolidated Overburden Isopach
Mine Plan
Mine Plan Year
Burn Area
Mined Out Area
SCALE (m)
500 0 1000 2000
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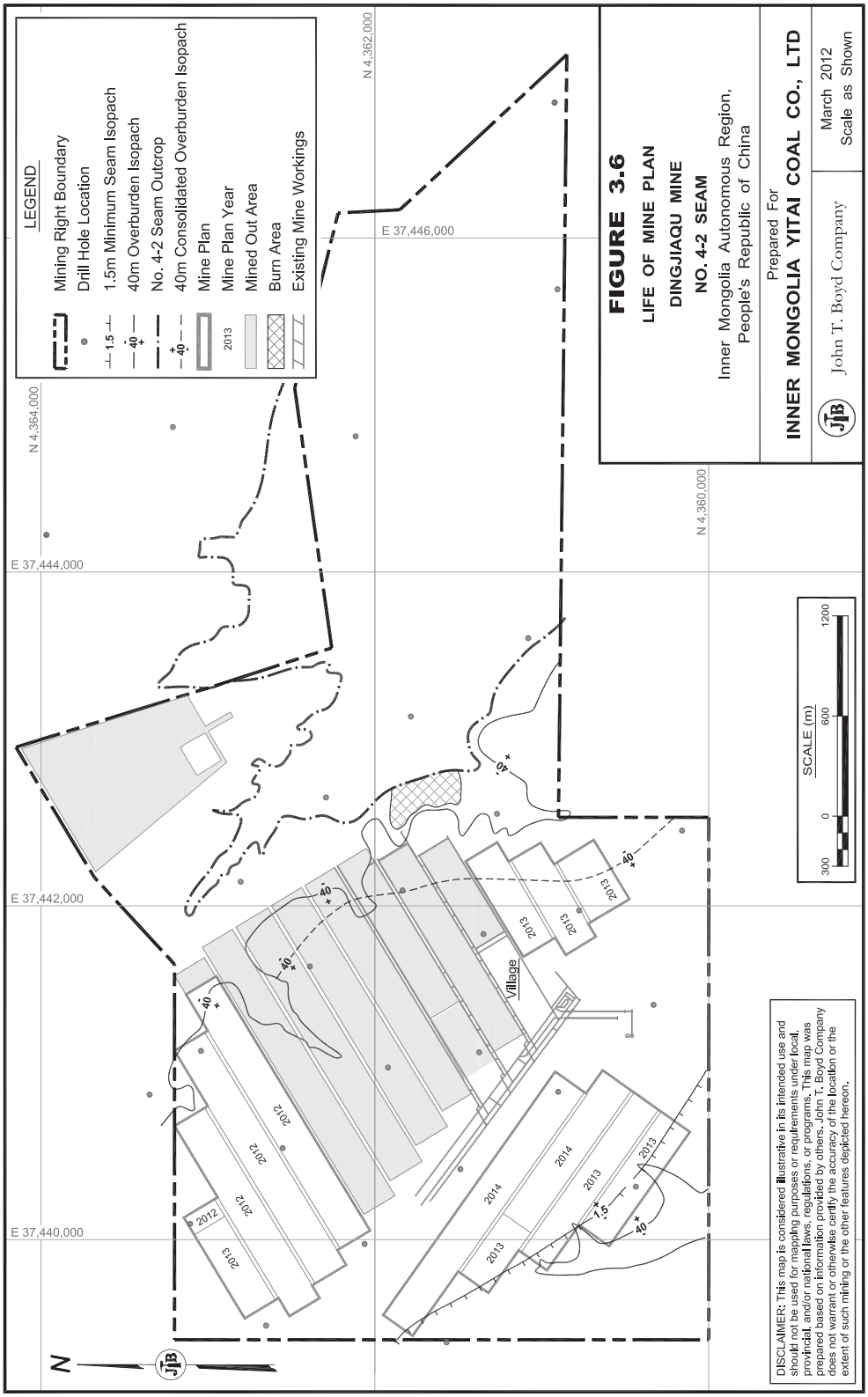
FIGURE 3.5
LIFE OF MINE PLAN
BAOSHAN MINE
NO. 6 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown


LEGEND
Mining Right Boundary
Drill Hole Location
1.5m Minimum Seam Isopach
40m Overburden Isopach
No. 4-2 Seam Outcrop
40m Consolidated Overburden Isopach
Mine Plan
Mine Plan Year
Mined Out Area
Burn Area
Existing Mine Workings
FIGURE 3.6
LIFE OF MINE PLAN
DINGJIAQU MINE
NO. 4-2 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown
N 4,364,000
N 4,362,000
N 4,360,000
E 37,444,000
E 37,446,000
E 37,442,000
E 37,440,000
Village
SCALE (m)
300 0 600 1200
N
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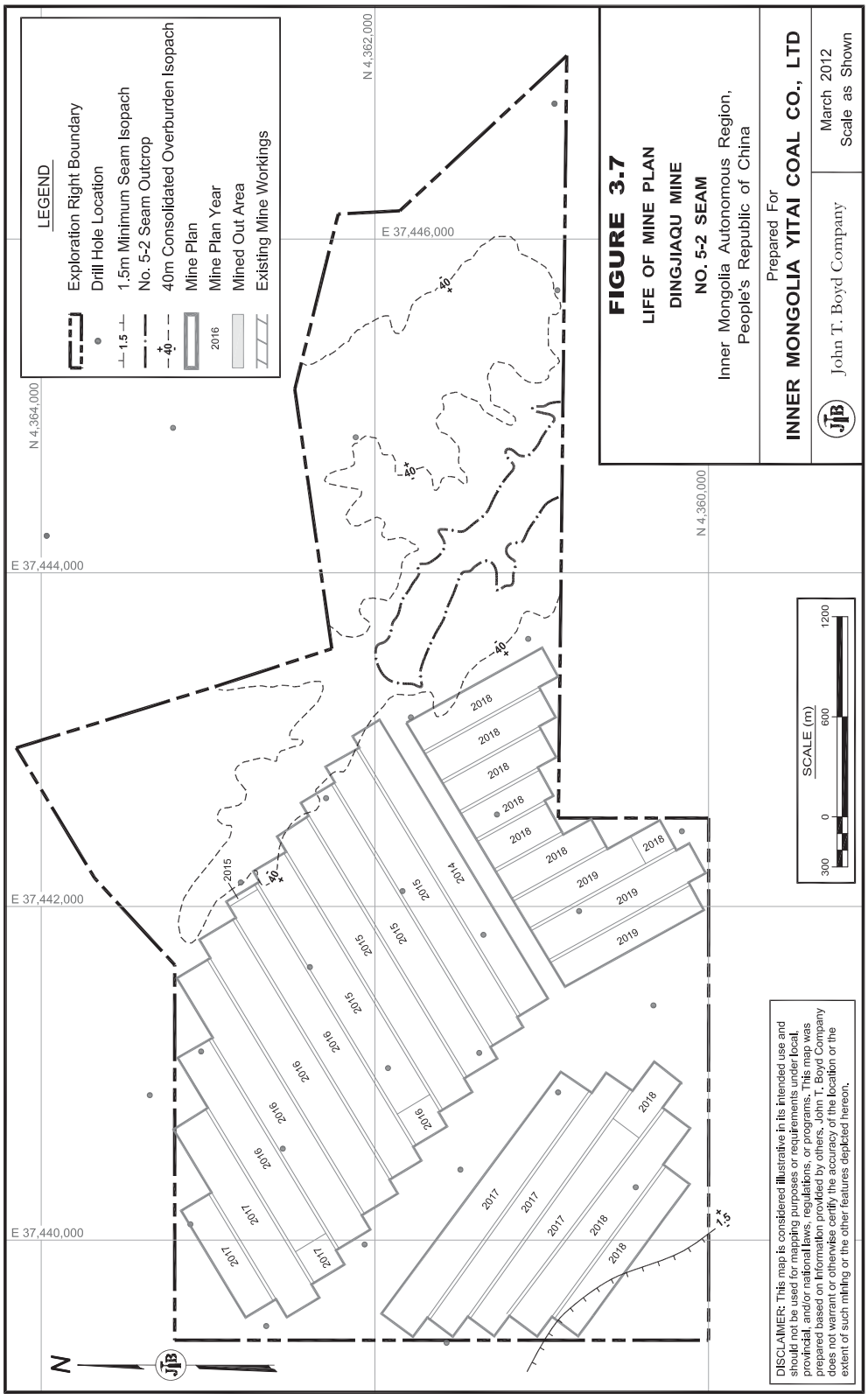
LEGEND
Exploration Right Boundary
Drill Hole Location
1.5m Minimum Seam Isopach
No. 5-2 Seam Outcrop
40m Consolidated Overburden Isopach
Mine Plan
Mine Plan Year
Mined Out Area
Existing Mine Workings
FIGURE 3.7
LIFE OF MINE PLAN
DINGJIAQU MINE
NO. 5-2 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown
N 4,362,000
N 4,364,000
N 4,360,000
E 37,446,000
E 37,444,000
E 37,442,000
E 37,440,000
SCALE (m)
300 0 600 1200
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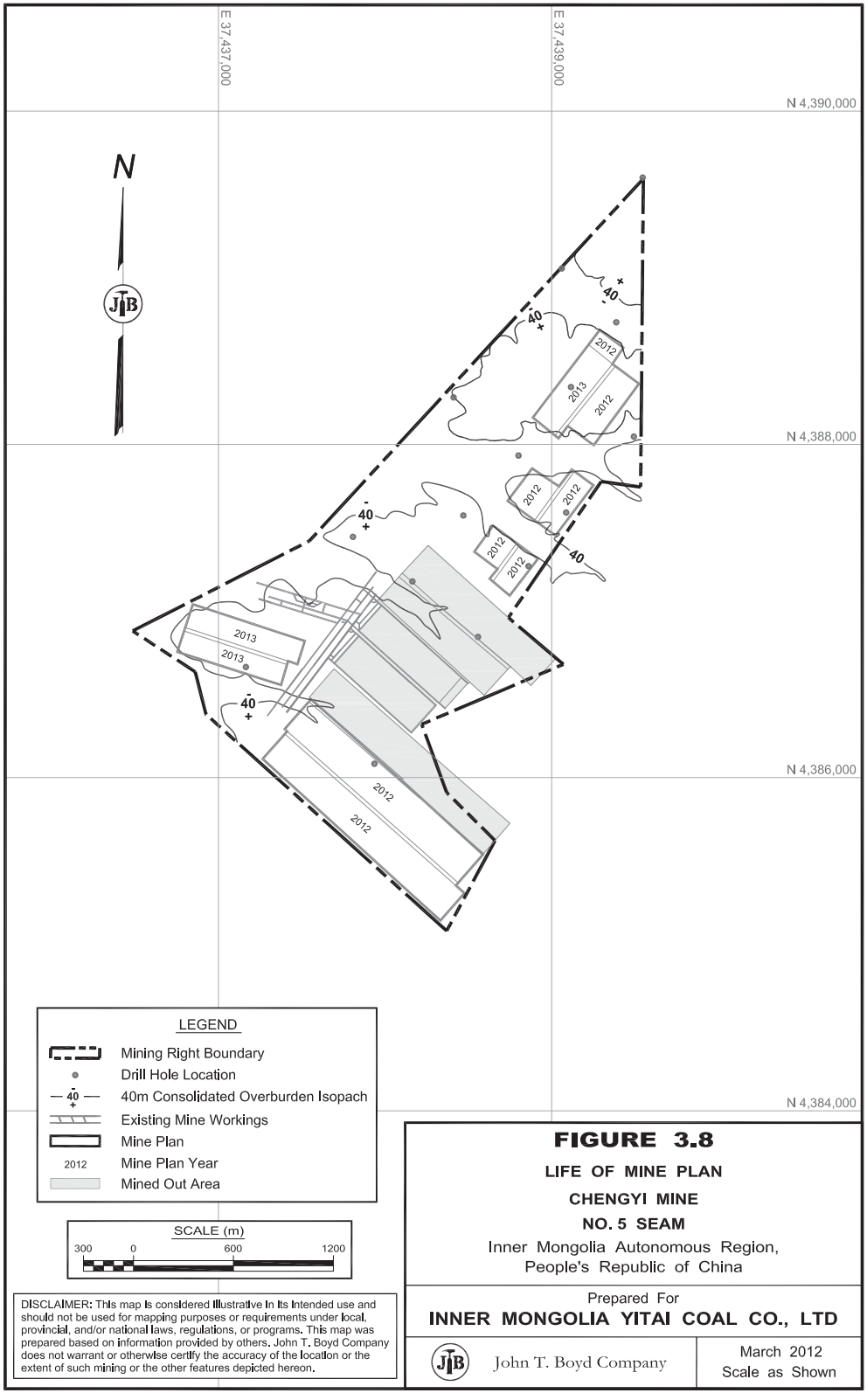
E 37,437,000
E 37,439,000
N 4,390,000
N 4,388,000
N 4,386,000
N 4,384,000
N
40
2012
2013
LEGEND
Mining Right Boundary
Drill Hole Location
40m Consolidated Overburden Isopach
Existing Mine Workings
Mine Plan
Mine Plan Year
Mined Out Area
SCALE (m)
300 0 600 1200
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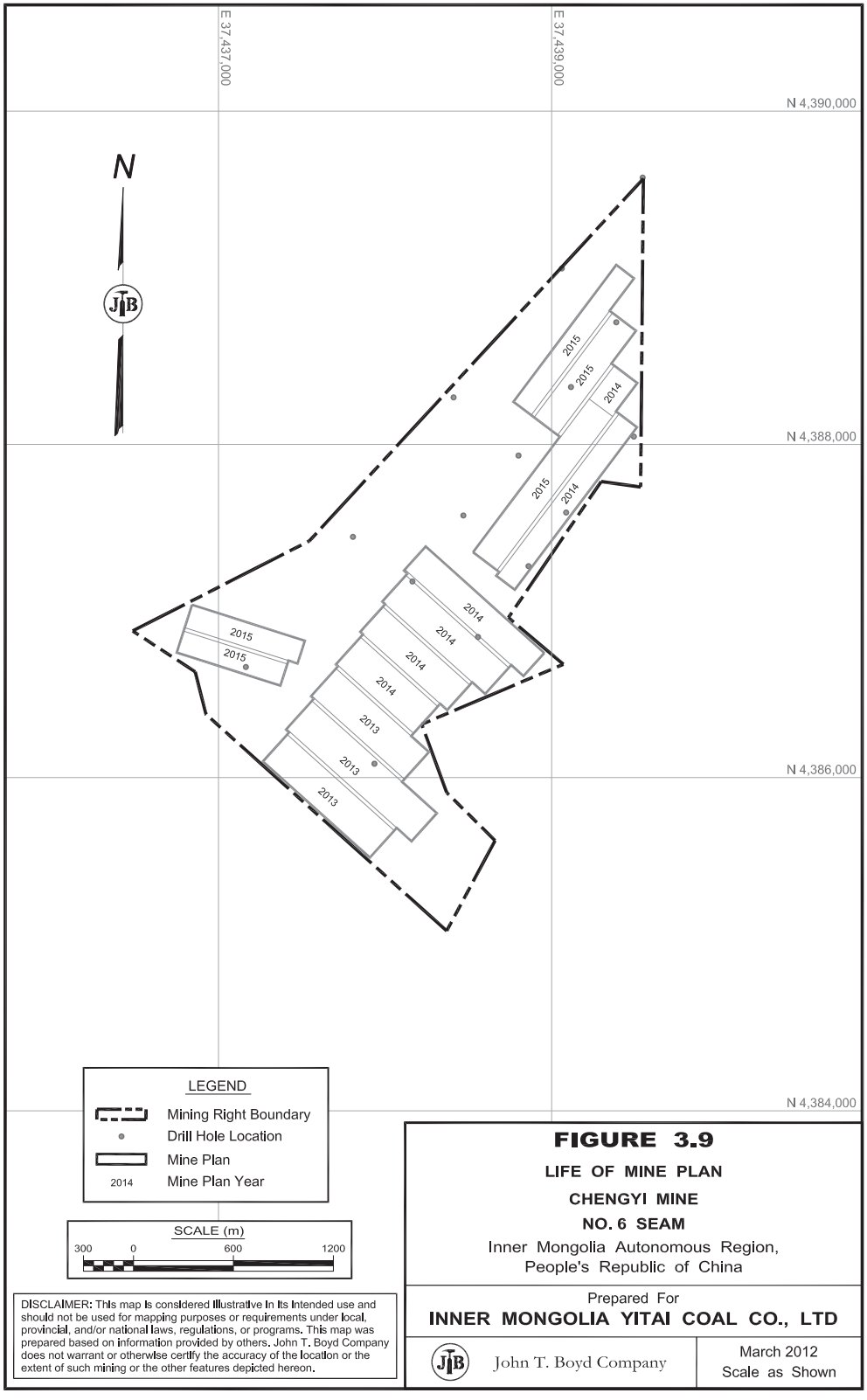
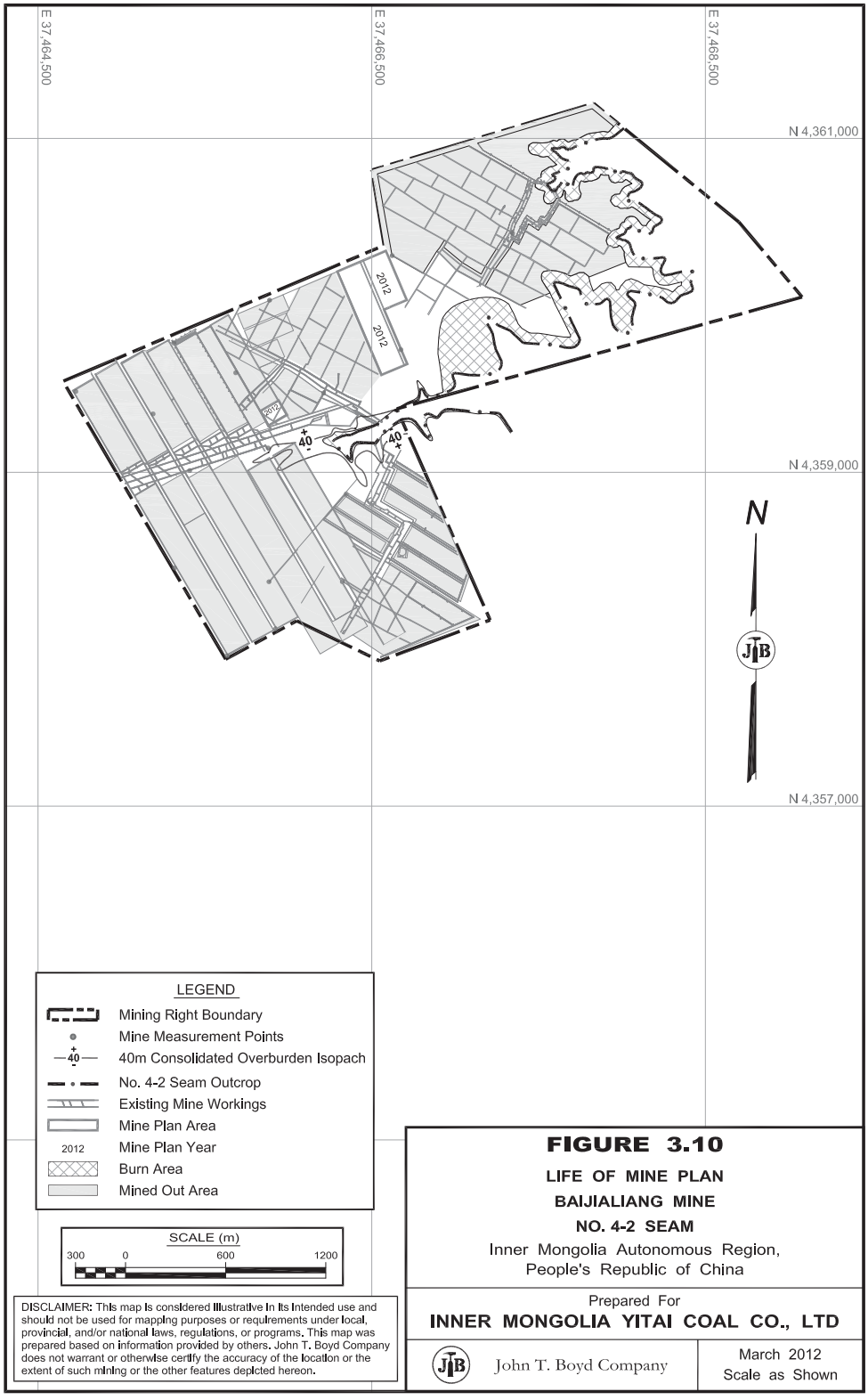
FIGURE 3.8
LIFE OF MINE PLAN
CHENGYI MINE
NO. 5 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown


E 37,437,000
E 37,439,000
N 4,390,000
N 4,388,000
N 4,386,000
N 4,384,000
N
2015
2015
2014
2015
2014
2015
2015
2014
2014
2014
2014
2013
2013
2013
LEGEND
Mining Right Boundary
Drill Hole Location
Mine Plan
2014 Mine Plan Year
SCALE (m)
300 0 600 1200
DISCLAIMER: This map is considered illustrative in its intended use and should not be used for mapping purposes or requirements under local, provincial, and/or national laws, regulations, or programs. This map was prepared based on information provided by others. John T. Boyd Company does not warrant or otherwise certify the accuracy of the location or the extent of such mining or the other features depicted hereon.
FIGURE 3.9
LIFE OF MINE PLAN
CHENGYI MINE
NO. 6 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown


E 37,464,500
E 37,466,500
E 37,468,500
N 4,361,000
N 4,359,000
N 4,357,000
2012
2012
2012
40
40
N
LEGEND
Mining Right Boundary
Mine Measurement Points
40m Consolidated Overburden Isopach
No. 4-2 Seam Outcrop
Existing Mine Workings
Mine Plan Area
2012 Mine Plan Year
Burn Area
Mined Out Area
SCALE (m)
300 0 600 1200
DISCLAIMER: This map is considered illustrative in its intended use and should not be used for mapping purposes or requirements under local, provincial, and/or national laws, regulations, or programs. This map was prepared based on information provided by others. John T. Boyd Company does not warrant or otherwise certify the accuracy of the location or the extent of such mining or the other features depicted hereon.
FIGURE 3.10
LIFE OF MINE PLAN
BAIJIALIANG MINE
NO. 4-2 SEAM
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
John T. Boyd Company
March 2012
Scale as Shown

4.0 VALUATION

4.1 Introduction

The assignment of this report is to opine on the FMV of the five Yitai Group underground coal mines, as of 1 January 2012. Following are the three generally accepted methods for valuing mineral and mineral-producing assets.

Replacement Cost determines the value of the mineral asset by first calculating the new cost to replicate the asset to its condition on the Valuation Date, then adjusting plant and equipment to a depreciated replacement value basis. In the case of undeveloped mineral holdings, the new cost would include exploration and mining right fees, exploration, technical studies, and other site development work. Although the Replacement Cost method has application in some situations (i.e., normally when valuing fixed assets and/or undeveloped mineral holdings), it seldom is appropriate when valuing developed or operating mineral properties.

Market Transaction/Comparable Sales method involves a comparison of the coal or mineral lands under study with transactions involving similar property interests that were sold in the open market. The known comparable sale(s) are, ideally, contemporaneous and include reserves having similar geologic and quality characteristics and are located in the general vicinity of the property being valued. The comparable sales approach, where comparisons are reasonably direct, is an acceptable method of appraisal. If direct comparable sales are not available, data from other mineral property sales can still be valuable to the appraiser. A general review, even though direct comparisons may not be possible, still provides insight into market activity, the number and nature of potential buyers and sellers, the level of market activity, range of prices paid, etc. This information is important in considering how a potential buyer would evaluate a property. The ability to use the Market Transaction method relies on both the availability of recent comparable transactions and an in-depth knowledge of the details of each transaction (e.g., assets conveyed, associated debt and liabilities, structure of payment, etc.).

Income method uses a discounted cash flow (DCF) operational analysis to estimate the net present value (NPV) of projected cash flow of the existing or planned mining operation. It is important to identify what asset is being valued. In the case of an operating mining business, the annual revenues and expenses are estimated for the mine over its remaining operating life, given realistic assumptions regarding mining plans, markets, etc. The revenues, less capital expenditures, operating costs, and taxes, derive the net cash flow from the property, which, when discounted at an appropriate rate, yield the NPV amount a willing buyer would pay for the business, including reserves, equipment and facilities, sales agreements, and other assets incorporated into the cash flow model.

4.2 Risk Assessment

4.2.1 Introduction

Coal mining operations are unlike other industrial facilities in that mines can be engineered or planned to a precise design capacity or cost structure, but there are inherent uncontrollable natural and external factors that can prevent the attainment of precise production, cost, and revenue targets. Mining operations are conducted in the earth's strata rather than within a homogeneous and controlled work environment.

There is inherent geologic risk, and mine operators must therefore contend with periodic adverse or variable geological conditions that cannot be fully anticipated in advance of actual mining activity. While the occurrences of these physical conditions are beyond the control of site management, it should not be interpreted that coal mining is inherently risky. On the contrary, there are established measures that mine operators utilize to minimize the operational and financial impacts associated with such encounters. Coal mining operations in the region have a demonstrated track record in sustaining consistent and predictable levels of performance.

Assessment of risk associated with any enterprise is largely subjective in nature and relies on the relevant experience of the professional completing the study in the specific industry and operating venue applicable to the subject enterprise. There are three general categories of business risk inherent in a mining operation, namely: geologic, operational, and market. For purposes of this study, we define risk in three general categories of consequence of risk rating, as follows:

- *Major Risk:* A factor that would have a material adverse effect (15% to 20% or higher) on project cash flow, if the specific risk occurred and was not corrected.
- *Moderate Risk:* A factor that would have significant adverse effect (10% to 15%) on project cash flow, if the specific risk occurred and was not corrected.
- *Minor Risk:* A factor that would have minimal or no adverse effect (less than 10%) on project cash flow, if the specific risk occurred and was not corrected.

However, equally, or perhaps more, important, is the likelihood that the specific risk will occur. For this study the following likelihood of occurrence rating apply:

- *Likely:* Event is likely to occur.
- *Possible:* Event may occur.
- *Unlikely:* Event is unlikely to occur.

The overall risk assessment combines these two components, consequence of risk rating and likelihood of occurrence, to determine the final categorization of risk, as shown below:

Likelihood of Risk	Consequence of Risk		
	Minor	Moderate	Major
	Overall Risk Assessment		
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

4.2.2 General Assessment

BOYD independently assessed the Yitai Group mining operations as a whole to be low in overall risk for the following reasons:

- Risk is mitigated by the diversity of production sources (Five); while production may be temporarily interrupted at one mine, the impact on total company performance is minor.
- The overall ranking of the geologic setting of Yitai Group mine is simple to moderate (i.e., not geologically complex).
- Coals projected to be mined are well explored by drilling and mining experience.
- The Yitai Group mine are located in established coalfields where general mining conditions are known and necessary infrastructure to support mining and coal marketing are in place.
- As a company, Yitai Group has the experienced management and technical capabilities to successfully operate their mines and to respond to operating interruptions and other event occurrences in a timely, professional, and proactive manner in order to minimize production and financial losses.
- Except for routine production risks, which all underground coal mine operators experience, BOYD has not identified any extraordinary known risk issues related to the future operation of the Yitai Group mines.
- While not anticipated, naturally occurring events such as flooding due to excessive rainfall or an earthquake, could occur but their impact would be regional in extent (i.e., not unique to Yitai Group).

- Yitai Group mines generally produce low sulfur content coals, classified principally as "long flame" (CY41) according to the Chinese coal classification system. The company has established markets for its coals, and risk of future sales (even with Yitai Group's projected growth in output) is considered low based on the robust nature of the Chinese economy and the competitive cost structure of the Yitai Group mines.

The following text provides an expanded discussion of mining-related risks and BOYD's assessment of the Yitai Group risk profile.

The risks identified by BOYD in this report apply to all Yitai Group mines generally in equal measure. That is, no mine stands out as having a significantly higher risk profile than the Yitai Group mines taken as a whole. There are no risks identified that appeared to apply to one mine more than other Yitai Group mines. We have not identified significant geological or mining-related issues during our review that would prevent Yitai Group mines from achieving raw coal output levels projected in our life-of-mine plans.

4.2.3 Geologic Risk

General Geologic Risk

The Yitai Group portfolio of mining properties includes 5 mines, with all mines located in the established producing Dongsheng coalfield. On a global basis, the geologic setting of the coal deposits controlled by Yitai Group are judged to be simple to moderate (i.e., not geologically complex). The mines are well defined by exploratory drilling and/or mining experience.

Unforeseen Geologic Anomalies

Unforeseen geological anomalies that extend over large areas could disrupt underground mine operations and require alterations of mining plans. Such an event can result in the cessation of production activities for an undefined but extended period of time (measured in months, and perhaps years) and a corresponding drop in revenue. Likewise, efforts to resume mining operations may result in cash losses during the period in which recovery and redevelopment activity is underway. Yitai Group mines, are reasonably defined by both drilling and mining experience. This minimizes the risk of unforeseen geologic anomalies.

Risk Assessment

Consequence
Rating: Low
Likelihood: Unlikely to Possible
Overall: Low

4.2.4 Operational Risks — Naturally Occurring Events

Weather

Extraordinary weather occurrences (e.g., excessive rainfall) can result in disruption to the mining operations caused by power outages, loss of access into the mine site (movement of mine personnel, receipt of necessary operating supplies, etc.) and from the mine site (inability to load trucks or trains to dispatch coal to market, etc.).

Earthquakes

Available geologic background data report the general location of the Yitai Group mines are not known to be highly seismic active and there is little history of serious earthquake activity.

Assessment

Any naturally occurring events would affect the broader region where the Yitai Group mines operate and the impact would be industry-wide.

Consequence
Rating: Minor to Major
Likelihood: Unlikely
Overall: Low

4.2.5 Operational Production Risks

There are two primary types of operational risks associated with underground coal mining: production and event.

4.2.5.1 Production Risks

The first category of risk includes those variations in physical mining conditions, mechanical failures, and operational activities that can temporarily disrupt production activities. The most common of these are as follows:

- Roof control issues and roof falls.
- Poor mining conditions (poor roof, floor, ribs).
- Water accumulations/soft floor conditions.
- Ventilation disruptions and concentrations of methane gas.
- Variations in seam consistency, thickness, and structure.
- Failures or breakdowns of operating equipment and supporting infrastructure.

The preceding conditions and circumstances can adversely affect production in the short term, but are not regarded as significant to the long-term operation of the mining operations. Mine-level management is experienced and capable in dealing with these risks. BOYD does not regard the issues listed above as being material to Yitai Group mining operations or otherwise significantly compromising projected financial performance over the long term, although some short-term variance to projected output and financial performance should be anticipated.

Forward mine planning uses productivity parameters and cost experience which incorporate historic experience (including routine interruptions to the mining process).

Assessment

Consequence Rating:	Minor
Likelihood:	Likely
Overall:	Low

Longwall Subsidence

Yitai Group mines utilize longwall (LW) mining practices which by their design cause subsidence of the overlying strata. The damage caused by LW subsidence is an issue in many countries and regions where LW mining techniques are utilized, and mining companies are sometimes restricted as to where LW mining operations can be performed. Generally the surface lands above the LW mines are devoid of densely populated residential areas, or large commercial or industrial structures. These tend to be sited near the lower elevations or shallower cover areas near major drainages. Consequently, undermining of structures is not a significant issue in the case of Yitai, Group and the company is in the position of remediating damages to the occasional structure that may be undermined. Minor surface drainages are likewise undermined after measures are taken to either relocate the course of the drainage or lining for the stream floor. In our view, Yitai Group is essentially unrestricted in its LW planning except for the aquifer zones, which, when and where present, require special planning.

Based on Chinese geotechnical practice, LW mining in areas and coal seams where the depth of cover is less than 40 m is likely to be problematic. LW face operation may be compromised because of the instability caused by excessive water infiltration and incompetent roof (extensive strata fracturing) likely to occur under shallow depths of cover. Pressure on the LW shields can be abnormally high because the shields are supporting the entire overburden load rather than the immediate roof below the main roof. Where warranted, we adjusted the Yitai Group mine plan projections and reserve estimates to exclude areas with less than 40 m of overburden depth, unless there was an established history of successful mining.

Proper mine design and planning can either avoid or minimize the damages from subsidence in protected surface areas. While subsidence is a by-product of LW mining, it can be controlled and mitigation actions taken by the mine operator to remediate surface damages.

Assessment

Consequence Rating:	Minor
Likelihood:	Unlikely for Surface Land Restrictions
	Possible for Shallow Cover Restrictions
Overall:	Low

4.2.5.2 Event Risks

The second type of risk is categorized as event risk. Items in this category are rare, but significant occurrences are confined to an individual mine and ultimately have a pronounced impact on production activities and corresponding financial outcomes for that mine. Following such events, all mines are subject to increased inspection/examinations and subsequent penalties and/or actions imposed by the PRC regulatory authorities. Examples of production-related event risks are:

- Major underground fires.
- Explosions.
- Flooding of the Underground Workings.

4.2.5.3 Major Underground Fires

The potential for major underground fires is significant in any underground coal mining operation due to the combustible nature of the material being mined and the industrial setting with machinery using combustible diesel fuel and lubrications. Fires generally occur from explosions (see below), equipment fires, belt conveyor system fires, or spontaneous combustion. Equipment fires rarely result in major mine fires due to on-board extinguisher systems and in-mine firefighting gear. A major event due to an out-of-control equipment fire is a potential but small risk.

Belt conveyor fires pose a higher order risk due to their extended and generally untended expanse. Belt conveyors by definition have moving parts which can be prone to friction. Monitoring systems and effective belt patrol and maintenance programs are critical to avoiding major events. These practices also result in improved belt availability and performance. Because of the potential for fires, belt conveyors are monitored for products of combustion, and potential event-prone areas such as transfer points have water spray installations designed to engage if a high temperature is detected. Generally these measures are adequate to avoid belt fires, but the potential is always present if the systems are not managed properly.

The last major source of mine fires is spontaneous combustion, which is a common occurrence throughout the world mining industry. Spontaneous combustion typically occurs in areas that are not well-ventilated, where the combination of self-heating and oxygen is adequate to support a sustained heating until a fire breaks out. In well-ventilated areas, the heat is carried away; in tightly sealed areas the oxygen supply does not support sustained combustion. LW gob areas are especially susceptible to spontaneous combustion incidents. If not controlled, the combustion can inflame the surrounding workings and also ignite methane, if present.

Typical of lower rank coals, the coal seams in the Yitai Group mines are rated as having significant potential for spontaneous combustion. This is well-recognized by the company and mine plans take this into account. Proper sealing of gob areas and appropriate ventilation designs may reduce the oxidation process and prevent spontaneous combustion. Alternately, measures for rendering sealed areas inert, such as nitrogen injection and mud injection, are planned by Yitai Group. Eliminating gob ventilation also serves to minimize the potential for gob fires due to spontaneous combustion.

According to Yitai Group, there have not been any spontaneous combustion incidents reported to date. Not ventilating the LW gob post-mining (no bleeder systems), the relatively high rate of LW face retreat and rapid sealing of the LW panel upon completion of mining are probably the largest deterrents to spontaneous combustion incidents. Care should be given to seal surface fissures caused by subsidence from mining to prevent air and water from entering the mined-out areas below. These cracks are especially prevalent in shallow cover areas.

The potential for spontaneous combustion incidents will remain a significant risk issue for Yitai Group, but operating experience to date indicates that present practices are effective.

Assessment

Consequence
Rating: Minor to Major
Likelihood: Unlikely
Overall: Low

4.2.5.4 Explosions

Coal mine explosions typically are initiated by methane ignitions followed by coal dust explosions. Coal dust itself does not typically ignite, although under certain conditions it is possible. The reserves mined by Yitai Group are generally rated as explosive in a dust form as is the case for nearly all coals in the world. The key to preventing explosions is the prevention of methane ignitions. In this regard, Yitai Group is fortunate in that the mines in the have relatively low in situ methane content. Consequently, methane emissions are low during LW mining operations as observed by BOYD on several occasions.

Methane content typically increases with depth, as mining operations in the principal mining right areas proceed, methane levels are likely to increase but will remain relatively low by industry experience. Thus, present mining practices as regards ventilation are likely to be adequate for minimizing the potential for methane ignitions.

Yitai Group mines, as do mines in all progressive, regulated coal industries worldwide, take standard (state mandated) precautions for avoiding methane ignitions, including:

- Monitoring of airways for potential buildup of methane levels.
- Use of flame-proof enclosures for electrical controls and power-related components.
- Use of methane monitors and automatic de-energizing circuits on all road header development and LW face equipment.
- Ban of personal smoking materials.
- Routine sealing of areas where mining has been completed.
- Installation of water curtains in the event an ignition occurs.

Ventilation systems are designed to effectively remove methane from the mines at concentrations that are intrinsically safe (less than 1% of atmosphere). Yitai Group mines do not utilize rock dust, which is commonly used in the United States as an explosion deterrent; rock dust is not typically used in China and other international coal industries.

If diligent practices are pursued, the risk of explosion can be minimized. The occasions of explosions have been relatively rare (although not eliminated) in the advanced international underground coal mining industries. Given present practices, the risk of an explosion is remote in our view.

Assessment:

Consequence
Rating: Minor to Major
Likelihood: Unlikely
Overall: Low

4.2.5.5 Floods

Risk from floods occurring in the underground mine workings can take two forms. One possibility is intercepting unmapped flooded workings. These incidents have periodically occurred in every major coal mining country, including the United States. Due to the relatively recent history of mining in the Yitai Group mines, past mining is relatively well charted and mining activity can leave protective barriers about abandoned mines with confidence. An accidental flooding from uncharted works has a low likelihood of occurring in the Yitai Group mines.

A second risk arises from the potential inflow of ground water contained in faults and fissures and from surface and ground water entering the mine as a result of LW subsidence. Yitai Group is highly cognizant of the potential disruption to mining activities and takes appropriate precautions to avoid significant inrushes of water from these sources. Standard precautions typically include:

- Barriers left adjacent to known high displacement faults.
- Protection barriers maintained under large bodies of surface water and known high volume aquifers.
- Dewatering of aquifers through surface drilling or advance drilling underground if the potential for high water flow is significant.

Due to the concerns evident in discussions with engineering and geologic personnel, we would rate the potential for disruption to mining operations from inrushes of water as minor. Water inflows experienced at the Yitai Group mines are typical of the region and are within the capabilities of well-designed pumping stations. The underground mines have sufficient water-handling systems. All mines have designed effective pumping systems with redundant primary sump pumps that control water inflows from the coal seam and overlying/ underlying strata.

Assessment

Consequence Rating:	Minor to Major
Likelihood:	Unlikely
Overall:	Low

4.2.6 External Risk — Regulation

Various levels of government are involved in the promulgation and enforcement of regulations under which the Yitai Group mines must operate. These include operating standards and requirements, and the payment of fees and taxes. While governmental regulation policies are industry-wide, and beyond the control of Yitai Group, the company is responsible for operating their mines and facilities in compliance with all governmental regulations now in effect (or any future regulations).

The Yitai 2012–2014 projections for coal output significantly exceed current mining right and production certificate output authorizations at a majority of the Yitai and Yitai Group mines. Yitai and Yitai Group mines in some instances have exceeded output authorizations recently, although no regulatory intervention has been reported to BOYD. The practice of exceeding output authorization, which is widespread in China, receives widely varying treatment from local, provincial and regional regulatory bodies. There is uncertainty whether overproduction will be permitted over the long-term, Yitai's applications for higher output levels will be approved, or higher authorizations will equate to output projections.

To our knowledge, Yitai has paid required resource fees to obtain mining rights, and governmental taxes and fees.

Passage of more restrictive or onerous government regulations could have adverse effects on future Yitai Group operations, but such a risk would be industry-wide and is unquantifiable at this time.

Assessment

Consequence
Rating: Minor to Moderate
Likelihood: Unlikely
Overall: Low

4.2.7 Market Risk

Achieving Yitai Group cash flow projections depends on sustaining coal sales at prices specified in the cash flow analysis. A substantial reduction in market prices would have a material effect on financial performance. Such an event would occur if there were surplus alternative coals from other suppliers, or a reduction in demand from Yitai Group's customer base. It is BOYD's opinion that new competitors are unlikely to generate surplus production capacity. There are high barriers to entry, as new mine development requires significant capital investment and government approvals. However, such an event would directly impact (lower) total company revenues and could negatively impact the fixed cost structure and sustaining capital investments at individual mines.

Market risk is mitigated by the established nature of Yitai Group mines and customer base, and the sustained growth of the Chinese economy, which is expected to continue over the seven-year risk assessment study period.

Assessment

Consequence
Rating: Minor to Moderate
Likelihood: Unlikely
Overall: Low

4.3 Valuation Method Selected

The Income Method of mineral valuation is used in this report based on:

- Nature of the valuation.
- Development status of the coal assets being valued.
- Extent and reliability of available source data.

Yitai has entered into an Assets Transfer Agreement with Yitai Group under which Yitai Group agrees to transfer the subject mineral assets to Yitai after completion of the Yitai Global Offering and listing on the HKEx. This Valuation Report provides our independent opinion of the FMV of the Yitai Group mining operations on a debt-free basis, in support of the two pending transactions. The Fair Market Value represents both the Technical Value and the Market Value. The DCF-NPV used to develop BOYD's opinion of Market Value is by VALMIN definition, also the Technical Value. In completing the forward mining projections used as the foundation of the cash flow, the BOYD Competent Evaluator reviewed all primary components for reasonableness and adjusted projected output, capital costs, operating costs and coal prices were warranted in our expert opinion. The resulting cash flow projection is intended to be reasonable and achievable, and further adjustments (i.e., changes to the Technical Value for "market strategic or other considerations" (VALMIN Code D43)) are therefore not considered appropriate in the judgment of the Competent Evaluator. The Income Approach is accepted as an appropriate valuation method, and the preferred method when valuing an established mining company.

Income Method (or an operational analysis) is the preferred approach in the case of Yitai Group because all five mines are fully developed as coal (income) producing assets. Our valuation opinion is based on a site (mine) specific analysis of each operation's projected income (net cash flow) over its remaining mine life. Only JORC qualified reserves are included under mine plan and cash flow projections used in this report.

As required by HKEx Chapter 18 rules, all reported reserves are sufficiently explored to be classified as either Proved Reserve or Probable Reserve. In addition, each Yitai Group mine has an established production record. The transition process, to consolidate prior smaller mines into a larger operation (to improve economy of scale — output reliability and lower costs), and to implement modern LW technology, is completed. Reliability of forward mine plans (production and economics) is considered low to moderate risk.

BOYD/Competent Evaluator assigned the 10% discount rate based on our expert judgment and experience considering:

- Yitai Group is a fully developed and operating coal mining and sales business.
- International standards (i.e., guidelines specified by the US federal government when valuing federally owned coals) specify the use of a 10% discount rate. Though situated in the Chinese coal fields (Dongsheng), the Yitai Group mines face risks similar to those found in all major underground coal producing regions in the world. The Yitai Group mining-related risks are not *unique* to Yitai Group but are generally experienced to an extent by all underground coal mining operations worldwide. Accordingly, in the opinion of the Competent Evaluator, Yitai Group mines can be appropriately evaluated in light of international experience.
- Currently, the Chinese coal mining industry utilizes the Minimum Attractive Rate of Return (MARR) to determine the economic viability of projects. The MARR functions as a Discount Rate. The economic evaluation of all FSR, PDR, and project proposals are based on this discounting factor. Presently, a 10% discount rate for all coal-related mining projects is mandated by the PRC State Council's Decisions of Investment Mechanism Reformation, the Economic Valuation and Parameters of Coal Mine Construction Projects (third edition), as compiled in Implementing Regulations of Economic Valuation and Parameters, which was executed as National Energy Coal Policy (2011), 380th Pronouncement.
- Under Chapter 18 and Appendix 25 of Hong Kong Listing Rules, the alternative of using a fixed discount rate of 10% is permitted when valuing (proven and probable) petroleum reserves. While this rate is specified for petroleum reserves, Yitai Group's coal reserves are similarly defined to the same level of reliability in our opinion.
- In our view, the elements of risk associated with Yitai Group mining operations are incorporated into the Company's forward projections through 2015 including annual coal production and estimated mining costs. In addition, the baseline we consider is the historical experience of Yitai Group (and other proprietary industry knowledge) while operating under mining conditions with similar site specific geological and operating risks.
- Research of discount rates used by analysts in several research reports valuing mining concerns operating in a large coal production region (i.e. western Canadian coal producers) indicates discount rates ranging from 8% to 10%. To our knowledge similar analyst research reports are not available for the various Chinese coal producing regions including the region where the Yitai Group mines are situated. Nevertheless, we believe the example cited from a large coal production region supports the 10% discount factor selection.
- Competent Evaluator's coal industry valuation experience developed over 40 years confirms that a 10% discount factor is appropriate for operating companies comparable to Yitai Group.

Additionally, the HKEx has previously accepted (precedent) the use of a fixed 10% discount rate when completing DCF-NPV determinations of Chinese mining companies.

While Yitai Group has five (5) mines, each with specific risks, our valuation is completed on a composite basis (i.e., total company value). Sourcing production from five mines mitigates risk and provides assurances of coal supply with the ability of any possible shortfall in one mine being offset by the remaining mines.

4.4 Major Assumptions

BOYD's valuation analysis is based upon the following major assumptions:

- No material changes in government policies and regulations will occur.
- Geological conditions over the mine service lives will be comparable to recent operating experience (BOYD has made adjustments for seam thickness variations).
- Mining operations will not be interrupted by external factors, such as mine accidents that result in mandated mine idle periods.
- Operating costs will not experience material fluctuations other than fluctuations occurring as a consequence of output variations resulting from anticipated variations in seam thickness or transitions to lower lying seams.

- Imposition of government taxes, fees or other charges will not increase or deviate substantially from current levels.
- The company's capital expenditure program will be implemented as scheduled.
- Company management are competent, responsible and capable to execute work plans as demonstrated by their recent performance.
- Force majeure events such as war, natural disasters, etc. do not occur during the mine service lives.

4.5 Valuation Procedure

As shown in Chapter 3 of this report (and detailed in the separate Competent Person's Report also prepared by BOYD), we have developed LOM plans for each mine that provide the foundation of the cash flow projections. Level of study of the LOM plans is considered to be Prefeasibility. All plans are limited to defined JORC Code qualified Proved and Probable Reserves (as developed by BOYD in the Competent Person's Report).

The following valuation parameters and assumptions are used to develop our base FMV:

1. Annual coal production, operating cost, and capital expenditures are derived from the LOM plan (developed by BOYD) for each mine. A summary of BOYD's LOM plan is shown in Table 3.7. Single LW face operation is projected through depletion at the mines.
2. All costs and prices are expressed in constant RMB values.
3. Annual cash flow projections are calculated on an after-tax basis, with annual capital expenditures deducted in the year incurred. Yitai provided Chinese tax rates for individual mines, that varied between 15%-25%, which recognize preferred tax rates for Inner Mongolia A.R. industrial development.
4. Discounting is completed using a fixed rate of 10% with mid-year discounting when assigning the period applicable to each year.
5. VAT is 17% of revenue with a credit for purchases of materials, supplies, power, and equipment.
6. Corporate general and administrative costs are based on Yitai projections and projected forward on an RMB per tonne of ROM output on a mine specific basis.
7. The Coal Resource Fee is RMB3.2 per tonne of ROM output.
8. Other sales taxes are 4% of the VAT.
9. Working capital/parts/inventory projected in 2012 are estimated at 25% of revenue; a credit is taken in the last year of mine operation. BOYD believes our assignment of 100% working capital requirements in Year 1 of the valuation is appropriate for an arms-length sale between a willing buyer and willing seller on the date of valuation. Credit for existing company working capital would need to be specified since the seller would now be agreeing to transferring this cash amount to the new buyer as part of the sale.
10. Equipment purchases reflect Yitai Group projections for 2012—2014 and BOYD estimates of requirements post-2014.
11. Sustaining capital spending is projected on an approximate RMB6 per tonne of ROM output basis.
12. Decommissioning (reclamation/environmental) costs are projected in the last year of mine operation.
13. Production Maintenance Fee and Safety Fund Fee, RMB9.0 and RMB3 per tonne of ROM output, respectively, have been included as cash costs as directed by Yitai Group.
14. Financial expenses and amortization have been excluded from our analysis as directed by Yitai Group.

Occurrences of Proved Reserve and Probable Reserve are comingled, and it is not technically possible to develop mine plans based solely on Proved Reserves.

4.6 Coal Pricing

Yitai Group sells its coal production at a variety of locations, including: mine-gate, loading station, direct rail and ports (Qinghuangdao, Caofeidian and Jingtanggang). With the exception of mine-gate sales, coal sales at the remaining locations are to customers where rail transport is necessary and as such, price of coal at those locations are higher than mine-gate prices. In order to reflect the value premium of coal sales at those

locations beyond the mine-gate and transportation advantages gained from the Yitai Group transportation divisions, we requested data reflecting market pricing for coal sold at each location. To incorporate the off-mine-site coal sale prices but to adjust such prices to the equivalent netback FOB coal prices at the mine gate, "off-mine-site selling costs" per tonne of coal are deducted.

Netback FOB mine-gate coal price = off-mine-site coal sale price – off-mine-site selling cost

"Off-mine-site selling costs" are intended to include all transportation and sales components necessary to reach final point of dispatch (truck to rail dispatch, dispatch to port, port fees, rail fees, G&A, sales, commissions, taxes and/or miscellaneous fees). We have been provided composite data for all non mine gate sales in order to derive the average historical market-based "off-mine-site selling costs" data for coal sold at dispatch locations.

Off-mine-site coal sales prices and tonnages for Yitai No. 3 and No. 4 port sale coal were provided for the 12-month period from January 2011 to December 2011. Mine-gate coal sale prices for the same period were provided. "Off-mine-site selling costs" were then deducted from the average monthly off-mine-site coal sale prices to reach the monthly netback FOB mine-gate coal price.

The 12-month netback prices were then averaged to arrive at a composite price for each mine. In accordance with HKEx18.33(4), the historical composite pricing was then utilized within the valuation model as future pricing for each mining operation. The off mine gate sales provided a significant premium in pricing as compared to similar quality coals sold at the minegate.

The 12-month netback composite pricing (12 months prior to evaluation: January 2011 - December 2011) is summarized as follows from Table 4.7:

Year	Sales[1] Tonnes (Mt)	Price[2] RMB/ Tonne
Prior 12 Months (January 2011 - December 2011)		
Dadijing	4.68	429
Baoshan	2.16	477
Dingjiaqu	5.55	424
Chengyi	4.21	400
Baijialiang	2.07	478
Total/Composite	18.69	432

(1) Total Sales tonnes include all mine-gate and off-site sales. These may differ slightly from historical production output as a result of coal purchased from third parties.

(2) FOB Mine-gate (VAT inclusive): Composite of mine-gate and off-site sales less total "off-mine-site selling cost."*

* "Off Mine Site Selling Cost": includes all transportation necessary to reach final points of dispatch (truck to rail dispatch, dispatch to port, port fees, rail fees, G&A, sales, commissions, taxes and/or misc. fees)

4.7 Base Case FMV

As shown on Tables 4.1 through 4.5: Independent Valuation, Discounted Cash Flow Analysis, Yitai Group Mining Operations (by mine), the total Base FMV of the five mining operations on the Yitai Group interest basis is RMB8,726 million.

Mine	Full Interest Valuation FMV (DCF-NPV)[(1),(2)]	Yitai Group Ownership (%)	Yitai Group Ownership Valuation[(1),(2),(3)]
Dadijing	4,349	100.0	4,349
Baoshan	2,559	73.0	1,868
Dingjiaqu	2,495	73.0	1,821
Chengyi	594	100.0	594
Baijialiang	94	100.0	94
Total	10,090		8,726

(1) RMB millions (1 January 2012).

(2) Figures may not add due to rounding.

(3) Yitai Group interest basis.

4.8 Probable Value Range

To provide guidance on the probable range in value, we have completed a series of sensitivity DCF-NPV analyses. The probable range in value using the variables below to the specified Base Case FMV parameters using a 10% discount factors are as follows:

Sensitivity Case	Valuation FMV (DCF-NPV)[1],[2]
Sales Price (+20%)	11,300
Sales Price (+10%)	10,000
Operating Cost (–10%)	9,200
Capital Cost (–10%)	8,800
Capital Cost (+10%)	8,600
Operating Cost (+10%)	8,300
Flat Chinese Income Tax Rate (25%)	7,800
Sales Prices (–10%)	7,500
Production (–10%)	7,400
Sales Prices (–20%)	6,100

(1) RMB millions (1 January 2012).

(2) Yitai Group interest basis.

The probable range in value using discount factors ranging from 8% to 12% are as follows:

Discount Factor (%)	Yitai Group Ownership Valuation[1],[2]
8	9,555
9	9,122
10	8,726
11	8,361
12	8,025

(1) RMB millions (1 January 2012).

(2) Yitai Group interest basis.

Although BOYD has used a 10% discount factor to arrive at our Base FMV for the Yitai Group mines, the sensitivity range of 8% to 12% encompasses the typical range of discount rates applied to these type of assets. While we believe the 10% discount factor is appropriate and reasonable, an alternate factor in the range of 8% to 12% would also be appropriate.

Following this page are:

Tables

Discounted Cash Flow

4.1: Dadijing Mine

4.2: Baoshan Mine

4.3: Dingjiaqu Mine

4.4: Chengyi Mine

4.5: Baijialiang Mine

4.6: Yitai Group Composite

4.7: Coal Price Summary, Yitai Group Mines

TABLE 4.1

DISCOUNTED CASH FLOW
DADIJING MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Production Tonnes (millions)	3.30	3.50	3.50	3.27	3.27	3.27	3.23	3.13	2.76	1.92	1.92
Sales price (RMB/tonne)	429	429	429	429	429	429	429	429	429	429	429
Revenue RMB (millions)	1,417	1,503	1,503	1,404	1,404	1,404	1,387	1,344	1,185	824	824
Total Operating Cost (RMB/tonne)	105.0	109.1	111.7	108.6	113.9	113.7	113.1	113.9	121.5	135.7	134.7
	RMB (millions)										
Total Operating Costs	347	382	391	355	372	372	365	356	335	261	259
Value Added Tax	227	247	248	227	215	232	229	222	180	135	135
Corporate G&A	35	35	36	37	42	42	41	40	35	25	35
Coal Resource Fee	11	11	11	10	10	10	10	10	9	6	6
Other Taxes	20	22	22	20	19	21	21	20	16	12	12
Total Cost of Sales	639	697	708	649	660	677	667	648	576	439	447
Taxable Income	778	806	795	755	744	727	720	696	609	385	377
Income Tax	194	121	119	113	112	109	108	104	91	96	94
Net After-Tax Income	583	685	676	641	633	618	612	591	518	289	283
Working Capital/Parts/Inventory	354	—	—	—	—	—	—	—	—	—	—
Equipment	46	20	15	39	106	10	10	8	98	5	4
Sustaining Capital	2	2	2	9	10	10	10	8	23	20	4
Decommissioning	—	—	—	—	—	—	—	—	—	—	—
Deductions to Income	402	21	16	48	116	19	19	16	121	25	9
Depreciation	29	29	27	32	47	49	45	38	49	50	51
Amortization	—	—	—	—	—	—	—	—	—	—	—
Safety Fund Fee	—	—	—	—	—	—	—	—	—	—	—
Financial Expenses	—	—	—	—	—	—	—	—	—	—	—
Production Maintenance Fee	—	—	—	—	—	—	—	—	—	—	—
Additions to Income	29	29	27	32	47	49	45	38	49	50	51
Net Cash Flow After-Tax (RMB — millions)	211	693	687	625	564	648	639	613	446	314	325
Discounted Cash Flow at 10%	201	601	541	448	367	384	344	300	198	127	120
Cumulative Discounted Cash Flow	201	801	1,343	1,790	2,157	2,541	2,885	3,185	3,383	3,510	3,629

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Production Tonnes (millions)	1.92	1.92	1.92	1.74	1.81	1.84	1.84	1.84	1.82	1.81	0.25
Sales price (RMB/tonne)	429	429	429	429	429	429	429	429	429	429	429
Revenue RMB (millions)	824	824	824	747	777	790	790	790	781	777	107
Total Operating Cost (RMB/tonne)	130.6	126.7	127.6	131.2	125.2	123.3	124.3	122.1	122.6	122.9	133.6

TABLE 4.1 — Continued

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	RMB (millions)										
Total Operating Costs	251	243	245	228	227	227	229	225	223	223	33
Value Added Tax	135	135	135	123	113	130	130	130	128	128	18
Corporate G&A	35	35	35	32	33	34	34	34	33	33	13
Coal Resource Fee	6	6	6	6	6	6	6	6	6	6	1
Other Taxes	12	12	12	11	10	12	12	12	12	12	2
Total Cost of Sales	439	432	433	400	388	408	410	406	402	401	67
Taxable Income	385	392	391	347	389	382	380	384	379	376	40
Income Tax	96	98	98	87	97	95	95	96	95	94	10
Net After-Tax Income	289	294	293	260	292	286	285	288	284	282	30
Working Capital/Parts/Inventory	—	—	—	—	—	—	—	—	—	—	(354)
Equipment	4	4	4	4	94	4	5	5	5	5	—
Sustaining Capital	4	4	4	4	4	19	20	5	5	5	—
Decommissioning	—	—	—	—	—	—	—	—	—	—	5
Deductions to Income	9	9	9	9	99	24	24	9	9	9	(349)
Depreciation	46	33	32	30	29	27	26	25	25	25	4
Amortization	—	—	—	—	—	—	—	—	—	—	—
Safety Fund Fee	—	—	—	—	—	—	—	—	—	—	—
Financial Expenses	—	—	—	—	—	—	—	—	—	—	—
Production Maintenance Fee	—	—	—	—	—	—	—	—	—	—	—
Additions to Income	46	33	32	30	29	27	26	25	25	25	4
Net Cash Flow After-Tax (RMB — millions)	326	318	316	282	222	290	287	304	300	298	384
Discounted Cash Flow at 10%	109	97	87	71	51	60	54	52	47	42	49
Cumulative Discounted Cash Flow	3,738	3,835	3,922	3,993	4,044	4,104	4,158	4,210	4,257	4,299	4,349

TABLE 4.2

DISCOUNTED CASH FLOW
BAOSHAN MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015	2016	2017	2018
Production Tonnes (millions)	2.20	2.20	2.20	2.20	2.20	2.00	1.55
Sales price (RMB/tonne)	477	477	477	477	477	477	477
Revenue RMB (millions)	1,050	1,050	1,050	1,050	1,050	954	739
Total Operating Cost (RMB/tonne)	85.6	87.3	89.4	84.2	87.3	94.1	97.3
	RMB (millions)						
Total Operating Costs	188	192	197	185	192	188	151
Value Added Tax	170	172	172	174	174	157	122
Corporate G&A	17	18	18	19	21	19	15
Coal Resource Fee	7	7	7	7	7	6	5
Other Taxes	15	16	15	16	16	14	11
Total Cost of Sales	399	405	410	400	409	385	303
Taxable Income	651	645	640	650	641	569	436
Income Tax	98	97	96	97	96	85	65
Net After-Tax Income	554	548	544	552	544	483	370
Working Capital/Parts/Inventory	263	—	—	—	—	—	(263)
Equipment	26	14	15	6	6	6	4
Sustaining Capital	—	—	—	6	6	6	4
Decommissioning	—	—	—	—	—	—	13
Deductions to Income	288	14	15	13	13	13	(240)
Depreciation	19	14	14	18	19	20	13
Amortization	—	—	—	—	—	—	—
Safety Fund Fee	—	—	—	—	—	—	—
Financial Expenses	—	—	—	—	—	—	—
Production Maintenance Fee	—	—	—	—	—	—	—
Additions to Income	19	14	14	18	19	20	13
Net Cash Flow After-Tax (RMB — millions)	285	548	543	558	551	490	624
Discounted Cash Flow at 10%	272	475	428	400	359	290	336
Cumulative Discounted Cash Flow	272	747	1,175	1,574	1,933	2,223	2,559

TABLE 4.3

DISCOUNTED CASH FLOW
DINGJIAQU MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015	2016	2017	2018	2019
Production Tonnes (millions)	3.00	2.50	2.00	2.00	2.00	2.00	2.00	0.79
Sales price (RMB/tonne)	424	424	424	424	424	424	424	424
Revenue RMB (millions)	1,272	1,060	848	848	848	848	848	335
Total Operating Cost (RMB/tonne)	67.9	69.8	72.0	77.8	81.6	83.5	89.7	115.4
	RMB (millions)							
Total Operating Costs	204	174	144	156	163	167	179	91
Value Added Tax	210	177	142	135	142	142	142	55
Corporate G&A	17	18	18	18	26	26	26	13
Coal Resource Fee	10	8	6	6	6	6	6	3
Other Taxes	19	16	13	12	13	13	13	5
Total Cost of Sales	460	393	323	328	350	354	367	167
Taxable Income	812	667	525	520	498	494	481	168
Income Tax	122	100	79	78	75	74	72	25
Net After-Tax Income	690	567	446	442	423	420	409	143
Working Capital/Parts/Inventory	318	—	—	—	—	—	—	(318)
Equipment	21	5	4	43	3	3	3	3
Sustaining Capital	2	18	18	3	3	3	3	3
Decommissioning	—	—	—	—	—	—	—	8
Deductions to Income	341	23	22	46	7	7	7	(303)
Depreciation	15	17	19	21	28	29	29	25
Amortization	—	—	—	—	—	—	—	—
Safety Fund Fee	—	—	—	—	—	—	—	—
Financial Expenses	—	—	—	—	—	—	—	—
Production Maintenance Fee	—	—	—	—	—	—	—	—
Additions to Income	15	17	19	21	28	29	29	25
Net Cash Flow After-Tax (RMB — millions)	365	561	443	417	444	442	432	471
Discounted Cash Flow at 10%	348	486	349	298	289	262	232	230
Cumulative Discounted Cash Flow	348	834	1,183	1,481	1,770	2,032	2,264	2,495

TABLE 4.4

DISCOUNTED CASH FLOW
CHENGYI MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015
Production Tonnes (millions)	1.20	1.20	1.20	1.22
Sales price (RMB/tonne)	400	400	400	400
Revenue RMB (millions)	480	480	480	488
Total Operating Cost (RMB/tonne)	125.6	127.7	130.2	120.6
	RMB (millions)			
Total Operating Costs	151	153	156	147
Value Added Tax	78	79	79	81
Corporate G&A	21	22	22	22
Coal Resource Fee	4	4	4	4
Other Taxes	7	7	7	7
Total Cost of Sales	261	264	268	262
Taxable Income	219	216	212	226
Income Tax	55	32	32	34
Net After-Tax Income	165	183	180	192
Working Capital/Parts/Inventory	120	—	—	(120)
Equipment	10	6	5	—
Sustaining Capital	—	3	3	—
Decommissioning	—	—	—	4
Deductions to Income	130	9	8	(116)
Depreciation	19	17	15	13
Amortization	—	—	—	—
Safety Fund Fee	—	—	—	—
Financial Expenses	—	—	—	—
Production Maintenance Fee	—	—	—	—
Additions to Income	19	17	15	13
Net Cash Flow After-Tax (RMB — millions)	53	191	187	322
Discounted Cash Flow at 10%	51	166	147	230
Cumulative Discounted Cash Flow	51	216	363	594

TABLE 4.5

DISCOUNTED CASH FLOW
BAIJIALIANG MINE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012
Production Tonnes (millions)	0.48
Sales price (RMB/tonne)	478
Revenue RMB (millions)	229
Total Operating Cost (RMB/tonne)	76.3
	RMB (millions)
Total Operating Costs	36
Value Added Tax	38
Corporate G&A	12
Coal Resource Fee	2
Other Taxes	3
Total Cost of Sales	92
Taxable Income	137
Income Tax	34
Net After-Tax Income	103
Working Capital/Parts/Inventory	—
Equipment	—
Sustaining Capital	—
Decommissioning	5
Deductions to Income	5
Depreciation	1
Amortization	—
Safety Fund Fee	—
Financial Expenses	—
Production Maintenance Fee	—
Additions to Income	1
Net Cash Flow After-Tax (RMB — millions)	99
Discounted Cash Flow at 10%	94
Cumulative Discounted Cash Flow	94

TABLE 4.6

DISCOUNTED CASH FLOW
YITAI GROUP COMPOSITE
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD.
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Production Tonnes (millions)	10.18	9.40	8.90	8.69	7.47	7.27	6.78	3.92	2.76	1.92	1.92
Sales price (RMB/tonne)	437	435	436	436	442	441	439	428	429	429	429
Revenue RMB (millions)	4,448	4,093	3,881	3,790	3,302	3,206	2,974	1,679	1,185	824	824
Total Operating Cost (RMB/tonne)	91.0	95.9	99.8	97.0	97.4	100.0	102.6	114.2	121.5	135.7	134.7
	RMB (millions)										
Total Operating Costs	926	901	888	843	728	727	696	448	335	261	259
Value Added Tax	724	675	640	617	531	531	493	277	180	135	135
Corporate G&A	103	92	94	96	89	87	82	54	35	25	35
Coal Resource Fee	33	30	28	28	24	23	22	13	9	6	6
Other Taxes	65	61	58	55	48	48	44	25	16	12	12
Total Cost of Sales	1,851	1,760	1,709	1,639	1,419	1,416	1,337	816	576	439	447
Taxable Income	2,597	2,333	2,172	2,151	1,883	1,790	1,637	863	609	385	377
Income Tax	503	350	326	323	282	268	246	130	91	96	94
Net After-Tax Income	2,094	1,983	1,846	1,828	1,600	1,521	1,392	734	518	289	283
Working Capital/Parts/Inventory	1,055	—	—	(120)	—	—	(263)	(318)	—	—	—
Equipment	104	45	39	88	116	19	17	11	98	5	4
Sustaining Capital	4	22	22	19	19	19	17	11	23	20	4
Decommissioning	5	—	—	4	—	—	13	8	—	—	—
Deductions to Income	1,167	67	61	(9)	135	38	(215)	(287)	121	25	9
Depreciation	84	77	74	84	94	97	88	63	49	50	51
Amortization	—	—	—	—	—	—	—	—	—	—	—
Safety Fund Fee	—	—	—	—	—	—	—	—	—	—	—
Financial Expenses	—	—	—	—	—	—	—	—	—	—	—
Production Maintenance Fee	—	—	—	—	—	—	—	—	—	—	—
Additions to Income	84	77	74	84	94	97	88	63	49	50	51
Net Cash Flow After-Tax (RMB — millions)	1,012	1,993	1,859	1,921	1,559	1,580	1,695	1,083	446	314	325
Discounted Cash Flow at 10%	965	1,727	1,465	1,376	1,015	935	912	530	198	127	120
Cumulative Discounted Cash Flow	965	2,692	4,157	5,533	6,548	7,484	8,396	8,926	9,124	9,251	9,371

TABLE 4.6 — Continued

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Production Tonnes (millions)	1.92	1.92	1.92	1.74	1.81	1.84	1.84	1.84	1.82	1.81	0.25
Sales price (RMB/tonne)	429	429	429	429	429	429	429	429	429	429	428
Revenue RMB (millions)	824	824	824	747	777	790	790	790	781	777	107
Total Operating Cost (RMB/tonne)	130.6	126.7	127.6	131.2	125.2	123.3	124.3	122.1	122.6	122.9	133.6
	RMB (millions)										
Total Operating Costs	251	243	245	228	227	227	229	225	223	223	33
Value Added Tax	135	135	135	123	113	130	130	130	128	128	18
Corporate G&A	35	35	35	32	33	34	34	34	33	33	13
Coal Resource Fee	6	6	6	6	6	6	6	6	6	6	1
Other Taxes	12	12	12	11	10	12	12	12	12	12	2
Total Cost of Sales	439	432	433	400	388	408	410	406	402	401	67
Taxable Income	385	392	391	347	389	382	380	384	379	376	40
Income Tax	96	98	98	87	97	95	95	96	95	94	10
Net After-Tax Income	289	294	293	260	292	286	285	288	284	282	30
Working Capital/Parts/Inventory	—	—	—	—	—	—	—	—	—	—	(354)
Equipment	4	4	4	4	94	4	5	5	5	5	—
Sustaining Capital	4	4	4	4	4	19	20	5	5	5	—
Decommissioning	—	—	—	—	—	—	—	—	—	—	5
Deductions to Income	9	9	9	9	99	24	24	9	9	9	(349)
Depreciation	46	33	32	30	29	27	26	25	25	25	4
Amortization	—	—	—	—	—	—	—	—	—	—	—
Safety Fund Fee	—	—	—	—	—	—	—	—	—	—	—
Financial Expenses	—	—	—	—	—	—	—	—	—	—	—
Production Maintenance Fee	—	—	—	—	—	—	—	—	—	—	—
Additions to Income	46	33	32	30	29	27	26	25	25	25	4
Net Cash Flow After-Tax (RMB — millions)	326	318	316	282	222	290	287	304	300	298	384
Discounted Cash Flow at 10%	109	97	87	71	51	60	54	52	47	42	49
Cumulative Discounted Cash Flow	9,480	9,576	9,664	9,734	9,785	9,845	9,900	9,952	9,998	10,041	10,090

TABLE 4.7

COAL PRICE SUMMARY
YITAI GROUP MINES
Inner Mongolia Autonomous Region, People's Republic of China
Prepared For
INNER MONGOLIA YITAI COAL CO., LTD
By
John T. Boyd Company
Mining and Geological Consultants
March 2012

	Dadijing		Baoshan		Dingjiaqu		Chengyi		Baijialiang		Yitai Group	
Prior 12 Months	Total Sales[1] Tonnes 000	Price[2] RMB/t	Total Sales[1] Tonnes 000	Price[2] RMB/t	Total Sales[1] Tonnes 000	Price[2] RMB/t	Total Sales[1] Tonnes 000	Price[2] RMB/t	Total Sales[1] Tonnes 000	Price[2] RMB/t	Total Sales[1] Tonnes 000	Price[2] RMB/t
January — 2011	208	445	153	474	396	451	308	409	152	454	1,218	442
February	252	530	178	549	214	462	259	386	201	539	1,105	488
March	340	406	228	498	409	411	661	375	229	494	1,867	418
April	494	386	170	518	331	398	307	380	132	518	1,434	415
May	597	388	180	459	505	410	295	448	228	458	1,806	420
June	532	415	102	489	506	445	229	445	204	462	1,573	440
July	406	412	154	490	520	488	419	415	184	429	1,683	445
August	253	482	211	487	445	411	670	394	134	491	1,712	430
September	379	446	185	438	564	395	318	408	123	478	1,570	421
October	444	471	208	430	699	400	195	399	140	471	1,687	428
November	397	437	194	413	509	395	160	387	146	490	1,407	418
December	382	428	195	495	456	453	397	394	194	467	1,624	439
12-Month — Composite	4,684	429	2,161	477	5,554	424	4,218	400	2,069	478	18,685	432

1.) Total Sales tonnes include all mine-gate and off-site sales. These may differ slightly from historical production output as a result of coal inventories.

2.) FOB Mine-gate (VAT inclusive): Composite of mine-gate and off-site sales less total "Cost of Sales" *

* "Cost of Sales": includes all transportation necessary to reach final points of dispatch (truck to rail dispatch, dispatch to port, port fees, rail fees, G&A, sales, commissions, taxes and/or misc. fees)

APPENDIX A 27 July 2010 Letter to John T. Boyd Company

27 July 2010

John T. Boyd Company
4000 Town Center Boulevard, Suite 300
Canonsburg, PA 15317
USA

Attention: Mr. John T. Boyd II
President and CEO

Subject: Valuation Report
Inner Mongolia Yitai Coal Co., Ltd.
Inner Mongolia Autonomous Region
People's Republic of China

Dear Sirs:

Inner Mongolia Yitai Coal Co., Ltd. (Yitai) engaged John T. Boyd Company (BOYD) in June 2010 to complete a Valuation Study of the Inner Mongolia Yitai Group Company Limited (Yitai Group) mines. The general locations of the Yitai Group's mines are in Junggar (Zhunge'er) Banner, and Ejin Horo Banner in Inner Mongolian Autonomous Region, People's Republic of China (PRC). Yitai Group's 5 mines are to be included in the Yitai Global Offering and listing on The Stock Exchange of Hong Kong (SEHK). The results of your review of the Yitai Group mines are discussed in the Competent Person's Report prepared by BOYD for Yitai's use in the Global Offering.

Yitai has entered into an Assets Transfer Agreement with Yitai Group. Pursuant to this agreement, Yitai Group agrees to transfer the assets and interests of the Group relating to coal production after completion of the Global Offering.

The BOYD Valuation Report must be prepared in accordance with SEHK Chapter 18 rules. Accordingly, as required by Chapter 18, this letter is intended to provide written confirmation to BOYD that Yitai Group has provided the following to BOYD for use in preparing the Valuation Report:

1. Full, accurate and true disclosure of all Material Information.
2. All necessary access to our Company's personnel and records.

Yitai Group also confirms with this letter that it has respected the independence of John T. Boyd Company during the preparation of the Valuation Report.

Best Regards,

INNER MONGOLIA YITAI COAL CO. LTD.

By: Donghai Zhang

APPENDIX B 1 March 2012 Letter to John T. Boyd Company

1 March 2012

John T. Boyd Company
4000 Town Center Boulevard, Suite 300
Canonsburg, PA 15317
USA

Attention: Mr. John T. Boyd II
President and CEO

Subject: Valuation Report
Inner Mongolia Yitai Coal Co., Ltd.
Inner Mongolia Autonomous Region
People's Republic of China

Dear Sirs:

Inner Mongolia Yitai Coal Co., Ltd. (Yitai) engaged John T. Boyd Company (BOYD) in June 2010 to complete a Valuation Study of the Inner Mongolia Yitai Group Company Limited (Yitai Group) mines. The general locations of the Yitai Group's mines are in Junggar (Zhunge'er) Banner and Ejin Horo Banner in Inner Mongolian Autonomous Region, People's Republic of China (PRC). Yitai Group's five mines are to be included in the Yitai Global Offering and listing on The Stock Exchange of Hong Kong (SEHK). The results of your review of the Yitai Group mines are discussed in the Competent Person's Report prepared by BOYD for Yitai's use in the Global Offering.

Yitai has entered into an Assets Transfer Agreement with Yitai Group. Pursuant to this agreement, Yitai Group agrees to transfer the assets and interests of the Group relating to coal production after completion of the Global Offering.

We confirm that Yitai has been provided a draft copy of the BOYD Valuation Report and the management of Yitai has reviewed the subject draft report and hereby verifies that:

- BOYD has accurately stated the material source data provided by Yitai.
- All information of an historical and/or factual nature is properly and accurately recorded.
- There is not any material omission of critical information in the BOYD valuation report.

Respectfully Submitted,

INNER MONGOLIA YITAI COAL CO. LTD

By: Donghai Zhang